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## **1. Introduction and Purpose**

YFM Private Equity Partners (YFM) is a leading UK based private equity investor focused on investing in small UK businesses to help them grow. Our primary purpose is to deliver market leading returns for our investors across the various funds that we manage and advise. However, we also believe in acting ethically and sustainably in everything we do in order to have a positive impact on our society and environment. In our experience, this will often benefit the business as whole – improving productivity, retaining talent, reducing costs and increasing value. We work in collaboration with the management teams of our portfolio companies to identify specific areas of impact in which they can improve and support them in implementing and monitoring progress. We also aim to do the same at all YFM offices across the UK.

The purpose of the policy is to define YFM’s approach to improving its Impact or performance in environmental, social and governance (ESG) areas and integrating this into our own business and our investing activities.

YFM commits to consider material ESG issues in the course of running its own business and also in its investing activities and, subject to practical considerations, work to improve its own performance and the performance of its investments in ESG areas.

## **2. Scope**

This policy will apply to all investments considered by the Investment Committee, existing portfolio company investments and YFM’s business. In cases where YFM determines it has limited ability to conduct diligence or to influence and control ESG considerations in the investment, for example in cases where YFM is a minority shareholder, it will not necessarily be feasible to implement ESG-related principles. In such instances, reasonable efforts will be made to encourage these portfolio companies to consider relevant ESG-related principles.

## **3. Roles and Responsibilities**

YFM’s investment professionals are primarily responsible for ensuring that the consideration of ESG issues is integrated into our investment decisions, alongside the management teams of our portfolio assets. We are committed to providing the resources and support for our team to fully implement this policy, and to demonstrate leadership in ESG investment practices. We undertake to review our approach and performance regularly to ensure we are meeting our commitments.

## **4. Objectives**

YFM will endeavour to:

- Avoid adverse impacts (where this is unavoidable, to take steps to mitigate) and maximise positive impacts on individuals, wider society, the environment and the economy through our investments and other business undertakings;
- Use clearly defined processes to integrate ESG matters into our deal process, investment decision and portfolio management;

- Take account of ESG issues as part of the investment process, considering environmental, governance and social issues, with the results forming an important part of the overall analysis of investment opportunities;
- Actively engage with our portfolio companies and their management teams to help them recognise, monitor and manage the opportunities and risks associated with ESG factors, aiming to create and protect value and build them into more successful and sustainable businesses;
- Ensure consistent standards of monitoring and reporting of ESG matters across the portfolio.

## **5. Framework**

### *New Investments*

YFM will incorporate ESG considerations through the investment cycle.

In relation to new investments YFM will incorporate an assessment of ESG issues in its due diligence process to identify potential ESG risks and improvement opportunities and these will be identified to YFM's investment committee as part of the investment appraisal process.

Individual investment opportunities may be declined due to ESG issues where the investment contravenes YFM's own Investment Policy or the investment mandate for a particular investment fund.

Where the investment goes ahead YFM will seek to agree a course of action to reduce ESG risks or realise ESG opportunities with the management team for that particular investee company, reviewing progress on a regular basis (at least annually, but preferably on a 3-6 month basis).

### *Existing Investments*

For existing investee companies YFM will engage with its investee management teams on an annual basis to identify ongoing ESG risks and opportunities and seek to agree a plan to address these in a practical and effective way, reviewing progress on a regular basis (at least annually, but preferably on a 3-6 month basis).

### *Our Own Business Operations*

YFM commits to assessing the ESG risks and opportunities in its own business operations on an ongoing basis, reviewing progress at quarterly Board meetings.