

# HGGC Responsible Investment Policy

*Established in 2012  
Revised August 2023*

HGGC, LLC (“HGGC,” the “Firm” or “we”) takes seriously our fiduciary duties to our investors, seeks to act in the long-term interest of our investors, and endeavors to maximize risk-adjusted returns for our investors and other stakeholders by investing responsibly. We believe that companies with environmental, social, and governance (“ESG”) standards are typically better run, have fewer business risks, and may ultimately deliver better value. We seek to integrate assessments of ESG into our investment analysis and decision-making, as appropriate, because we believe it leads to successful, sustainable, and replicable results.

## Purpose

The purpose of this Responsible Investment Policy (this “Policy”) is to define HGGC’s approach to managing ESG factors across all potential investments, portfolio companies, and at the Firm level, as well as to provide a framework for all stakeholders to understand the ways in which ESG factors are integrated across the Firm’s operations.

## ESG Governance and Oversight

Responsibility for ESG oversight, accountability, and implementation rests at various levels within the Firm under the guidance of HGGC’s ESG Committee. The ESG Committee is responsible for overseeing the Firm’s ESG initiatives and typically reviews this Policy annually and updates it as it deems necessary.

## ESG Focus Areas

Through this Policy, HGGC endeavors to evaluate ESG considerations throughout the entire investment lifecycle in order to highlight significant ESG risks and/or value creation opportunities. HGGC has identified specific ESG focus areas that generally are material to the portfolio companies in which the Firm invests. The selected material topics are informed by global ESG standards, such as the Sustainability Accounting Standards Board (“SASB”), and industry expertise. Focus areas may include but are not limited to:

<b>Environmental</b>	<b>Social</b>	<b>Governance</b>
<ul style="list-style-type: none"><li>• Resource Usage</li><li>• Environmental Impacts</li><li>• Regulations and Compliance</li><li>• Emissions</li></ul>	<ul style="list-style-type: none"><li>• Employee Health and Safety</li><li>• Labor Practices</li><li>• Employee Recruitment, Development, and Retention</li><li>• Diversity, Equity, and Inclusion (“DEI”)</li><li>• Corporate and Social Responsibility (“CSR”)</li></ul>	<ul style="list-style-type: none"><li>• Business Ethics, Anti-Bribery, and Anti-Corruption</li><li>• Competitive Behavior</li><li>• Alignment and Compensation</li><li>• Transparency, Audits, and Taxes</li><li>• Risk Management</li></ul>

## **Human Rights**

HGGC seeks to foster a culture of dignity, equality, and social responsibility. We are committed to upholding and respecting internationally recognized human rights across all aspects of our operations,

investments, and interactions. Should HGGC identify actual or potential negative human rights outcomes resulting from portfolio company operations, we will work with the portfolio company management team to take action to prevent or mitigate the identified negative outcomes.

## **Exclusions and Parameters**

HGGC screens all potential investments against an exclusions list, which identifies business sectors and activities that are inconsistent with HGGC's and our limited partners' expressed values. Accordingly, HGGC does not invest in any company that:

- Uses an illegal worker base such as child labor, forced labor, or trafficked persons;
- Does not comply with applicable local, state, national, and international laws, including the U.S. Foreign Corrupt Practices Act and similar regimes;
- Derives material revenue from the production of tobacco, cannabis, alcohol, pork products, gambling, or adult entertainment; or
- Produces or sells firearms or other offensive munitions.

## **ESG in the Investment Process**

### ***Pre-Investment***

During the pre-investment phase, HGGC is committed to proactively evaluating material ESG risks and opportunities related to our targeted investments. Prior to an acquisition, HGGC's deal professionals assess ESG-related risks and/or opportunities through the use of the Firm's ESG Assessment Tool and present an ESG Assessment Report to the Investment Committee. As we deem necessary, HGGC engages with third-party advisors to conduct due diligence on particular ESG topic areas.

### ***Post-Investment***

HGGC seeks to foster long-term financial performance for our investments through active engagement with our portfolio companies post investment by supporting portfolio company management teams to build value including through operational improvements, internal growth initiatives, and strategic acquisitions. HGGC recognizes that many factors may pose systemic risks to our portfolio companies including climate change, pandemics and other widespread public health emergencies, current or future tensions around the world, fear of terrorist activity and/or military conflicts, localized or global financial crises, or other sources of political, social, or economic unrest.

The Firm maintains active monitoring of all control investments, with each portfolio company board working closely with portfolio company management teams to properly oversee ESG-related issues. The Firm updates the ESG Assessment Report, created during the pre-investment due diligence phase, annually. We seek to work with management teams to address identified ESG factors that are most impactful and may prioritize specific actions or portfolio companies to focus our stewardship efforts.

## **Stakeholder Engagement and External Reporting**

To promote transparency with our limited partners regarding material ESG findings and performance, HGGC provides ESG Assessment Reports annually to our limited partners and includes in those reports material ESG incidents at portfolio companies that may have an impact on investment performance.

## **Corporate Social Responsibility**

We sponsor the Capital Impact Foundation, our affiliated private foundation, as well as support other charities and social enterprises. Our Partners are committed to CSR. We support CSR for social, community, and philanthropic reasons rather than for commercial purposes. When appropriate, we seek to align certain philanthropic activities with those undertaken by our affiliated portfolio companies.