

## **Policy on Socially Responsible Investing**

### **January 2016**

#### **Introduction**

Socially Responsible Investment (“**SRI**”) involves considering environmental, public health, safety and social issues associated with all aspects of investing in businesses.

As a private equity investment manager, Montagu must exercise its investment powers according to the stated Investment Policy of each of its funds. However, it also takes SRI into account in managing its business and has issued this policy note to clarify how it approaches SRI.

A number of bodies have issued statements and guidelines on SRI. Montagu has taken these into account, in particular the Guidelines for Responsible Investment, issued by the Private Equity Council in the US in 2009. The note takes into account the requirements of investors. The note has also been provided in advance to the Advisory Boards of Montagu III and Montagu IV.

This policy note covers:

1. SRI issues at the fund level
2. SRI principles for individual portfolio companies
3. Additional SRI considerations
4. The duties of portfolio company directors
5. Conflicting interests for Montagu and portfolio company directors
6. Monitoring of environmental, social and corporate governance (“**ESG**”)/SRI

#### **1. SRI issues at the fund level**

##### Selecting investments

In its investment selection and due diligence processes, Montagu will consider environmental, public health, safety and social issues associated with the target companies.

##### Monitoring investments

In its role as a shareholder and board member, Montagu will consider and discuss matters relating to SRI with the management of its portfolio companies. It will also encourage its portfolio companies to advance these same principles in a way which is consistent with their fiduciary duties.

##### Reporting

SRI will be included as part of Montagu’s portfolio review procedures and will be reported on at annual meetings with investors. Montagu will establish appropriate channels of reporting from each of its portfolio companies to enable it to do this.

## **2. SRI principles for individual portfolio companies**

### Human Rights

Portfolio companies should support and respect the human rights of their employees and associates and not support child or forced labour or maintain discriminatory policies.

Montagu will seek to ensure its portfolio companies do not tolerate abuses of human rights by their companies, their directors, officers and employees. In addition, they will be expected to consider the impact on suppliers and agents of any human rights issues.

### Labour

Portfolio companies should be committed to compliance with applicable national, state and local labour laws in the countries in which they operate, support the payment of competitive wages, provide a safe and healthy workplace in conformance with national and local law, and, consistent with applicable law, respect the rights of employees to decide whether or not to join a union and engage in collective bargaining.

Montagu will seek to confirm that portfolio companies comply with applicable labour laws, pay appropriate wages, maintain safe and healthy working conditions and respect the rights of its members to form trade unions and engage in collective bargaining.

### Environment

Portfolio companies should have appropriate structures in place to enable them to take into account environmental, public health, safety and social issues, with the goal of improving performance and minimising adverse impacts in these areas.

Montagu will review portfolio companies' policies and specific events arising to ensure consideration is given to these issues, will encourage initiatives to promote greater environmental responsibility and will support the development and diffusion of environmentally friendly technologies.

### Anti-corruption

Portfolio companies should maintain strict policies that comply with all relevant laws to prohibit corruption in all its forms, including extortion, money laundering and bribery.

Montagu will ensure that, in the context of anti-corruption issues, portfolio companies have clear risk management policies and have suitable reporting procedures in place to mitigate against the risk of a violation of applicable anti-money laundering, anti-terrorism or anti-corruption laws.

## **3. Additional SRI considerations**

Montagu will also conform with best practice in any other areas relevant to SRI or to responsible investment in general, particularly in respect of corporate governance, provision of timely information to its investors and transparency.

#### **4. The duties of portfolio company directors**

Montagu believes that the directors of portfolio companies should at all times behave ethically and should have regard to and monitor the social, ethical and environmental consequences of their business operations, paying particular concern to their role in the local community.

Montagu recognises that directors of portfolio companies may have certain duties imposed by law which reflect broad SRI issues. They also have a duty to act in the way they consider in good faith to be most likely to promote the success of the company for the benefit of its shareholders as a whole and in so doing (to the extent reasonably practicable), they are required to have regard to (amongst other things):

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to maintain the company's business relationships with its suppliers, customers and others;
- the desirability of the company to maintain a reputation for high standards of business conduct; and
- the impact of the company's operations on the community and the environment.

#### **5. Conflicting interests for Montagu and portfolio company directors**

It should be noted that, although Montagu will seek to invest in accordance with the principles set out in this policy note, both Montagu and its portfolio company boards will naturally on occasion have to balance an acceptable level of compliance with the policy against its overriding duty to act in the best interests of investors.

#### **6. Monitoring of ESG/SRI**

Montagu monitors international and domestic developments in the ESG/SRI sphere and will review this Policy in accordance with such developments. Where appropriate and practicable, Montagu will incorporate acknowledged best practice into its investment processes.

The following publications and notes of guidance relate to SRI matters and Montagu will, where relevant, consider updating this Policy to take into account changes in these and other relevant publications and notes:

- The ILO Conventions
- The Private Equity Council's Guidelines for Responsible Investments
- The Ten Principles of the United Nations' Global Compact
- The list of countries maintained by the U.S. Secretary of the Treasury (pursuant to s.999(a)(3) of the Internal Revenue Code) which actively force companies to adopt international boycotts or adopt discriminatory trade or employment practices.
- The publications issued by the Financial Action Task Force (FATF), which deal with anti-money laundering and the financing of terrorism organisations.
- The Rio Conventions, which address biodiversity and climate change.
- The UN Convention Against Corruption