



**Responsible
Investment Policy**
January 2022

**Better, faster, and more accessible
healthcare. Enabling world-class
leadership teams to succeed.**

Contents

1. Founding principles

2. Our commitments

3. Delivering on our commitments

4. A materiality approach

5. Incorporating climate change awareness into our process

6. Responsible investment governance

1. Founding principles

GHO Capital (“GHO”) has a purpose-driven investment model seeking opportunities that enable better, faster, and more accessible healthcare. GHO is committed to considering environmental, social, and governance (“ESG”) factors to mitigate risk, make better investment decisions, and build sustainable businesses.

Our structured Responsible Investment (“RI”) framework - outlined in this Policy - is an integral part of our investment process. The framework identifies ESG factors at every stage of the investment life cycle, from origination through to exit. Through consistent dialogue we aim to ensure that portfolio companies i) are aware of their ESG risks and opportunities; and ii) implement sustainability practices, measured and reported in their value creation plan.

2. Our commitments

At GHO we believe it is our fiduciary duty and social responsibility to incorporate ESG considerations into investment decision-making processes and we are committed to acting as a responsible steward of our investors’ capital.

GHO frames its RI approach around the six principles of the United Nations Principles for Responsible Investment (“UN PRI”), to which we have been a signatory since 2015. We commit to:

1. incorporating ESG considerations into our investment analysis and decision-making processes;
2. being active owners and incorporating ESG considerations into our ownership policies and practices;
3. seeking appropriate disclosure on ESG matters by the entities in which we invest;
4. promoting acceptance and implementation of the UN PRI within the investment industry;
5. working with other investors to enhance our effectiveness in implementing the UN PRI; and
6. reporting on our activities and progress towards implementing the UN PRI.

3. Delivering on our commitments

3.1. Incorporating ESG considerations into our investment decisions

Origination and screening

GHO's strategy is to invest in specialist healthcare companies. We maintain a list of activities and geographies we will not invest in (Appendix 1).

We are committed to working with our portfolio companies to develop greater ESG awareness and practice. A poor ESG track record may be considered, if we believe that there is opportunity for meaningful ESG improvement.

ESG due diligence and deal execution

ESG due diligence ("EDD") by third party specialist providers is conducted on every GHO investment, in order to identify specific ESG risks and opportunities.

The focus for EDD is informed by GHO's initial screening. A materiality approach is taken for both initial screening and EDD, drawing on the Sustainability Accounting Standards Board ("SASB") and MSCI's guidelines.

In order for the GHO Investment Committee ("IC") to make informed investment decisions taking material ESG factors into account, the findings of EDD are always presented at IC meetings. Where investments are approved, the EDD is used by the GHO deal team during the ownership phase.

Contingency planning is also performed and documented to flag future ESG risks.

3.2. Being active owners with ESG in our ownership policies and practice

Monitoring and value creation

GHO takes an active role in managing and overseeing the companies in which it invests. The Firm aims to acquire majority stakes, and in the event where minority stakes are acquired, the Firm seeks to acquire the similar rights as larger investors, by way of board representation and a list of reserved matters, to ensure we retain joint control over the target company. Involvement at the highest level allows us to address ESG risks and opportunities directly with our portfolio companies and initiate change where required.

The results of the pre-investment ESG review are used to highlight areas for progress and establish ESG KPIs, detailed in the portfolio company's 100 or 180 day plans.

Regularly thereafter, the Firm's Director of Sustainable Investing, in collaboration with the deal team, monitors progress on ESG topics through ESG meetings with the management team and, where necessary, on-site ESG reviews. Material ESG factors are itemised for discussion at our Quarterly Portfolio Review meetings and ESG targets are addressed directly with our portfolio companies at each Board meeting.

Exit preparation

When nearing the exit phase, GHO's deal team assesses a portfolio company's ESG progress since acquisition, using the pre-investment ESG review as a benchmark. Where appropriate, ESG vendor due diligence is completed by third party providers to assess the impacts of ESG factors on the portfolio company's financials and comment on (and quantify where possible) ESG value creation. This information is incorporated into exit documentation to demonstrate the value of ESG integration to prospective buyers.

3.3. Seeking appropriate disclosure on ESG factors

GHO is developing an ESG framework that consists of a set of both i) universal and ii) healthcare-specific ESG KPIs which will be used to track progress. These are informed by the World Economic Forum's metrics for sustainable value creation and the EU's Sustainable Finance Disclosure Regulation's ("SFDR") Principle Adverse Indicators. Such framework is in the process of being rolled-out throughout our portfolio. Following this, we will seek periodic disclosure on these metrics from our portfolio companies.

3.4. Promoting UN PRI within the investment industry

GHO actively engages with co-investors and sponsors on the rationale for Responsible Investing and the development of good practices. We have also communicated this RI Policy and ESG expectations to relevant stakeholders (including employees, portfolio companies, our advisor community and investors) from whom we have received strong acceptance and support for our initiatives.

3.5. Working with other investors to implement the UN PRI

GHO is an active member of the UN PRI community, regularly attending and participating in the organisation's events, conferences, workshops, and webinars.

We also engage with peers to promote the widespread adoption of Responsible Investment strategies through various industry groups, such as A Blueprint for Better Business and the British Private Equity & Venture Capital Association ("BVCA").

3.6. Reporting on our progress towards implementing the UN PRI

GHO provides ESG data and information to its investors through acquisition, annual and quarterly reporting. Our yearly ESG investor report, first published in 2021, includes information about our firm's progress towards implementing the UN PRI as well as the ESG performance of our portfolio companies. More urgent ESG-related incidents are directly communicated to relevant stakeholders as they arise. We also provide an ESG update at our Annual General Meeting.

4. A materiality approach

We apply the concept of materiality when determining which ESG factors to address in our portfolio. This allows us to remain focused and ensures our ESG efforts are aligned with what matters most to our stakeholders.

Topics we consider material to our portfolio include:

Environmental

Climate 

Pollution 

Governance

Corporate governance 

Regulatory compliance 

Ethical practices and policies 

Data privacy and cybersecurity 

Social

Health and safety 

Product safety & product quality 

Patient safety 

Employee and workforce management 

Human capital development 

Diversity & inclusion 

Community Engagement 

For each investment, we refine and order the list of material ESG factors considering risks posed to a company's business as well as value creation opportunities.

Examples of risks that we consider when assessing the materiality of ESG factors include:

- **Compliance risk** – risk of financial penalties, legal issues or material business loss resulting from the failure to comply with ESG-related laws or regulations;
- **Regulatory risk** – risk of a change in ESG-related laws and regulations that could potentially lead to financial penalties, legal issues or material business loss;
- **Business risk** – risk of material business disruption or revenue loss resulting from inadequate or failed internal processes, people, and systems for addressing a given ESG issue (e.g. employee injuries, fatalities, strikes, environmental pollution incidents, business contract loss, etc.); and
- **Reputational risk** – risk of possible damage to a company's brand and reputation resulting from the failure to address ESG factors perceived as highly important to key stakeholders.

Examples of value creation opportunities that we consider when assessing the materiality of ESG considerations include:

- + reduction in operational costs associated with energy, fuel, and water use;
- + reduction in employee turnover (e.g. costs of recruiting, hiring, and training new employees);
- + improvement of brand value and reputation;
- + enhancement of employee productivity, motivation, morale, wellbeing, and engagement; and
- + new product, service and market opportunities relating to ESG factors.

5. Incorporating climate change awareness into our processes

We recognise the potential impact that our portfolio companies may have on climate change, as well as the physical risks (impacts from changing climate patterns) and transition risks (policy, legal, technological, and market changes) they could be exposed to. Furthermore, we recognise that addressing and providing solutions to climate change can be a source of opportunity. As such, consideration of climate change is an integral part of our Responsible Investment strategy.

As UN PRI signatories, we report on several indicators regarding our management of risks and opportunities related to climate change. These indicators are modelled on the disclosure framework of the Financial Stability Board's Task Force on Climate-related Disclosures ("TCFD").

6. Responsible investment governance

GHO has appointed a Director of Sustainable Investing who leads on reviewing the RI Policy and is responsible for the day-to-day implementation of RI activities and for providing information and updates on RI to GHO's Managing Partners, who have ultimate responsibility for RI efforts. The Director of Sustainable Investing meets regularly with the GHO Managing Partners to report on RI progress.

GHO's investment professionals, with the support of the Director of Sustainable Investing, are responsible for ensuring adherence to this Policy with regards to the acquisition, ownership and realisation of investments. They receive training on this Policy, relevant ESG factors and accompanying ESG tools on a regular basis.

GHO Managing Partners review and, where necessary, update this Policy annually to reflect on-going efforts to improve our RI approach, as well as emerging requirements from stakeholders and evolving good practices.

GHO actively communicates this Policy to its investment professionals and uses this Policy as a basis to engage internal and external stakeholders on ESG.

Appendix: Exclusion list

GHO refrains from investing in companies and geographies based upon i) compliance with laws and regulations, ii) standards of business practice; and iii) GHO's values and philosophy.

i) Compliance with laws and regulations

No investment will be made in companies engaged in tax evasion, fraud, corruption, coercion, collusion, obstruction, money laundering, financing of terrorism, organised crime, forced or harmful child labour, or any other activity which is prohibited by the laws or regulations to which the company is subject.

No investment will be made in companies headquartered or deriving the majority of their revenues from any nation which: (i) appears in the United Nations Security Council Consolidated Sanctions List; (ii) appears on the US Treasury Department's Office of Foreign Asset Control ("OFAC") list of sanctioned nations; or (iii) is subject to an embargo imposed by the European Union.

ii) Standards of business practice





No investment will be made in companies that do not adequately address:

- + Human rights in accordance with international standards such as the Universal Declaration of Human Rights ("UDHR") by the United Nations; and
- + Working conditions in accordance with the European Union's Occupational Safety and Health ("OSH") Directives or similar regulation applicable in the jurisdictions in which the company is operating.






iii) GHO's values and philosophy

No investment will be made in the following activities:


"Sin industries" exclusions:

Gambling, gaming casinos or equivalent	
Tobacco or tobacco related products	
Pornography or prostitution	
Weapons and munitions for military purposes	

Environment-related exclusions:

Ozone depleting substances	
Unbonded asbestos fibres	
Coal	
Nuclear power	
Endangered or protected wildlife or wildlife products	

Healthcare-related exclusions:

No investment will be made in businesses which operate animal testing facilities 

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