



RESPONSIBLE INVESTMENT POLICY

Introduction

Karmijn Kapitaal (**Karmijn**) is a signatory to the United Nations-supported Principles for Responsible Investment (**PRI**) Initiative. PRI is an international network of investors working together to put a number of principles for responsible investment into practice. Karmijn is one of them.

In our view responsible investment is about the integration of environmental, social and corporate governance (**ESG**) practices (as set out below) into the investment management process and ownership practices in the belief that these factors can have an impact on the performance of Karmijn and our portfolio companies.

We strongly believe that investing is more than traditional subjects such as finance and efficiency. Management of ESG factors is an important driver for strong investment performance and business success. The implementation of ESG factors both during the *pre-investment stage* (selection & due diligence) as well as during the *post-investment stage* (monitoring & active ownership) is important to capture opportunities for long-term value creation, competitiveness and helps us mitigate risks. We therefore incorporate ESG issues into our investment analysis and decision-making processes.

This Responsible Investment Policy (the **Policy**) describes what is expected from Karmijn as an investor and what Karmijn expects from its portfolio companies.

Responsible investment

Responsible investment involves supporting portfolio companies to recognize and manage the opportunities and risks that are associated with environmental, social and governance factors. We believe we are well positioned to invest responsibly because of:

1. The thorough due diligence we perform before acquisition
2. Our role as active shareholder
3. Long holding periods of investments (3-5 years)

ESG factors and prohibited sectors

Environmental

We aim to promote an appropriate level of environmental awareness and sound environmental practices in the portfolio companies that we own or in which we have an interest, including:

- Limiting consumption of scarce natural resources
- Seeking appropriate permissions for dealing with hazardous materials
- Developing new technologies, products and markets (e.g. sustainable products and services)
- Preventing pollution and contamination of land, air and water
- Limiting the emissions of harmful substances and harmful waste
- Complying with applicable environmental law

Social

We aim to stimulate diversity, promote sound labor and human rights practices in the portfolio companies that we own or in which we have an interest, including:

- Stimulating gender diversity with the board of directors and the company as a whole as well as conducting a management team assessment
- Considering employee working conditions such as minimum wages, working hours and health & safety of the work force
- Stimulating creativity and innovation
- Supporting the elimination of forced and child labor, including the possible use of forced and child labor by the suppliers of portfolio companies
- Avoiding discrimination (e.g. based on age, race, gender, religion, sexual orientation or disability)
- Supporting sustainable employment
- Stimulating social cohesion
- Complying with international conventions of human rights

Governance

We aim to promote sound ethical practices and prevent corruption in the portfolio companies that we own or in which we have an interest, including:

- Avoiding corruption and unethical business practices
- Promoting sound business ethics
- Promoting transparency and accountability
- Creating awareness and promoting compliance with relevant laws and regulations
- Stimulating the necessary checks & balances within an organization

Prohibited sectors

Karmijn will not invest in companies which engage in an illegal economic activity or have a substantial focus on any of the following activities:

- tobacco or distilled alcoholic beverages and related products

- weapons or ammunition
- internet gambling, (online) casinos or equivalent enterprises
- pornography
- life sciences
- real estate

We will comply with all anti-money laundering and terrorism financing standards as required by applicable law.

Organization and governance

This Policy is an important document in supporting all Karmijn team members (both partners and employees) to make sure we perform our investment activities in line with our principles for responsible investment. We believe that responsible investment and the implementation of this Policy is a responsibility for everybody within our organization. Hence all members are aware of the content of this Policy to ensure that they work in accordance with our principles and know what is expected from them with regard to executing their work in accordance with this Policy.

Pre-investment stage: Karmijn takes into account relevant ESG factors during its analysis of an investment opportunity. Portfolio company ESG risks and opportunities are analyzed and summarized in the materials presented to Karmijn's Investment Committee.

Post-investment stage: We believe that the ESG interests of Karmijn as an investor are aligned with those of our portfolio companies, their customers, their employees and the communities in which they operate. We implement a governance and management structure for each of our portfolio companies. The board of directors of each portfolio company is responsible for defining their overall strategy and policy, and Karmijn expects their role to include the principles set out in this Policy. We require that the board of every portfolio company discusses the respective company's performance on ESG factors at least once a year, as part of the annual review process, and also to share the outcome of such discussions with Karmijn. We encourage continuous ESG performance improvement at all portfolio companies and will provide their board of directors with best practice information and tools.

Responsible investment is an ongoing process and we will continuously aim to enhance our effectiveness in implementing this Policy and the principles set out herein. Once a year all Karmijn team members will review the information reported by Karmijn's portfolio companies and analyze the due diligence findings. In addition, we will promote acceptance and implementation of the principles within the investment industry.

This policy is effective from 2014 and will be reviewed and amended as appropriate from time to time.