



TDR Capital
ESG Policy & Principles
December 2024

ESG Policy and Principles

1. Introduction

TDR Capital LLP (“TDR” or “the firm” or “we”) believes that incorporating environmental, social and governance (ESG) considerations in its business and investment decisions is essential to creating value for its investors and to developing a more sustainable long-term strategy for its portfolio companies. Where possible we take an active stewardship role in our companies, seeking to work in partnership with management to grow and develop the business together.

This ESG policy sets out our firm-wide commitment to ESG management, covering roles and responsibilities, our integration of ESG considerations across the deal cycle, reporting, communications, and how TDR manages its own direct ESG impacts. It draws upon the United Nations supported Principles for Responsible Investment, of which TDR is a signatory.

2. Our ESG Principles

We outline below the five principles that govern how we work, approach investments, and manage our portfolio companies in relation to ESG matters. We seek to:

1. **Ensure our portfolio companies comply with applicable laws and regulations** including anti-corruption, competition law, social rules on workforce and fair working practices with respect to human rights.
2. **Incorporate ESG factors in due diligence**, contributing to our decision on whether to invest in a business.
3. **Measure, report, and improve on ESG issues and performance in portfolio companies** in order to grow value sustainably.
4. **Put in place governance and remuneration structures** that align portfolio company management interests with our own in terms of growing value.
5. **Engage with relevant stakeholders on ESG**, including keeping our investors informed on a regular basis.

3. Roles and Responsibilities

TDR has dedicated ESG resources in place to support the delivery of our policy and to work proactively with our portfolio companies to enhance levels of ESG management.

Our Head of ESG & Sustainability, Nigel Smith, serves as chair of TDR’s Responsible Investment (RI) committee. The RI committee meets quarterly to review portfolio company reporting and to discuss any opportunities and/or incidents that occurred during the quarter. The RI committee then reports back to the TDR Partners and operates as a forum to share ESG learnings and best practice among the deal teams.

Each portfolio company is expected to report quarterly on progress relating to key material ESG risks and opportunities. In addition to this, portfolio companies are required to report at least annually against c.50 ESG KPIs. These reports are reviewed by our RI committee, with feedback provided to the Partners and the deal team regarding any concerns, or potential further opportunities.

Our Head of ESG & Sustainability is responsible for the collation of quarterly ESG reporting and annual ESG key performance indicators across all portfolio companies. TDR and its portfolio companies have joint responsibility to implement and monitor the application of this policy, creating appropriate governance structures to support the required level of commitment.

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4. Integrating ESG in Our Investment Activities

Through our stewardship activities we use our influence to promote long-term value creation. To do this, we engage with our portfolio companies at all stages of the investment lifecycle and through our role on investee boards. The TDR team is a significant investor in its own funds and as such, we have a clear alignment of interests with our investors and management teams. Our approach throughout the deal cycle is outlined in the diagram below:

Due Diligence	Closing	Ownership	Exit
Company due diligence and incorporating ESG in value creation plan <ul style="list-style-type: none"> ESG due diligence red flag review, identifying and understanding risks and opportunities. ESG specialists engaged where specific risks have been identified. ESG elements included in value creation plan. 	TDR & management complete ESG template at closing <ul style="list-style-type: none"> Template identifies key ESG considerations, some of which may need immediate attention. Agree both quarterly and annual reporting protocols, including TDR's incident escalation procedures. 	Ongoing portfolio company ESG reviews and reporting <ul style="list-style-type: none"> Two-way engagement with management teams to regularly review ESG performance. TDR's RI committee reviews portfolio company ESG reporting on quarterly basis and annual KPIs. ESG reports focus on value growth and risk reduction to support exit options and ensure continuing company health post-ownership. 	Preparation includes valuing ESG impact <ul style="list-style-type: none"> ESG factors included in vendor due diligence. ESG improvements during TDR ownership recorded and documented.

4.1 ESG in Origination and Due Diligence

During origination, we will identify the set of ESG factors that are relevant and material to a potential investment and include these in the due diligence plan, and ultimately in the value creation plan if we progress with the investment. Both risks and opportunities will be identified and discussed with advisors and management as appropriate.

Significant ESG issues identified during due diligence need to be specifically raised and discussed with the investment committee prior to a final investment decision being made. This analysis is completed through applying internal resources and, when necessary, specialist external consultants.

4.2 Ownership

Following acquisition, all companies will go through TDR's ESG onboarding process and are thereafter in close communication with TDR's Head of ESG & Sustainability throughout the ownership period.

Material ESG issues or mitigating actions identified during pre-investment due diligence will become the initial blueprint for action once the investment is approved.

TDR will work closely with the portfolio company both on a formal basis, through quarterly reports and calls, workshops, annual forums and KPI gathering and analysis, and also informally with ad hoc support on reporting or setting ESG strategies, objectives, and targets.

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The ESG team maintains close contact with the investment team so that it is fully aware of any ESG issues at each stage of the investment process. It will also track and manage a combination of standard, as well as company-specific factors. The sections below outline some overall guidance in defining the scope of ESG issues at a given company:

4.2.1 Environment

- All portfolio companies are encouraged to identify and implement measures to reduce their environmental impacts. Where significant value can be gained or protected in these areas, performance initiatives should be pursued. This will typically include activity around reducing energy consumption, water consumption and waste reduction. We also expect companies to identify and mitigate any adverse impacts on nature and biodiversity.
- TDR recognises the challenges of climate change and the potential risk this may pose for the investments we make. We support the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), which we are currently implementing. In alignment with this, we work with portfolio companies to understand physical and transitional climate risks and opportunities.

4.2.2 Social

- We do not tolerate unfair, discriminatory, illegal, or immoral working practices either in a portfolio company or its supply base. Companies are expected to adhere to international conventions on human rights throughout activities, operations, and stakeholder relationships internally and externally. This includes respecting employees' and contractors' rights to decent working conditions, such as minimum wages, working hours, health and safety and the right to collective bargaining.
- TDR expects its portfolio companies to be equal opportunities employers. Responsibility for implementing equal opportunities arrangements and for ensuring compliance with appropriate work practices normally falls to the HR function within the portfolio companies, with monitoring and reporting of such arrangements made through board involvement.
- TDR encourages investment in employee development and training programmes within its portfolio companies. Furthermore, TDR values employee engagement and dialogue and endorses practices which support employee well-being.

4.2.3 Governance

- TDR is often a majority investor, and as such would normally be able to control the composition of portfolio company boards. Where appropriate we seek to ensure that the Chairperson and CEO functions are held separately within an organisation. Where we are not a majority investor (or where there are restrictions on the ability to appoint directors) we would normally be entitled to appoint a representative to the board.
- TDR requires company governance to be in line with all local requirements concerning worker representation.
- TDR policy for portfolio company boards is in line with those recommended by the UK Corporate Governance Code 2016, modified to take into account the non-public nature of most of the firm's portfolio companies.
- TDR has zero tolerance for acts of bribery and corruption, and requires all portfolio companies to have policies and procedures to prevent these occurring within portfolio companies.
- TDR expects all portfolio companies to operate in compliance with relevant industry regulations and quality standards and with relevant national and international laws.
- TDR requires portfolio companies to have ESG-related policies and for these to be regularly reviewed and improved over time.

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4.3 Exit

During the exit period, an internal or external “start-to-finish” review is carried out. This review includes the analysis of the company’s ESG performance over time, as well as progress against the ESG action plan defined at the time of investment.

5, Reporting and Communications

TDR provides its investors with quarterly reports which contain an overview of our approach to ESG management, as well as company specific ESG issues and current highlights of programmes and initiatives. We also monitor, review, and publicly report ESG performance via our annual ESG and Sustainability report. Details outlining our approach are included on the TDR website and ESG updates are presented at our annual investor conference.

TDR has in place a comprehensive and robust incident reporting process for portfolio companies. This stipulates the requisite level and timeline of incident reporting to TDR depending on the level of materiality.

6. Managing ESG in Our Own Operations

Whilst our most significant ESG risks and opportunities can be found across our portfolio companies, we also recognise the importance of managing TDR’s own impact. This includes:

6.1 Environment

Although our direct impact on the environment from our office in London is small, we have worked towards minimising our footprint. We source renewable energy for all electricity consumption, annually measure our carbon footprint and offset this with nature-based solutions, minimise any unnecessary plastic waste, maximise our recycling efforts and limit the impact of business travel where possible.

6.2 Social

Our policy is to encourage full participation from staff in originating investment ideas, developing investment theses and contributing to investment decisions, as well as involvement in portfolio company management where relevant. All professional staff meet weekly to review firm-wide developments, including deal flow and portfolio company developments.

TDR Capital is committed to encouraging diversity and inclusion within TDR and its portfolio companies. We believe in equal opportunity for all our people through the creation of an inclusive environment, and the elimination of unlawful discrimination. This commitment is outlined in our Diversity and Inclusion Policy. TDR is a founding member of Level 20 and Out Investors, two industry initiatives which seek to encourage greater understanding and levels of diversity in the sector. We are also a participating firm in the 10,000 Interns Foundation initiative and a corporate partner of GAIN (Girls Are Investors).

6.3 Governance

TDR Capital LLP has been granted permission by the UK Financial Conduct Authority to act as an Alternative Investment Fund Manager (AIFM). TDR Capital LLP is authorised as a full-scope UK AIFM and has not delegated any of its AIFM functions. A depositary has been appointed for the funds that are in the scope of the AIFM Directive.

The firm is a member of the BVCA and Invest Europe and complies with their respective Codes of Conduct. TDR is also registered with IRS FATCA.

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TDR is structured to avoid potential conflicts of interest. TDR's primary business is the management of its related private equity funds and the portfolio companies within these funds. The firm does not have any separate corporate advisory or other related areas of business.

TDR is a supporter and signatory to the Principles of Responsible Investment, Initiative Climat International and the ESG Data Convergence Initiative.