



Responsible Investment Policy

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1 Background

The concept of **responsible investment** (“RI”) in respect of a private equity fund manager generally focuses on two areas:

- › How the manager embeds the consideration of environment, social and governance (“ESG”) factors into the investment decision making process; and
- › How the manager monitors and actively influences the companies or assets within its portfolio (known as active ownership or stewardship).

RI complements and is additive to traditional financial analysis and portfolio construction techniques. As an asset class, private equity is particularly suited to the application of RI as a result of the long-term investment horizons and significant ownership positions.

ESG is an overarching concept, which considers a broad range of factors that can contribute to financial value as well as non-financial measures of value within a company. For example, environmental criteria may consider how a company safeguards the environment, including whether it has in place corporate policies addressing climate change. Social criteria may examine how a company manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with, amongst other factors, a company’s leadership, executive pay, audits, internal controls and shareholder rights.

Within environmental considerations, addressing **climate change** is a significant area of focus across a number of key economies, being generally considered as representing a threat to our collective future.

Bowmark recognises the importance of RI, of developing responsible businesses through the proactive management of ESG issues and specifically its responsibility to help to contribute to addressing climate change. This policy outlines our commitments in these areas.

2 Scope and Materiality

Bowmark commits to applying this policy to both its own operations and to the businesses in which it invests, where it is the largest institutional shareholder.

For the purposes of this policy, material ESG issues are defined as those issues, events or conditions that Bowmark, in its sole discretion, determines have, or may have, a direct substantial negative impact on an organisation’s ability to create or preserve economic value, as well as environmental and social value for itself and its stakeholders (including its employees).

3 PRI

Bowmark became a signatory to the Principles of Responsible Investment (“PRI”) in 2018.

PRI is an initiative led by the UN that aims to work with institutional investors and asset managers to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of ESG issues and to support members in integrating these issues into investment and ownership decisions.

The six Principles for Responsible Investment (“Principles”) are:

- › to incorporate ESG issues into investment analysis and decision-making processes;

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- › to be active owners and incorporate ESG issues into ownership policies and practices;
 - › to seek appropriate disclosure on ESG issues by portfolio companies;
 - › to promote acceptance and implementation of the Principles within the investment industry;
 - › to work together to enhance effectiveness in implementing the Principles; and
 - › to report on ESG activities and progress towards implementing the Principles.

We commit to implement these Principles as outlined in this policy.

4 Objectives

Our objectives in respect of RI, ESG and climate change are to:

- › incorporate ESG into all aspects of our investment analysis and decision-making processes;
- › make a comprehensive assessment of environmental, social and governance issues when evaluating a potential investment;
- › be active owners, seeking to make meaningful positive change to both our own business and our portfolio companies;
- › support our portfolio companies with actions to address climate change, for instance, progressing towards net zero through setting Science-Based Targets ("SBTs"), where applicable;
- › seek to invest in portfolio companies that bring benefits to society and the environment;
- › proactively engage, empower and enrich the employees of our portfolio companies;
- › embed quantification of, and promote disclosure of, the ESG performance of our portfolio companies; and
- › promote acceptance and implementation of the UN Principles for Responsible Investment within our industry.

5 Responsibilities

Overall responsibility for ESG resides with David Torbet, a Partner and member of Bowmark's Executive Board. He is supported by a team of seven, comprising a dedicated ESG Director, two members of the investment team, a member of the portfolio management team, and three members of the firm's finance, legal and compliance team. The key responsibilities of these individuals are as follows:

- › **Executive Board Member:** Overall responsibility for development of the firm's ESG strategy, implementation of the firm's ESG policy and escalating material ESG issues to the Executive Board.
- › **ESG Director:** Liaison with portfolio companies to support implementation of ESG initiatives and provide specialist input on ESG matters.
- › **Investment Team Members:** Leading cross-portfolio initiatives to drive meaningful change in key thematic areas, with the current focus being on diversity and inclusion and climate change
- › **Portfolio Manager:** Collection and analysis of ESG data from portfolio companies.
- › **Finance Partner:** Oversight of governance-related matters.
- › **General Counsel:** Oversight of legal-related matters.

- › **Legal and Compliance Manager:** Provision of information to investors in response to ESG questionnaires.

In addition, all portfolio companies are expected to appoint two designated board-level ESG leads – one being a Bowmark Investor Director and one being a member of the portfolio company's management team.

6 Investment Appraisal Process

6.1 Initial screening and excluded Industries

All new investment opportunities will be screened against the criteria set out in Bowmark's Responsible Investment Exclusion Policy, as may be applicable to individual funds.

Furthermore, in selecting potential investments, Bowmark will aim to consider material violations of the principles set out in the UN Global Compact, where businesses should:

Human Rights

- › Principle 1: support and respect the protection of internationally proclaimed human rights; and
- › Principle 2: make sure that they are not complicit in human rights abuses.

Labour

- › Principle 3: uphold the freedom of association and the effective recognition of the right to collective bargaining;
- › Principle 4: support the elimination of all forms of forced and compulsory labour;
- › Principle 5: support the effective abolition of child labour; and
- › Principle 6: support the elimination of discrimination in respect of employment and occupation.

Environment

- › Principle 7: support a precautionary approach to environmental challenges;
- › Principle 8: undertake initiatives to promote greater environmental responsibility; and
- › Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- › Principle 10: work against corruption in all its forms, including extortion and bribery.

Due Diligence

To ensure consistency and transparency in our approach to the management of ESG issues, we have developed the Bowmark ESG Due Diligence Framework. This represents a checklist which Bowmark investment executives use to assess a potential portfolio company's ESG performance. Furthermore, it sets out the post-investment actions that should be taken to address any material ESG-related issues which are identified in due diligence and outlines the objectives for the long-term improvement of the portfolio company's ESG credentials.

This framework will be completed by the relevant investment executive, in conjunction with a third party subject matter expert. The third party review assesses a company against a suite of metrics across ESG integration factors and also typically sets targets for year one improvement, effectively forming the basis of a company's ESG action plan.

Investment Decision Making

The Investment Committee will be appraised of material ESG issues relating to a proposed investment by way of:

- › a summary of the material ESG issues and post-investment actions, included as part of the Final Investment Committee paper; and
- › the full ESG report as part of the suite of due diligence materials.

As part of the overall assessment of a potential investment, the Investment Committee will discuss and fully consider the material ESG issues highlighted and if any further action is required beyond that proposed as part of the post-investment action plan.

7 Onboarding

Once an investment has been made, an onboarding process will be undertaken covering the following elements:

- › appointment of an ESG lead within the portfolio company and/or establishment of an ESG steering committee made up of staff drawn from across its business;
- › development of a 100-day action plan, which builds on the findings from the ESG due diligence work;
- › onboarding to Chronograph, Bowmark's portfolio company data collection software, which collects financial and ESG information on a periodic basis; and
- › initiation of workstreams to address, as applicable, Bowmark's Sustainable Finance Disclosure Regulation ("SFDR") themes of diversity and inclusion and climate change and the overarching SFDR principle of good governance.

8 Ongoing Monitoring

Once an investment has been made, ESG performance will be monitored by:

- › implementing the post-investment actions as identified during the due diligence phase;
- › periodic review of the portfolio company's ESG performance at board level;
- › ensuring implementation of and ongoing reporting against appropriate KPIs; and
- › production of a semi-annual review for each portfolio company focussing on key data points.

9 Investor Communications

Bowmark will communicate the ESG performance of its own organisation, and its portfolio companies to investors through two principal channels:

- › by way of an annual update, provided at the Annual General Meeting; and
- › through the annual PRI report, which will be made available to investors upon request.