

Responsible Investment Policy

This Policy was first approved by the Board of Directors of Chrysalis Investments ('Chrysalis' or 'The Company') in 2020 and was updated in June 2023. It summarises the Company's approach to integrating material environmental, social and governance ('ESG') factors in our investments and our approach to investor stewardship. This policy will continue to evolve over time, in line with industry best practice and continued refinements to the investment process.

The Company's Investment Adviser, Jupiter Asset Management ('the Investment Adviser') has established an Responsible Investment Policy, available on its website, which describes its approach to these issues, including sustainability governance, oversight, and core material ESG issues.

OUR APPROACH

Chrysalis provides shareholders with exposure to some of the most innovative, entrepreneurial and creative private companies in Europe, the US and the UK.

- We seek high growth innovative businesses which are leading transformation within their sectors.
- We identify opportunities for significant growth and help companies carve out clear pathways to profit.
- We actively engage in building long term relationships with our partner businesses.
- We create value by taking a high conviction approach.

The Investment Adviser believes that in order to grow successfully, companies and their founders must not only execute strategically; they must also lay the foundations for future growth by fostering a healthy corporate culture, a talented and diverse workforce and creating appropriate corporate governance structures.

Consideration of material ESG issues is integrated into both investment analysis and decision-making, influencing asset allocation, portfolio construction, security selection, position sizing, stewardship, engagement and subsequent decisions on whether to remain invested or exit.

The Investment Adviser considers a company's management of ESG issues relative to its stage of development. Private companies are not expected to have attained the same standards of ESG disclosure or corporate governance as listed companies. However, all boards are encouraged to take practical steps to establish their corporate purpose, embed sustainable principles throughout their organisation and build resilient businesses capable of succeeding in the listed environment.

INVESTMENT PROCESS

Exclusions

We seek high growth innovative businesses which are leading transformation within their sectors. The Investment Adviser excludes companies which have as their objective or direct impact any of the following activities, which are incompatible with the Company's investment approach:

- i. The manufacture of controversial weapons
- ii. Modern slavery, human trafficking or child labour
- iii. The sale or production of illegal or banned products
- iv. Exploration or production of fossil fuels

Due diligence

Due diligence on potential new investments incorporates detailed ESG analysis which is conducted by the investment team. Due diligence is not outsourced to third parties, however, the investment team may seek external input on potential material issues identified. The investment team can also draw on the input of Jupiter's Stewardship Team or Legal Counsel, or commission third parties to conduct technical due diligence on specific issues.

The process first seeks to identify material ESG factors to which a business may be exposed, based on the sector in which it operates and its specific business model.

The Investment Adviser has identified a list of material issues which are always incorporated in our analysis, which are outlined in the 'ESG Materiality Assessment' section below. The process is also informed by a range of public sustainability standards which are used to try and understand factors which may affect a business and its stakeholders.

Material ESG factors are then incorporated within the investment process. This typically takes the form of ESG information requests, management interviews and a review of financial filings. Other processes available include social networks, interviews with former employees or stakeholders, channel checks, customer service reviews and site visits.

ESG risks relating to any of the areas above may lead to the Investment Adviser choosing not to invest in a given company, and this is determined on a case-by-case basis. ESG factors are not viewed in isolation, rather the Investment Adviser concentrates on trying to understand how these factors impact potential medium- and long-term investment performance, with reference to a company's valuation, and identify which, in its view, are relevant to investment decisions.

Where a company is considered investible, but potential material ESG risks are identified, these conclusions will be shared with management and the Investment Adviser will seek to work collaboratively to improve this aspect of the company. This may take the form of longer term objectives, such as IPO readiness, or short term remedial actions. The Investment Adviser will apply the same approach where potential ESG opportunities are identified which the Investment Adviser believes management should incorporate within their strategy.

ENGAGEMENT

Engagement is a central aspect of the Investment Adviser's approach to responsible investment. The Investment Adviser maintains dialogue with portfolio companies in order to inform investment decisions and advance the Company's responsible investment goals.

The Investment Adviser's approach to engagement is determined by the Company's investment policy. Unlike other private market participants which operate as control or majority investors, the Company's investments typically constitute a minority holding. Where the Company has a board seat or board observer status, the investment team attend board meetings and provide input where they believe they can add value. This includes regular dialogue on ESG-related topics and the Investment Adviser seeks to influence companies where, in its view, the management of material ESG factors can be improved. Depending on a company's stage of development, this may include encouraging boards to create governance structures, policies and allocate appropriate resource to enable the management of ESG factors, aligning with recognised industry ESG frameworks, and seeking external advice or assurance where relevant. Our dialogue with companies where we are not insiders typically takes place via regular meetings with management.

Where action plans are developed to address specific ESG matters at portfolio companies, these are reported to the Risk Committee and monitored over time to assess progress. Many material ESG issues are complex and interconnected, and outcomes take time. The Investment Adviser is committed to long-term engagement goals, and measures progress in relation to the state of development a company has reached. However, to protect client interests the Investment Adviser reserves the right to exit an investment if it concludes that progress is insufficient or does not meet the Company's strategic objectives. The Investment Adviser also uses its voting rights where applicable to hold management to account and uphold the interests of the Company.

DATA & MONITORING

One of the principal challenges of ESG integration in a private company context is data availability. Unlike listed companies, private companies rarely disclose ESG related data, either publicly or to third party data providers. This reality can hinder the identification of material ESG risks and potential issues which may require engagement.

The Investment Adviser has developed an internal dashboard of metrics to assess the ESG performance of portfolio companies. This data is collected directly from private investee companies, or sourced from the sustainability disclosures of listed holdings. It covers a broad range of environmental, social and governance factors drawing on recognised public sustainability frameworks and the stewardship experience of the Investment Adviser.

The Investment Adviser uses the resulting metrics to assess each company's ESG performance relative to its level of corporate development and maturity and incorporates insights gained into dialogue with company leadership teams in order to assist their continued development.

The Investment Adviser will continue to develop the metrics and will use the data to provide shareholders with increased transparency on the sustainable characteristics of the portfolio in our interim and annual reports. The metrics will also be used to assess potential new investments as part of any new investment due diligence process.

Material ESG incidents are reported to the Risk Committee which is responsible for monitoring investments so that they are aligned with the agreed risk appetite.

PRE IPO

An IPO is one way in which portfolio companies may look to create liquidity following the Company's original investment, alongside a trade sale or merger. Preparing for an IPO is a significant undertaking and it is important that a company has reached a level of maturity commensurate with listing. A key consideration is whether corporate governance structures and policies have matured in line with the company's growth and are suitable for a listed environment. The Investment Adviser considers each situation on its own merits and works with portfolio companies ahead of any planned IPO to communicate our expectations, with the goal of delivering successful outcomes for all stakeholders.

ESG MATERIALITY ASSESSMENT

Corporate Governance

Corporate governance is the process by which companies are directed and controlled. Good corporate governance is key to the success of a company's strategy and culture.

As active owners of private companies, the Investment Adviser accepts that corporate governance of unlisted companies may not initially adhere to listed standards of best practice, however boards are expected to respect the below principles of good governance and to ensure that governance arrangements keep pace with a company's growth. Areas considered may include but are not limited to:

- **Boards and executive leadership:** The Investment Adviser builds understanding of the quality of leadership teams and boards through assessment of i) board and committee composition and independence, ii) board and executive tenure and succession planning, iii) DE&I oversight and actions at board level and throughout an enterprise, iv) oversight and management of corporate culture.
- **Remuneration:** Private companies are afforded greater flexibility on remuneration than public companies. Notwithstanding this flexibility, it is critical that management and employee incentivisation structures should be aligned with shareholder interests. The Investment Adviser seeks to understand how remuneration structures encourage correct behaviours and do not create any perverse incentives, short-term actions, or rewards for failure.
- **Protection of minority rights and related party transactions:** The Investment Adviser expects the boards of portfolio companies to act in the interests of minority shareholders. The Investment Adviser will escalate engagement in situations where it believes that minority rights are not being appropriately upheld.
- **Systemic risks:** The environment in which companies operate continues to change rapidly and the Investment Adviser considers whether businesses are exposed to wider systemic risks, including through the assessment of global standards, such as the UN Global Compact.
- **Conduct, litigation and relations with policy makers and regulators:** Poor relations with regulators can severely hamper corporate success and result in value destruction for investors. The Investment Adviser seeks to understand how management teams engage with regulators and board oversight of regulatory matters. The Investment Adviser also seeks to understand how a company guards against malpractice.
- **Corporate culture:** The Investment Adviser seeks to understand how corporate culture is being led, developed, and monitored and to highlight strengths and areas for development. Where relevant, the Investment Adviser seeks to understand how management is advancing culture and where and how culture challenges emerge (e.g., expansion into new territories, M&A).
- **Audit, cyber and internal controls:** The Investment Adviser considers quality and independence of auditors and the internal audit process. Cyber resilience and information security are critical to the success of any business in the modern economy. The Investment Adviser seeks to understand company strategy, resourcing and oversight of cyber security matters.

ENVIRONMENTAL

Climate

Limiting global temperature rises to 1.5 degrees above preindustrial levels, in line with the Paris Agreement, is an urgent challenge facing the global economy. While the Investment Adviser believes that the Company's portfolio of tech-enabled, predominately digital businesses is not exposed to material climate risks, the scale of climate change will impact all sectors, industries, and asset classes. The Investment Adviser acknowledges the positive role that investors can play in tackling it through investment decisions and capital allocation. The Investment Adviser uses its influence as an investor through stewardship and active ownership to encourage companies to identify, manage and mitigate climate change risks or opportunities.

Biodiversity

The Investment Adviser considers potential biodiversity impacts in our ESG analysis of companies, in line with the approach and commitments set out in its Responsible Investment Policy. Where practices are identified which are considered unsustainable, the Investment Adviser engages with investee companies with the goal of achieving change, reversing biodiversity loss, while preserving and enhancing the value of the Company's assets.

SOCIAL

Human Capital

Good human capital management supports both value creation and business resilience, and the Investment Adviser believes that investing in human capital correlates with longer-term business success. Human capital management can both upskill and educate a workforce, increase abilities, and retain and motivate employees which has a direct impact both on an individual company and on wider society. The Investment Adviser believes that as corporate culture is set at an early stage, the relationships formed the workforce at an early stage in a company's development can be fundamental to its long-term success.

Promoting Diversity, Equity and Inclusion (DE&I) enables companies to attract talent from a wider talent pool. It also contributes to better decision-making, performance, innovation, and employee satisfaction and retention. The Investment Adviser understands that approaches to human capital management, including DE&I will differ between companies. As an active owner the Investment Adviser seeks to understand an investee company's operating model and engages to advise on best practice and potential improvements.

Human Rights

Companies with poor management of human rights can face a range of issues including fines, workforce issues and supply chain challenges which may affect their licence to operate. The Investment Adviser monitors and assesses human rights policies and procedures for portfolio companies to ensure that they are promoting good governance and management of human rights issues. The Investment Adviser expects companies to comply with internationally recognised human rights codes and standards.

Health and Safety

Occupational health and safety is a useful metric to outline good workforce practices and a strong operational culture. Where a company fails to meet health and safety standards, the Investment Adviser will engage and encourage the company to improve its practices and to disclose health and safety indicators. Good health and safety should be embedded in a business, and the Investment Adviser promotes a zero-harm ethos.

REVIEW

This policy will be reviewed and approved periodically by the Board of Chrysalis.