



# RESPONSIBLE INVESTMENT POLICY

Driving sustainable growth  
2024

## Introduction

MidEuropa is a leading European private equity investor with deep roots in Central Europe and a track record spanning 25 years. Headquartered in London, with offices in Warsaw and Bucharest, MidEuropa identifies winning investments across the healthcare, technology, services, and consumer sectors and supports them in their growth and international expansion. MidEuropa recognises the importance of being a responsible investor and believes proactive management of environmental, social and governance (ESG) factors represent an opportunity to create and protect value in our portfolio. As such, MidEuropa has been a signatory of the Principles of Responsible Investment (the “UN PRI”) since 2014. Throughout the portfolio, our investments make valuable contributions to society and the expansion of key sectors within our countries of operations.

Our investment strategy focuses on identifying opportunities for growth, resilience, and value creation, through international expansion and acquisitions. MidEuropa concurrently considers the impacts of our investments from a sustainability point of view, by utilising the UN Sustainable Development Goals as a framework through which investments are mapped against global targets for sustainability. This enables both environmental and social impacts of investments to be considered throughout the investment cycle, from pre-acquisition through to exit.

MidEuropa has chosen five ESG topics which we use to guide both our firms’ and our portfolio companies’ long-term targets and decision-making.

- Firstly, MidEuropa will ensure that we identify, monitor, mitigate, and report the risks and opportunities of our investments resulting from climate change. We have set a Science-Based Target (SBT) at a firm level and are engaging our portfolio to set their own SBTs in line with the Paris Agreement to further entrench our commitment to the global efforts of decarbonisation. We voluntarily [disclosed](#) against the Taskforce on Climate-Related Financial Disclosures (TCFD) in 2023. MidEuropa is also a member of the Initiative Climat International. Finally, MidEuropa engages with its portfolio companies to facilitate ‘green projects’, which include projects aiming to reduce GHG emissions, improve energy efficiency, and reduce wastewater and water consumption.
- MidEuropa commits to promoting diversity, equity and inclusion within the firm and across our portfolio. We promote a safe and inclusive working environment within our own operations and ask our businesses to collect data and set targets around diversity metrics to ensure they have a prosperous working culture. MidEuropa aligns itself to the 2X Criteria Framework and requests portfolio companies to align themselves to the framework. This includes committing to set a Gender Based Violence and Harassment Policy, and asking our portfolio companies to do the same. Additionally, MidEuropa is a sponsor of Level 20, the not-for-profit organisation established to inspire women to join and succeed in the private equity industry.
- MidEuropa will also ensure that the appropriate diligence on human rights and labour practices is instilled, by ensuring that our businesses have undertaken supplier audits, to maintain that a zero-tolerance approach to modern slavery is adopted.
- MidEuropa is committed to improving the lives of the communities in which its investments and its own firm operate. MidEuropa currently sponsors Stepic Central and Eastern Europe (CEE) Charity which provides a lifeline for vulnerable children and disadvantaged adolescents and women in Central Europe through focused projects. Our portfolio companies are involved in a variety of charities, not only through financial support but also through donation of services and resources.
- MidEuropa and its portfolio companies are committed to demonstrating the highest

standards of business ethics and in so doing being good corporate citizens. To achieve progress on this and our focus areas, MidEuropa commits to embedding relevant governance policies and ESG considerations across its investment lifecycle and appropriate areas of the business and will transparently report and engage with stakeholders at the appropriate stages.

It is clear that the global sustainability agenda is a key vehicle for creating long-lasting impact in the Central European region we serve, and we are dedicated to the mission to embed sustainable practices within our firm and across our businesses, continuing to ensure returns to our investors.

Vesna Sipp  
Partner and Head of ESG

A handwritten signature in black ink, appearing to read 'Vesna Sipp', positioned below the printed name and title.

4<sup>th</sup> September 2024

Date of annual review process undertaken: 04.09.2024

## Our Core Commitments

MidEuropa ensures that ESG aspects are considered throughout each stage of the investment cycle and across our own operations and business decisions, as well as our investments' operations.

With an investment portfolio spanning a multitude of industry sectors, MidEuropa knows that each investment will be different and material ESG topics will be bespoke to each organisation. However, we have identified a number of mandatory ESG focus areas and underpinning KPIs to drive credible sustainability improvements:



### Climate Change & Emissions

Committing to monitoring and mitigating impacts of climate change across our portfolio and within our firm, whilst setting ambitious GHG emission reduction targets.



### Diversity, Equity & Inclusion

Cultivating successful workplaces through safe and inclusive working cultures.



### Labour Practices & Human Rights

Committing to investigating and mapping supply chains for human rights infringements and ensuring supplier audits are undertaken to maintain the highest standards of human rights.



### Business Ethics

Grounding business practices within MidEuropa and all its portfolio companies with good governance through policies and procedures related to business ethics.



### Community Investment & Stakeholder Engagement

Providing safe and prosperous jobs for people within the communities our firm and our portfolio serve and investing in community initiatives.

MidEuropa delivers on its ESG focus areas by ensuring that it and its portfolio company management teams, action and monitor action against the following key goals:

- Undertaking firm and portfolio GHG footprints to supporting reduced energy use and GHG emissions
- Developing a Net Zero strategy and establishing mid-term targets for the firm and portfolio in line with our validated Science Based Target
- Enhancing the diversity of our teams and continuing to maintain gender pay equality by monitoring broad diversity metrics and aligning as a firm and across our portfolio to the 2X Criteria
- Protecting health, safety and wellbeing by ensuring all labour management and human rights policies are in place and in line with regulation and best practice standards and that human rights considerations are taken into account during investment decisions
- Promoting Human Rights Due Diligence in portfolio company's operations and defining action plans for remediation (where necessary)
- Achieving zero incidence of discrimination or harassment
- Achieving zero incidence of modern slavery
- Ensuring that ethics policies and procedures, and related annual training, are in place at MidEuropa and across our portfolio companies
- Achieving zero incidents of bribery & corruption
- Ensuring all portfolio companies have robust risk management systems in place
- Promoting community investments and charitable donations in the communities we serve

# Our Responsible Investment Approach

## A1.1 Governance and Oversight

ESG at MidEuropa is overseen by an ESG Committee, comprising the ESG Manager, the COO, the Operating Principal, the Operating Partner, and an Investment Team Principal, with ultimate responsibility lying with Vesna Sipp, Partner and Head of Investor Relations. Employees receive at least annual training on ESG with key players such as the Investment Team members being regularly upskilled to ensure ESG is truly embedded within the firm's processes.

MidEuropa has adopted an ESG framework with the following commitments and tools of implementation to embed ESG within the investment process:

## A1.2 Pre-Investment

ESG is integrated into the pre-investment process, comprising:

- Initial ESG screening and analysis for every potential investment including exclusion screening against the EBRD embargo list, and identification of potential ESG risks using relevant standards (e.g., SASB, ESRG). This is undertaken through the use of a standardised ESG screening questionnaire comprising our key ESG topics and relevant ESG topics of that industry. Topics which are incorporated into all screening include physical and transitional climate risks, and questions related to biodiversity (for example, impacts on ecosystems and natural resources, changes in land use, and impacts to IUCN Red List species).
- ESG screening forms part of the investment memo presented (including material risks and opportunities requiring attention post-closing) to the Investment Advisory Committee (IAC) and is used to decide on whether to undertake detailed due diligence stage.
- The ESG Manager reviews the outputs of the ESG screening tool and reviews whether the commissioning of a focused ESG Due Diligence should be undertaken by a third party. This would include considerations related to climate risk and the Sustainable Finance Disclosure Regulations (SFDR). This Due Diligence Assessment investigates the current status against MidEuropa's core focus areas, and the potentially material risks, as well as presenting potential opportunities for value creation.
- Where material ESG risks and opportunities are identified, MidEuropa integrates these into its offer and/or post-acquisition planning.

## A1.3 Investment Decision

MidEuropa commits to ensuring that their IAC can make an informed investment decision taking into consideration ESG factors:

- Each IAC paper has an ESG section template which includes a section describing potential risks and areas for value creation or more advanced opportunities.

## A1.4 Active Ownership

### Post-Investment Agreement

MidEuropa agrees and formalises goals with the portfolio company in an ESG Action Plan:

- This includes the development and agreement of PC specific KPIs and targets as well as supporting the implementation of MidEuropa's standard KPIs, where possible.

### Monitoring and Hold Period

MidEuropa takes an active role in embedding the ESG action plan of its investments through an annual review process:

- This includes standard metrics for Portfolio Companies (“PCs”) to report on, including against MidEuropa’s core focus areas.
- PCs work on performance against the KPIs for their most material topics following the identification of these topics in the diligence and onboarding process.
- Responsibility of the ESG action plan is the Portfolio Company Board with the MidEuropa’s ESG Manager to help lead execution.
- Regular progress updates are reported to each PC board and the MidEuropa ESG Manager.
- The Portfolio Committee is provided with updates from the ESG Committee and vice versa to ensure both are aware of portfolio risks and opportunities both directly and indirectly linked to ESG, enabling us to address any issues that come to our attention.
- MidEuropa commits to providing investor updates on ESG performance annually or as needed. ESG is included as an Agenda Item for Board meetings and included in monthly/quarterly board packs.
- Performance in relation to other PCs is communicated anonymously across MidEuropa’s investments.

### **A1.5 Exit**

MidEuropa collaborates with the portfolio company to articulate the areas of ESG performance improvement during the ownership of the business and is transparent on the performance of all material topics.

- MidEuropa follows a standardised vendor disclosure whereby in the instance of a full or partial exit, ESG is included within the appropriate internal and external exit materials.

### **A1.6 Reporting and Transparency**

MidEuropa is committed to a continuous monitoring and review process, mapping our performance against our key focus areas. We recognise that the ESG landscape is an evolving landscape and therefore remain agile in responding to changing investor and regulatory expectations.

We have completed an annual PRI submission since becoming a signatory in 2014, and alongside our annual PRI signatory submission, we publish comprehensive annual ESG reports which are publicly available on our website. We are also a member of the Initiative Climat International and published a voluntary Climate Change Report with disclosures in line with the recommendations of the Financial Stability Board’s Task Force for Climate-related Financial Disclosures (TCFD). MidEuropa also reports to the ESG Data Convergence Initiative on an annual basis.

This represents our mission to report regularly to key stakeholders on our ESG risks opportunities and improvements within the firm and in our investments.

### **A1.7 ESG within MidEuropa**

We endeavour to show to our portfolio companies that we are “Walking the Talk”, and our operations are subject to the same monitoring and improvement requirements as our investments.