

Sustainable Investment Policy

YFM Equity Partners invests in small UK businesses across a broad range of sectors providing capital for both growth and change of ownership. Our central strategy is to **build better businesses** and we are proud that with our investment and support we have been transforming small businesses across the UK since 1982.

Our aim is to produce strong financial returns for our investors while we manage our impacts on the environment, society and the economy. We want the businesses in which we invest to grow sustainably.

This policy sets out how we will conduct our business using sustainable investment and Environment, Social and Governance (ESG) related principles and how we will apply it to all our funds, as well as our wider business activities.

Our Sustainable Investment Principles

This overarching set of principles guides how we run our business overall while our operating practices, below, set out how we deliver against them on a day to day basis:

- To seek to understand the ESG related impacts and potential impacts of what we invest in, aiming to grow and enhance positive impacts and to avoid, reduce or minimise any negative impacts over the lifetime of our investments, leaving them overall better businesses.
- To place a focus on the challenge of climate change both as it may be affected by our investments, and as it may impact on them and their resilience to possible climate change scenarios.
- To play a positive role in the investor, business and wider communities in which we work by promoting good practice in ESG management, and by being accountable and transparent in the way we invest and behave.
- To show leadership by managing our own business ESG impacts to the best of our ability.
- To be a proactive signatory to the PRI and to integrate its principles into our business practices.

Our Operating Procedures

ESG integration into the investment lifecycle:

- We use structured processes, expert guidelines and our bespoke ESG thematic framework, shown below, to look at each of our investments in a rigorous and replicable way in the pre-deal phase, including:
 - Looking out for potentially unacceptable risks relating to contentious sectors, previous business history and inimitable negative ESG impacts
 - Identifying material ESG matters to be addressed post-deal as part of our *building better businesses* strategy
- We include a prominent ESG analysis section in our Investment Committee papers and discussions.
- In the post-deal period we conduct a fuller assessment of ESG performance and engage with portfolio management teams to encourage achievement of improvement plans and targets for each company; and revisit these plans annually with progress tracked from investment to exit.

Monitoring and Reporting ESG performance

- We collect both qualitative and quantitative ESG performance data from our companies in order to assess risk management and value creation within each company and across our portfolios. We use this data as a point of engagement to build awareness and focus on ESG with our management teams.
- We compile data and analysis of ESG performance to report to our investors at both company and portfolio level.

Enabling our team

- We take steps to equip and engage our team with training, tools and support to enable each member of our team to contribute to delivering our sustainable investment principles and operating practices.

The YFM 'Building Better Business' Framework

Our primary aim is to build strong returns for our investors by building shareholder value, but we also aim to build businesses that are better for the economy, environment, people and society. To help us integrate this intent into our business practice we use the following thematic framework to structure pre-deal profiling, post-deal assessment and improvement plans, monitoring and reporting:

 Growing our economy	Creating new jobs Growing output Investment in R&D Increasing exports	 Improving our society	Treating customers well Strong business ethics Sustainable supply chain Contributing to communities	 Valuing our people	Health, safety & wellbeing Skills & Development Diversity and inclusion Engaged employees	 Protecting our environment	Climate strategies Inputs and waste Caring for our natural capital
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Our commitment to learning and improvement

We will evaluate progress and effectiveness in delivering against our sustainable investment principles and operating practices on a periodic basis and will integrate our learning into the future development of this policy and practice.