Responsible Investment Policy

Latest Update: August 2023

1. Introduction

AshGrove Capital LLP (”**AshGrove**” or the ”**Firm**”) recognises that environmental, social and governance (“**ESG**”) issues have a significant impact on its investments, both as an important driver of value creation and a source of risk. Against this backdrop, AshGrove considers ESG factors at each step of its investment process. In doing so, AshGrove is making more informed investment decisions, better managing investment risks, potentially enhancing returns, and ultimately fulfilling its fiduciary responsibilities to act as a responsible steward for its investors and their assets.

This policy document sets out AshGrove’s responsible investment beliefs and approach, and it applies to all assets under management.

1.1. AshGrove’s Strategy and Responsible Investment Beliefs

AshGrove focuses on providing senior secured debt to lower mid-market growth software and services businesses. AshGrove’s investments will typically support acquisition finance, expansion/growth investment, refinancing, dividend recapitalisation, “war-chest” facilities, or minority leverage.

AshGrove believes that by incorporating ESG factors into the investment process and ensuring that these issues are properly managed over the holding period of its investments, AshGrove can support ESG risk management and the generation of value for its investors and broader stakeholders.

AshGrove believes that by encouraging and promoting responsible and sustainable business practices in the companies which it invests in, the Firm can both enhance investment performance and contribute to generating positive benefits for the economy, environment and society.

AshGrove is committed to lead by example by conducting all of its business and investment activities in a way that avoids negligent, unfair or corrupt business practices, or any practices that involve a conflict of interest. As a responsible steward, AshGrove also adheres and complies with regulations and best practices governing the protection of human rights, the environment, and the labour practices of the jurisdictions in which it conducts business.

AshGrove has been a signatory to the UN Principles of Responsible Investment (“**PRI**”) since July 2020, and in line with its fiduciary responsibilities, is committed to incorporating ESG issues into all areas of the investment process.

1.2. Materiality of ESG Factors

AshGrove applies a financial materiality-focused approach within its investment processes. Financially material ESG investment risk factors are considered as ESG factors that may significantly influence a portfolio company’s financial performance or ability to meet its financial obligations. The materiality of each ESG factor will vary by portfolio company, depending on their specific characteristics (i.e., underlying industry exposure, geography and business model). Additionally, AshGrove ensures that the Firm’s investments are aligned with its corporate values and therefore take into account Principal Adverse Impacts (“**PAIs**”), defined by the EU Sustainable Finance Disclosure Regulation. The **Guidelines for ESG Factors** section in the Appendix provides further details on examples of typical ESG factors that AshGrove will consider in the Firm’s investment process.

2. AshGrove and the EU Sustainable Finance Disclosure Regulation

The Sustainable Finance Disclosure Regulation (“**SFDR**”) is an EU regulation introduced to increase transparency around sustainability claims made by financial market participants for sustainable investment products. It imposes comprehensive disclosure requirements at both entity- and product-level, as well as the classification of funds and mandates in three categories (Article 6, Article 8, and Article 9). The main provisions of the SFDR have entered into force on 10 March 2021 (Level 1), with Level 2 of the regulation currently being developed and yet to be adopted by the European Commission.

AshGrove is in compliance with the SFDR, and its responsible investment processes are in line with the relevant provisions of the SFDR as follows:

- All investments for AshGrove Specialty Lending Fund II (“**Fund II**") will be classified as Article 8 under SFDR (being a ‘financial product aimed to promote environmental and social (“**E/S**”) characteristics’). AshGrove will report against the Article 8 regulations accordingly. AshGrove Specialty Lending Fund I (“**Fund I**") is classified as Article 6 under SFDR.
- AshGrove integrates the assessment of sustainability risks throughout its investment processes, from screening through to due diligence and investment monitoring.
- AshGrove also considers relevant PAIs on sustainability factors as part of the pre-investment screening and due diligence process and will disclose data in relation to relevant PAIs.
- As SDFR requires those products classified as Article 8 invest only in companies which are determined to practice good governance, AshGrove will assess the good governance practices of all prospective borrowers for Fund II pre- and post-investment.

3. AshGrove’s Responsible Investment Approach

ESG factors are analysed for all investments at each step of the investment process., AshGrove aims to seek and procure investments that are consistent with its financial objectives and in line with its fiduciary duty, as well as being consistent with the broader sustainability objectives of society. AshGrove recognises that the real-world sustainability outcomes affected by its investment activities can feed back into the financial performance of its investments. AshGrove applies PAI considerations as a framework to assess the alignment of its investments with the sustainability outcomes.

AshGrove’s approach to responsible investment is detailed in the following sections and includes opportunity screening, due diligence, final investment decision, engagement and monitoring, and reporting.

3.1. Overview of AshGrove’s Responsible Investment Process

Opportunity Screening	Due Diligence	Investment Decisio	Engagement & Monitoring	Reporting
• AshGrove applies a firm-wide exclusions and negative screening criteria. • This stage aims to limit exposure to investment in activities that AshGrove believes detrimental to society and lack of alignment with internationally recognised principles.	• When considering potential new investments, AshGrove conducts an ESG risk assessment on the portfolio company’s sector and countries of operations. • AshGrove will diligence business-specific factors that might result in heightened ESG risks.	• ESG considerations are presented to the Investment Committee and factored into decision making.	• AshGrove will actively engage with portfolio companies to pinpoint improvement areas aligned with environmental and social characteristics promoted and request relevant ESG data on a regular basis.	• AshGrove will report the performance of portfolio companies against sustainability indicators and PAI metrics to investors as well as to meet the periodic reporting mandate by SFDR for Fund II.

3.2. Opportunity Screening

AshGrove believes that some products and business activities are detrimental to society and incompatible with its investment objectives, investment beliefs and sustainable outcomes considerations. Therefore, certain exclusion criteria are applied at the opportunity screening stage to filter out activities or companies that are deemed as too high a risk from a responsible investment perspective. AshGrove’s exclusions criteria apply a combination of activity- and principles-based exclusions and are applied for all investments. Our criteria are detailed in a separate Exclusions Policy, which is available upon request.

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3.3. Due Diligence

For all potential investments, AshGrove performs systematic pre-investment ESG due diligence. This begins with the investment team performing an assessment to identify ESG factors that have a material financial impact on the company. As a starting point for this assessment, AshGrove uses the industry-specific issue topics prescribed by the SASB standards but will supplement this with company specific considerations during the course of the due diligence process (having reviewed due diligence reports, pre-deal requests, company websites, ESG/sustainability disclosures, news articles, etc.).

Good governance is considered material for all companies regardless of industry and business model. The integration of good governance alongside environmental and social material factors in pre-investment due diligence is supportive of meeting the SFDR Article 8 requirements for Fund II.

AshGrove has developed a framework for the investment team to determine if a company follows good governance practices. This framework has been based on the definition provided by the SFDR and internationally recognised standards and frameworks – encompassing sound management structures, employee relations, staff remuneration and tax compliance. For all prospective investments, AshGrove seeks to obtain information on good governance criteria and reflect on the available information as a starting point. It is important to note that AshGrove's investments often support organisations with differing levels of maturity regarding governance practices - this necessitates AshGrove assessing the suitability and relevance of good governance indicators on a case-by-case basis, considering alternative protections as appropriate and working closely with management to ensure that strong governance structures and practices are implemented and maintained.

It is at this due diligence stage that i) material ESG issues are flagged as potentially requiring ongoing monitoring and engagement with the management ("**Areas for Monitoring and Engagement**") ii) potentially unsatisfactory areas of good governance are identified with measures to improve noted, and iii) any financially material ESG issues identified.

Climate-specific due diligence

All potential investments are assessed against climate-related risks. AshGrove also endeavours to request provisions of climate-related metrics from prospective borrowers to support its diligence on understanding the borrowers' exposure to climate-related risks as well as how climate change issues are being addressed by management. At this stage, AshGrove identifies monitoring and engagement areas in relation to management of climate change issues and seeks to promote the improvement of those areas throughout the lifetime of the investments.

3.4. Engagement and Monitoring

AshGrove's approach to engagement with the Firm's portfolio companies will depend on the type of ESG issues being addressed and the relationship dynamic with the management team of the portfolio company. On a best-efforts basis, AshGrove will remain in regular dialogue with the management of all portfolio companies on these topics and request relevant ESG data on a regular basis.

Climate-specific engagement and monitoring

AshGrove's commitment to incorporating climate change considerations within its investment activities extends beyond pre-investment due diligence. Where relevant, AshGrove will maintain a regular dialogue with management on climate-related topics as well as request climate-related information (e.g., disclosures on GHG emissions) on a regular basis. To engage on climate change specific issues, AshGrove will utilise assistance from a third-party climate solution provider. In an attempt to support its portfolio companies to measure and monitor their GHG emissions as well as develop and implement GHG emission reduction strategies, AshGrove will encourage its portfolio companies to engage with a selected third-party service provider (to the extent they do not do so already).

3.5. Reporting

AshGrove is committed to providing timely and transparent ESG-related reporting to its Funds' investors as well as periodic reporting as per SFDR mandate.

4. Responsible Investment Governance

AshGrove's approach to governing its responsible investment practices is summarised below.

AshGrove's investment team are responsible for conducting the pre-investment opportunity screening and ESG due diligence as well as monitoring the ESG profile of portfolio companies throughout their holding periods. The team incorporate their ESG knowledge and expertise into the investment decision-making process, with ultimate oversight and approval provided by the Investment Committee. AshGrove will discuss ESG monitoring and engagement efforts at the quarterly Portfolio Review and Valuation Committee.

External resources such as external counsel and due diligence providers are available to the AshGrove investment team to remain abreast of the latest industry standards and best practices. In addition, training is provided in response to material changes in the ESG landscape, as well as climate change-specific training, which may affect AshGrove's responsible investment processes.

5. Transparency and Public Disclosures

As a signatory to the PRI, AshGrove completes the annual signatory assessments, which require the Firm to demonstrate the implementation of the six PRI Principles. AshGrove will also produce all SFDR mandatory disclosures as required by the regulation for Fund II.

6. Commitment to Initiatives in Promoting Responsible Investment

AshGrove is a signatory to the PRI and is committed to participating in relevant initiatives that promote responsible investment in the financial markets as well as to incorporating them into its own investment activities.

7. Responsible Investment Related Policies

To complement this responsible investment policy, AshGrove has adopted several responsible investment related policies on specific topics, including:

- Conflict of Interest Policy
- Anti-Bribery and Corruption Policy
- Anti-Money Laundering Policy
- Remuneration Policy
- Diversity, Equality and Inclusion Policy

AshGrove is committed to continuously reviewing and enhancing its policies including the Firm's Responsible Investment Policy and responsible investment practices. To ensure a continuation of best practice and continued alignment to the Firm's responsible investment beliefs, AshGrove conducts a review on its policies' effectiveness and implementation on a regular basis.

For more information, please contact:

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8. Appendix

Guidelines for ESG Factors

AshGrove considers ESG factors deemed financially material as those environmental, social, or governance issues that can profoundly influence both the current and prospective financial, economic, reputational, and legal standing of a company. Such factors, in essence, play a pivotal role in determining a company's financial outcomes and its capacity to meet its financial obligations. Outlined below is a table elucidating the definitions of environmental, social, and governance factors. These definitions are informed by the UN PRI. Accompanying these definitions are examples of ESG factors which AshGrove commonly integrates into its investment evaluation process. Please note that this table offers a general overview. AshGrove adopts a meticulous approach, broadening its ESG assessment based on the unique characteristics intrinsic to each company. This includes but is not limited to nuances related to specific countries, industries, sectors, business architectures, and other idiosyncratic company- and deal-specific considerations.

Environmental	Social	Governance
Definition		

Issues relating to the quality and functioning of the natural environment and natural systems.	Issues relating to the rights, well-being and interests of people and communities. These relate to how a company manages relationships with its employees, suppliers, customers, and the communities where it operates.	Issues relating to the governance of companies. These refer to the set of rules, practices, and processes by which a company is managed and controlled.
Examples		
– **Climate Change** – GHG Emissions – Energy Management – Water & Effluents	– Human Capital Management – Diversity, Equity & Inclusion – Customer Privacy & Data Security – Human Rights & Community Relations	– Management of Legal & Regulatory Environment – Corruption & Bribery – Anti-competitive Behaviour – Systemic Risk Management

Human Rights

AshGrove recognises the paramount importance of respecting human rights and believes that certain goods and business practices can be harmful to individuals and society at large, conflicting with our responsible investment objectives. To ensure our investments align with this standpoint, AshGrove employs specific exclusion criteria during the opportunity screening process. These criteria aim to filter out companies that, pose significant risks. For all potential investments, we avoid investing in companies that are found in violation of any of the United Nations Global Compact Principles or that exhibit non-compliance with the OECD Guidelines for Multinational Enterprises. We pay special attention to adherence related to human rights and labour rights within these guidelines. During due diligence, the investment team proactively identifies potential risks linked to human rights, labour standards, and other social factors that could adversely affect people and the wider community. This includes vetting for human rights practices within the company's operations and supply chain, such as worker working condition, fair compensation, forced or child labour occurrences, and policies addressing discrimination and harassment. AshGrove's thorough assessment ensures that investments are not only financially sound but also uphold the highest standards of human rights and dignity for all individuals involved.

Systemic Sustainability Issues

AshGrove believes that certain systematic sustainability issues have far-reaching implications, affecting not just isolated sectors but the collective economic, environmental, and social foundations critical to the interests of our beneficiaries. Recognising this interconnected nature, we are acutely aware that challenges arising in one segment of our portfolio might manifest as costs in another. Climate Change and Customer Privacy & Data Security – two sustainability issues perceived as having high potential to carry significant systemic risks – have been identified as relevant to most companies operating in AshGrove's focus sectors. AshGrove also gauges the potential exposure of prospective portfolio companies to other systematic sustainability risks. When these risks are deemed material, AshGrove will conduct further due diligence to understand how the respective company manages and mitigates them, ensuring investments are both responsible and resilient.