

ADAMANTEM CAPITAL

# INVESTMENT POLICY

# INVESTMENT PRINCIPLES AND APPROACH TO ESG

This Policy outlines the principles and approach by which the Adamantem Capital team operates and creates value for all stakeholders. It covers:

- **Our ambition**
- **Our investment beliefs and capabilities**
- **The business issues that we consider and engage on throughout the investment process and,**
- **Our investment process**

The Policy incorporates Adamantem Capital's consideration of ESG (Environmental, Social and Governance) issues as part of our value creation and risk mitigation framework.

## Our Ambition

At Adamantem Capital, our ambition is to consistently produce outstanding returns for investors by supporting management teams to take considered risks to create change and grow value.

## Our Investment Beliefs

To generate outstanding returns for investors and grow value, we believe we will:

- Make better investment decisions if our financial outcomes are tied to investor returns
- Generate superior returns by investing alongside knowledgeable and like-minded stakeholders
- Better assess risks by doing our own deep due diligence
- Better assess risks by understanding how environmental, social and governance (ESG) issues affect performance
- Achieve business plans more consistently by aligning the incentives of management and shareholders
- Create superior operating performance by collaborating with and challenging management teams
- Generate attractive returns by taking calculated risks to improve operating performance
- Create long term value by fostering human capital and supporting healthier communities and environments

## Our Key Capabilities

We will continue to develop capabilities in the following areas:

- Trusted relationships with investors
- Distinctive originations and investment thesis development capability
- Consistent diligence and execution expertise
- Effective incentive programs
- Focused and effective governance
- Persuasive and influential Board relationships
- Planning and executing the best exit
- Attracting, developing and retaining outstanding talent
- Understanding social and environmental risks and opportunities

## Our Values

We hold the following values and endeavour to act in a way that reflects them:

- We are curious, open minded and deeply analytical
- We are self-starters and persistent
- We have high conviction in our decisions
- We embrace risk, have a relentless dissatisfaction with the status quo and are always striving to improve
- We enjoy working in close partnership with each other, investors, management teams and advisors
- We act with integrity and treat others with respect
- We don't take ourselves too seriously



## Consideration of Material Business Issues

Adamantem Capital is aware that the businesses in which it invests may affect and will operate subject to numerous issues, all of which impact their financial performance.

### These include:

1. **Market and commercial issues** such as industry outlooks, competitive positioning, quality of earnings and regulatory issues,
2. **Organisational issues** such as the agreements and governance structures, management incentives, management capabilities, legal, insurance and compliance risks and accounting treatments,
3. **Intangible issues** such as brand, employee culture, relationships and the capacity for innovation, and
4. **Environmental, social and governance (ESG) issues** surrounding safe, productive and diverse workplaces; supply chain, product and consumer risks; local and global communities; local and global environments; and legal and ethical compliance.

### Accordingly, Adamantem will:

- Identify and evaluate these issues in our due diligence and investment process
- Further consider the issues appropriately at each stage of our investment activity
- Foster staff awareness of those issues
- Engage with its investors as appropriate on those issues
- Monitor and engage with portfolio companies on those issues, and
- Appropriately disclose those issues through its reporting processes or otherwise as required by its limited partners or by any local or global initiative of which Adamantem is a signatory.

To engage constructively with these issues, Adamantem Capital is a signatory to the United Nations Principles of Responsible Investment (PRI) and a member of the Australian Private Equity & Venture Capital Association Limited (AVCAL).

# THE ADAMANTEM INVESTMENT STRATEGY & PROCESS

Adamantem invests in mid-market companies in Australia and New Zealand with an enterprise value between A\$100m to A\$500m. Our strategy is to find profitable but underperforming businesses, and invest behind a clear, meticulously researched, value-creation plan to increase earnings and cashflows.

We create value through a four-stage process:

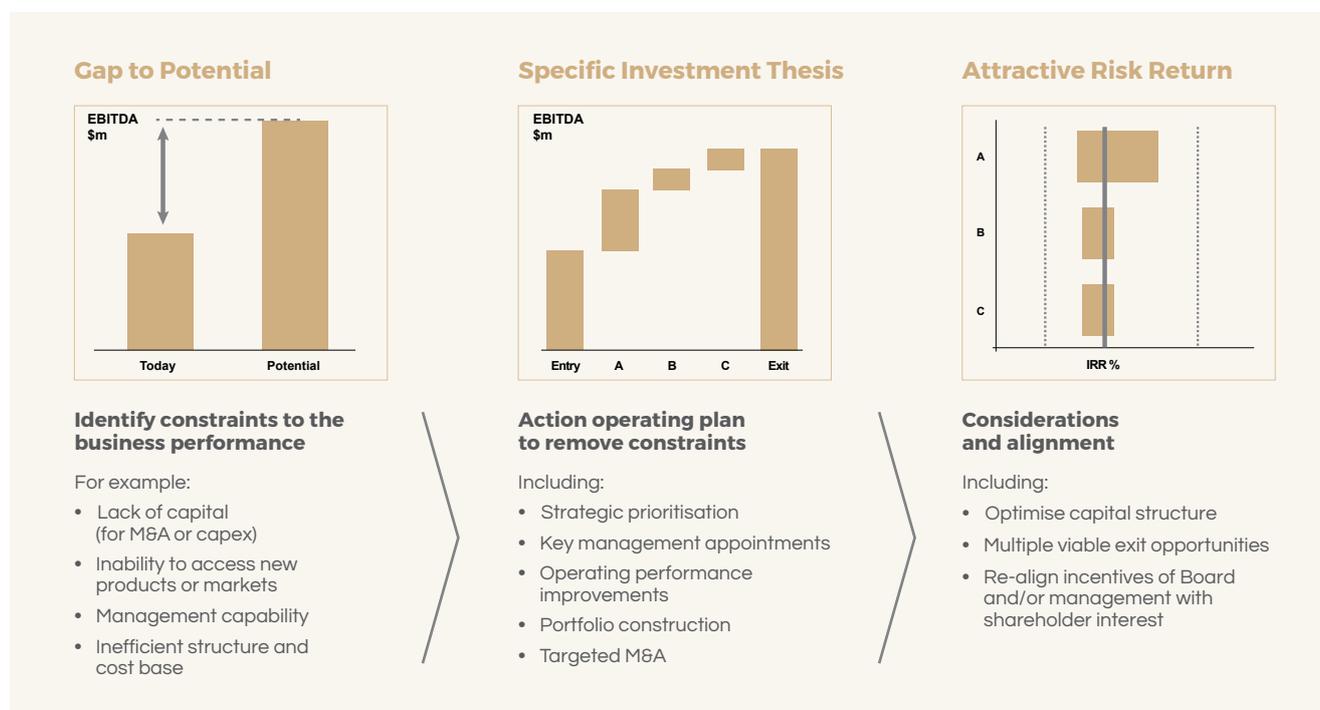
1. **Identify:** Deal sourcing and screening
2. **Execute:** Due diligence, valuation and investment
3. **Develop:** Portfolio company management
4. **Realise:** Exit

## 1. Deal Sourcing and Screening

At Adamantem we believe attractive investment opportunities can be found in both public and private markets.

We pursue them by taking the time to meet with companies when they are not for sale, researching industries to build proprietary perspectives, analysing publicly available information and seeking input from the teams' own network of business executives and industry experts. We identify and screen potential investment opportunities in three steps:

- i. Identify the constraints on the performance of the business
- ii. Consider potential ways of removing these constraints and unlocking value, and
- iii. Consider the potential trade-off between risk and return for the Fund



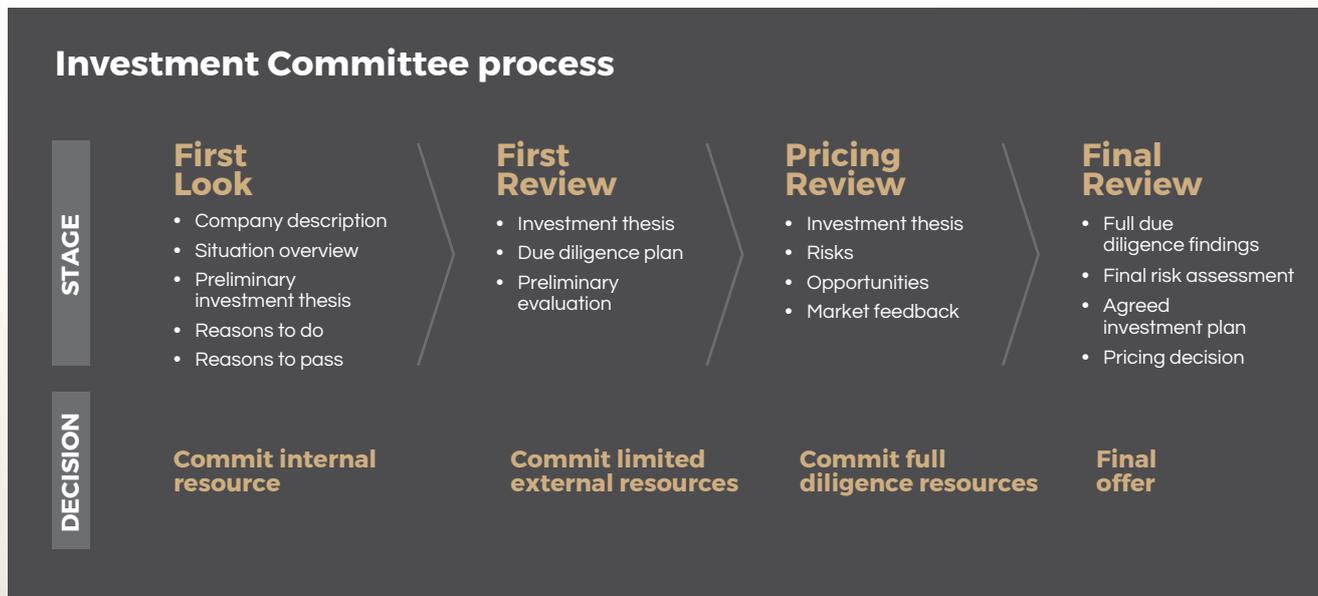
Adamantem chooses not to invest in companies whose core business is in a highly cyclical industry such as resources or real estate. Nor will Adamantem invest in companies involved in products or activities that are illegal under applicable local laws or banned by global

conventions, in arms or weaponry, in tobacco or in pornography, and will take steps to ensure that involvement by companies in alcohol, animal testing, GMOs, pesticides, and nuclear power is and is perceived to be responsible.

## 2. Execute the Opportunity: Due Diligence, Valuation and Investment

An investment will only be made after completing thorough due diligence, a management team assessment, a detailed operating plan and an appropriate valuation.

At each successive Investment Committee (IC) meeting the team reviews findings and agrees next steps. The final decision to invest requires the unanimous agreement by members of the IC.



Our due diligence, valuation and investment process is divided into four stages.

During the 'First Look', investment opportunities are presented to the IC. This includes a description of the business and market it operates in, the deal situation, the preliminary investment thesis, any obvious ESG issues, key stakeholders and recommended next steps.

The investment team then debates the merits of the opportunity and determines if we should pursue further due diligence.

At each of the First, Pricing and Final Review IC meetings we determine the internal and external resources to be committed to further evaluate the opportunity.

### During these later stages of due diligence:

- We complete, with third party advisors, rigorous due diligence on the commercial, ESG and legal risks as well as competitive industry dynamics
- We assess the incentives and capabilities of the current management team and merits of bringing in additional management expertise and resources
- We develop, with the existing or proposed new management team, a detailed operating plan that will release the current constraints on the business and address specific levers to improve the financial performance, and
- We determine the buy-in value of the investment given the risk- and probability-weighted range of potential outcomes



As a part of our due diligence, valuation and investment process we developed an evolving, proprietary Business Risks and Issues Checklist. Throughout the IC process we are continually referring to this checklist to ensure we have addressed the material issues that could impact the investment.

Below is a summary of this checklist.

<b>Business Risks and Issues Checklist</b>			
<b>Market and Commercial</b>	<b>Organisational</b>	<b>Intangible</b>	<b>Environmental, Social and Governance</b>
<ul style="list-style-type: none"> <li>• Industry outlook</li> <li>• Competitive positioning</li> <li>• Quality of earnings</li> <li>• Regulatory issues</li> </ul>	<ul style="list-style-type: none"> <li>• Management capability</li> <li>• Management incentives</li> <li>• Shareholder agreement and governance structures</li> <li>• Legal, insurance and compliance risks</li> <li>• Accounting treatments</li> </ul>	<ul style="list-style-type: none"> <li>• Brand</li> <li>• Employee culture</li> <li>• Relationships</li> <li>• Capacity for innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Safe, productive and diverse workplaces</li> <li>• Supply chain, product and consumer risks</li> <li>• Local and global communities</li> <li>• Local and global environments</li> <li>• Legal and ethical compliance</li> </ul>

### 3. Develop the Opportunity: Portfolio Company Management

Post-investment, Adamantem supports management teams in taking considered risks to deliver on the operating plan, create change and grow the value of their businesses. To ensure this occurs in ways consistent with our investment beliefs, Adamantem:

- Will join the Portfolio Company’s Board and take a hands-on approach to the company’s strategic decisions
- Requires regular, consistent and rigorous reporting on the company’s financial performance, operating plan progress, and emerging risks and opportunities in its material business issues

**In relation to ESG, Adamantem will:**

- Discuss with management Adamantem’s investment beliefs including those relating to ESG
- Review any key issues identified in due diligence and highlight these to company management
- Address urgent issues by clearly identifying the risks and the person responsible for managing them
- Set targets for material improvements across identified areas and define with management actions to be taken, relevant stakeholders to be involved, agreed reporting mechanisms and timing for progress on the issues
- Ensure systems are in place to manage risks such as production, logistics, OH&S, product liability, integrity and privacy, marketing and advertising, environment and regulatory compliance

- Ensure Portfolio Companies have in place adequate policies, staff education and training, clear accountability and consequence management, systems to monitor progress, and independent audit
- Set expectations for monthly, quarterly and annual reporting and information sharing

**Adamantem will further engage with our Portfolio Companies and Limited Partners by:**

- Reviewing the Portfolio Companies’ ESG performance at least annually and as an integrated part of the company’s review of its operations
- Sharing information on ESG issues that may be of common concern with Limited Partners or with other Portfolio Companies within Adamantem Capital’s portfolio, and
- Appropriately responding to Limited Partner or other reasonable stakeholder enquiries on material ESG issues

### 4. Realise the Opportunity: Exit

During due diligence, we consider plausible exit strategies, and the best time to pursue them. We stress that we are transitional (not permanent) capital for the businesses in which we invest.

We are transparent with our Portfolio Companies and Limited Partners that for us, the best time to exit is when the change agenda of our operating plan has been successfully delivered, we have created strong and sustainable value, and we can maximise returns to our investors. This may include sale of the Fund’s interest or sale of the whole business or company, through either private treaty or public offer.

## Contact

This Policy has been designed to help Adamantem Capital adhere to our investment beliefs and values and fulfil our ambition of producing outstanding returns for investors. For any enquiries about this Policy please do not hesitate to contact us or Julia Koop, Director Investor Relations.

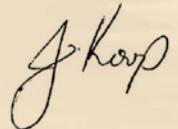
Yours sincerely



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