

## **Terra Firma: Responsible Investment Policy**

### **Introduction**

Terra Firma is an investment firm with a 30-year track record of investing in transformational private equity, operational real estate and infrastructure. Since 1994, Terra Firma has invested €18 billion in 40 businesses across 25 sectors with an aggregate enterprise value of over €51 billion.

Terra Firma operates a unique hybrid model, with its portfolio encompassing permanent capital managed on behalf of the Hands Family Office (the “HFO”), Terra Firma’s cornerstone investor, alongside traditional private equity deals with third-party investors. Terra Firma approaches new investment opportunities on a deal-by-deal basis and is responsible for sourcing, executing, operating and ultimately exiting assets on behalf of a range of investment partners.

Terra Firma and the HFO are committed to building better businesses, not only in the way they operate but also in terms of making a genuine positive impact and acting as leaders in their respective industries. Both believe that businesses which have strong corporate governance and create positive environmental and social impact will unlock the most value in the long-term.

This Responsible Investment Policy (the “Policy”) outlines Terra Firma’s position on Environmental, Social and Governance (“ESG”) issues and our approach to integrating ESG into our investment process and operating philosophy. This is a standalone policy.

This policy was developed by the ESG representative on the Board, Terra Firma’s Senior Leadership team and the HFO, in consultation with external ESG advisers, and will continue to evolve with Terra Firma and the HFO’s principles and goals.

### **ESG at Terra Firma: Our Position**

#### **Climate Change**

We recognise the detrimental impact of climate change on our planet, as well as the financial, operational, legal and reputational risks associated with climate change. We believe that businesses should play their part in reducing and managing their impact and

are committed to achieving net zero greenhouse gas emissions across our investment activities and portfolio businesses ahead of 2050, across Scope 1, 2 and 3.

### **Diversity, Equity and Inclusion (“DEI”)**

We believe that diverse and inclusive teams create better business outcomes and build stronger businesses. In each of our portfolio businesses, we are committed to achieving at least 35% female representation in the senior leadership teams and 40% female representation for the overall workforce by 2035. We will continue to support our businesses to reach these targets by focusing on recruitment, development and advancement of women through dedicated mentorship programmes, targeted training courses and building a culture of inclusivity. We are exploring internal measurement frameworks to support these goals, starting by establishing baselines across Terra Firma and our portfolio businesses with the view to developing additional DEI goals in future.

### **Supply Chain and Operations**

We strive for the supply chains at Terra Firma and our portfolio businesses to be ethical and sustainable, creating positive benefits and minimising harm to people, society and the environment.

Terra Firma will institute a Code of Conduct for Suppliers by 2025 to establish a central approach, requiring our portfolio businesses to adapt and institute a similar approach by 2026, or within two years of acquisition for a new investment. This will cover areas such as greenhouse gas reduction, biodiversity, waste management, sustainable packaging, raw material sourcing and ethical topics (e.g. modern slavery), and will align with relevant industry standards, such as the Responsible Jewellery Council for suppliers to Tamara Comolli Fine Jewelry.

Additionally, we commit to promoting procurement spend on local businesses and on businesses owned by minority groups, starting by tracking current spend with the aim to set targets in the future.

### **Corporate Standards**

We strictly adhere to the highest professional standards within Terra Firma and across our portfolio businesses, with anti-corruption and anti-discrimination behaviour enforced through policies and regular training. We are committed to acting ethically and with integrity across all of our activities, and as such, Terra Firma and all of our portfolio

businesses are required to pay UK living wage or the international equivalent and address modern slavery risks across all parts of the business and supply chain.

### **Investment Guidelines**

We ensure that our core investment guidelines incorporate ESG considerations. As such, we require our portfolio businesses to adhere to our minimum standards:

- All portfolio businesses are expected to comply with our Position Statements as outlined above.
- Portfolio businesses are expected to have an actionable ESG strategy and targets in place by 2025, or within two years of acquisition for a new investment. Key ESG performance indicators will be reported to Terra Firma on at least an annual basis from 2025, or within two years of acquisition for a new investment.
- Portfolio businesses must have at least one role at the Board level, where a Board exists, and one role at the senior leadership level responsible for oversight of ESG issues, as well as day-to-day operational roles responsible for ESG implementation by the end of 2024, or within two years of acquisition for a new investment.

Additionally, we aim to tie up to 20% of variable compensation for senior leaders in our portfolio businesses to defined annual ESG targets, in order to drive initiatives at an accelerated rate.

### **Pre-Investment Screening and Due Diligence**

When looking at new investments, we aim to avoid investing in businesses that harm the environment or society and specifically exclude investments involving:

- Weapons
- Tobacco
- Gambling
- Platforms that promote the use of false information
- Recreational drugs
- Businesses with a high risk of sexual exploitation
- Businesses with a high risk of modern slavery
- Cryptocurrency businesses

Evaluating and monitoring ESG factors is a critical part of our pre-investment due diligence phase as it enhances our assessment of risk while also helping us to identify opportunities. For all new investments, we will look to incorporate the below factors into our investment analysis:

Environmental	Social	Governance
<ul style="list-style-type: none"> <li>•Greenhouse gas measurement and offset</li> <li>•Climate risk (physical and transition)</li> <li>•Energy source, management, and efficiency</li> <li>•Sustainability of supply chain (with a focus on raw-material sourcing)</li> <li>•Waste management</li> <li>•Land use, including biodiversity</li> <li>•Potential contribution to Environmental progress</li> </ul>	<ul style="list-style-type: none"> <li>•Gender diversity and pay gap</li> <li>•Working environment and community</li> <li>•Anti-discrimination and anti-harassment</li> <li>•Modern slavery and human trafficking</li> <li>•Employee health and safety</li> <li>•Minimum living wage provision</li> <li>•Training provision</li> <li>•Potential contribution to Social progress</li> </ul>	<ul style="list-style-type: none"> <li>•Conflicts of interest</li> <li>•Fraud, anti-bribery and anti-corruption controls</li> <li>•Transparency in financial, operational, and ESG reporting</li> <li>•Data protection</li> <li>•Monitoring of regulatory environment and any past breaches</li> <li>•ESG teams, responsibilities and governance structure</li> <li>•ESG related certifications</li> </ul>

### **Stewardship & Engagement**

We believe that a collaborative approach is key to embedding ESG activity across our portfolio. As such, we strive to encourage long-term thinking, transparency and accountability in our portfolio businesses. We undertake a full review of strategic planning and progress relating to ESG targets and initiatives with each portfolio business at least three times a year and continue to engage in sustained dialogue throughout the year, providing operational and strategic support on an ongoing basis.

### **Governance & Reporting**

#### **Regulatory reporting**

All of our portfolio businesses are encouraged to report in alignment with the International Financial Reporting Standard ('IFRS') S1 and S2 and are required to report in line with applicable industry and national regulations.

In order to meet these requirements, our portfolio businesses will all identify ESG metrics that are most relevant to their activity and begin tracking these by 2025, or within two years of acquisition for a new investment. They will provide this data to Terra Firma on at least an annual basis, if not more frequently.

### **Reporting & governance structure**

We believe it is important to have dedicated in-house ESG expertise within each business and within Terra Firma, in conjunction with a clear structure of responsibility and oversight.

Terra Firma has a nominated member of the Board who is directly responsible for overseeing the ESG strategy and implementation across our portfolio as well as in new investment activity. The Board receives updates on ESG activity in each portfolio business at least three times every year.

Every month, Terra Firma's ESG Committee meets to align on and discuss key ESG activity across the portfolio. This Committee includes representatives from Terra Firma's ESG & Philanthropy team, Human Capital, Legal and Communications, as well as representatives from the HFO.

On an implementation level, Terra Firma's portfolio businesses benefit from the support of a dedicated central Terra Firma ESG team who provide guidance on operational improvements and monitor ongoing progress. This work is done in conjunction with Terra Firma's investment teams on an ad hoc basis.

As well as our in-house resources, we work closely with a network of external advisers to provide specialist advice and a third-party perspective.

Governance at the individual portfolio business level should be in line with the minimum standards outlined above.

### **Review & accountability**

The Policy, along with the targets and requirements, will be reviewed annually by the Terra Firma ESG Committee. Any potential breaches of the Policy will be investigated and reported to the Board.

Policy drafted in July 2024