

Veststar Capital Partners ESG Policy

Overview

Veststar Capital Partners LLC (“we” or “the Firm”) specializes in middle market management buyouts, recapitalizations, and growth equity investments across the consumer, healthcare, and business and technology services sectors. The Firm prioritizes close partnerships with management teams, transparency, and a collaborative process for decision-making to sustain our success. We believe we are well positioned to support our investments in achieving their future goals in a sustainable manner that facilitates their long-term growth. We believe strong business ethics and responsible operations are inherent to the culture of transparency and collaboration that we seek to foster. Moreover, in our experience, responsible business management has functioned as a fundamental tool to create value as well as mitigate risk across our portfolio companies.

To this end, we—and our investors—believe that active management of environmental, social, and governance (ESG) issues promotes the generation of long-term value and strong risk-adjusted returns by providing additional visibility into risks facing our portfolio companies and capitalizing on unique value creation opportunities. We believe this can be achieved in a manner consistent with our fiduciary duty to our investors.

All prospective platform investments will undergo ESG due diligence prior to the closing of such investments. ESG diligence will take into consideration exposure to industry-wide risks within the consumer, healthcare, and business services and technology services sectors but also will be tailored to the unique risks and opportunities present in each investment. When evaluating whether to invest in a company and when managing our portfolio companies during the ownership period, we commit to considering whether companies:

- Support strong governance structures;
- Respect human rights; and
- Address environmental, public health, and safety risks.

We further commit to maintaining a culture of transparency around these issues by engaging in regular dialog internally across our firm and with our limited partners/investors.

Living our Commitment

Investment and Portfolio Company Process – Veststar Capital Partners VII, L.P.

We will conduct formal ESG due diligence for all prospective platform investments to assess material ESG risks and opportunities. We complete formal ESG due diligence using a third-party ESG advisor for all new investment transactions prior to closing and ensure material findings are included and discussed by our Investment Committee prior to proceeding with each investment. Veststar, in conjunction with its third-party ESG advisor, determine materiality in good faith discretion where material ESG factors represent items that have the potential to create undue financial risk for portfolio companies, result in unreasonable reputational risk, or create scrutiny for our investors.

Going forward, for all controlled investments, and to the extent feasible, for each non-control investment, we will monitor each portfolio company’s ESG performance annually through the collection of quantitative ESG metrics to evaluate progress made or determine if new recommendations are warranted. Our investment professionals are responsible for coordinating

with the board members for each portfolio company to ensure that any material ESG findings at the portfolio company level are promptly and appropriately addressed.

While each employee is responsible for upholding our ESG policy with responsibilities specifically designed for their roles, Veststar maintains an ESG Committee that is designated formal accountability and oversight for ESG programming, including this ESG policy. As a part of its responsibilities, the ESG Committee will review this policy annually and revise, as needed. Investment professionals will be responsible for the implementation of ESG recommendations outlined in ESG due diligence that takes place prior to the investment and for ongoing ESG monitoring after each investment has been completed. At the portfolio company-level, Veststar seeks to use its position as an active investor, including its seat(s) on the board of directors, to monitor each portfolio company's mitigation of material ESG risks identified in the diligence and annual monitoring processes.

Our ESG program takes into consideration principles and standards as articulated by the ESG Data Convergence Initiative (of which Veststar is a signatory), the United Nations' Principles for Responsible Investment (UNPRI) and the American Investment Council's Guidelines for Responsible Investment.¹

Firm-wide Management

We recognize that our own internal operations face certain ESG risks, specifically with respect to social and governance matters including data privacy and security, ethics and compliance, social and labor conditions, and diversity and equal employment opportunity. We are committed to mitigating ESG risks pertinent to the Firm and have taken steps to incorporate ESG management into our regular practices.

Data privacy and security: We recognize that our access to highly sensitive portfolio company and limited partner/investor information carries with it an obligation for us to be good stewards of this data. We have implemented a data privacy and security program to safeguard this sensitive information, and we formally communicate safeguarding mechanisms for our investors' personal data to investors in accordance with applicable laws.

Ethics and compliance matters: Our dedicated Chief Compliance Officer and General Counsel works to ensure our operations align with the highest standards for ethical conduct. Furthermore, we have developed a robust compliance program which includes annual training for all employees, a compliance manual and compendium of compliance-related policies, and periodic internal and third-party reviews of compliance practices.

Diversity, equity, and inclusion: Our core principles include active support of anti-racism policies, diversity and inclusion, equity, and social justice both at the Firm and across our portfolio companies. The Firm has established a dedicated Diversity, Equity, & Inclusion ("DEI") Committee accountable for the effective implementation, monitoring, and revision of our diversity and inclusion initiatives. We have also established a Diversity and Inclusion Policy that articulates our commitments to this important issue. We have trained, and will continue to periodically train, our workforce on topics such as unconscious bias to promote a culture of inclusion across the Firm, and seek to provide regular educational resources and events related to our core principles as well. We have also established a Veststar supported charitable fund to meaningfully support specifically identified charities that advance diversity and inclusion causes.

¹ As of the first quarter 2024, Veststar is not a signatory to UNPRI nor is it a member of AIC.

ESG Issues

We aim to assess ESG issue areas that constitute a material risk and/or commercial opportunity bespoke to our individual targets and companies throughout the hold period of the investment (either during initial due diligence, annual monitoring, or both). This list is non-exhaustive and ever evolving. We seek to engage the broader investment community to stay up to date on best practices. Examples of this include:

- **Supply Chain Social and Environmental Management:** Sourcing raw materials in a socially and environmentally sustainable manner to meet consumer expectations and align the portfolio company's corporate values with those upheld by its suppliers; ensuring a supply chain free of forced/child labor, human trafficking, unsafe/unfair working conditions, and significant environmental degradation
- **Sustainable Branding:** Ensuring all sustainability-related food or product claims are authentic and truthful; aligning sustainability claims in good faith with the standards that consumers and regulators have come to expect and associate with contemporary branding claims
- **Diversity and Equal Employment Opportunity:** Actively supporting organizations focused on social justice reform through a fund dedicated to organizations promoting anti-racism, diversity and inclusion, equity, and social justice; promoting diverse perspectives to sustain an innovation-based competitive advantage; protecting employees from discrimination and harassment in the workforce to maintain a reputation as a top employer
- **Social and Labor Conditions:** Supporting fair working conditions and refining the employee value proposition to attract top talent, engage a leading workforce, improve employee retention capacity, and bolster skillsets among the existing workforce as a matter of promoting employee well-being
- **Food Safety / Product Safety:** Prioritizing safety and quality in food/product manufacturing and sourcing operations to ensure consumers have access to food/products that will not have a negative impact on their quality of life; mitigating consumer concerns for food/products across manufacturing, distribution, retail, and service operations
- **Data Privacy and Security:** Fulfilling the duties of a trusted data custodian by safeguarding sensitive data to prevent the exploitation of personal consumer information and proprietary portfolio company/customer information by malicious actors; supporting the privacy of all data stakeholders' information and communicating the portfolio company's data stewardship commitments to these stakeholders on an ongoing and evolving basis
- **Climate Change:** Supporting business continuity and physical climate change risk awareness given the increasing frequency and severity of extreme weather events and related operational disruptions; ensuring alignment with stakeholder expectations for the pace and extent at which greenhouse gas emissions are considered across value chains