



STAR Capital Partnership LLP ESG Report (Abridged Version)

2020



STAR Capital Partnership LLP
CONFIDENTIAL

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STAR Capital Partnership LLP (“STAR”) is authorised and regulated by the Financial Conduct Authority.

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A note from the Chairman

A NOTE FROM THE CHAIRMAN

Since STAR's inception over 20 years ago, we have been focused on creating long-term value for our investors and the companies we invest in. Core to this strategy has been being a responsible investor with the highest levels of governance.

With current assets under management of c. €1 billion we understand and recognise that we have the opportunity to make a significant positive impact on the Sustainability agenda, through our investment decisions and portfolio company management practices. We believe that sustainability and profitability are not mutually exclusive and that companies can increase shareholder value, not in spite of, but as a result of their sustainability efforts.

I am pleased to present our first standalone ESG report, having previously integrated the reporting of ESG into our fund reports. It comes as part of our commitment to continuously develop and enhance our approach to ESG management and demonstrate leadership within our business community and with our portfolio companies. This report summarises our approach to ESG integration and illustrates some of the progress we have made on our ESG programme this year.



Tony Mallin
Executive Chairman
March 2021

STAR at a glance

STAR III PORTFOLIO

Company	HQ	Sector	Description
 SYNERGYLMS		Healthcare & Public Services	Synergy is a leading provider of linen management services to hospitals, airlines and the hospitality industry in the UK
 DATACENTER ONE		TMT	Datacentre One is a regional data centre and fibre network operator based in Stuttgart
 MPC CONTAINER SHIPS		Transport & Logistics	MPCC is a global marine transportation business that owns and operates a portfolio of 65 ⁽³⁾ feeder container ships
 GSLs General Secure Logistic Services		Transport & Logistics	GSLs provides outsourced cash management and logistics services in the Republic of Ireland
 TASC INFRASTRUCTURE		TMT	TASC acquires and manages rental streams generated from telecom sites
 ASL AVIATION HOLDINGS		Transport & Logistics	ASL is Europe's largest provider of aircraft wet leasing capacity to the growing express cargo and e-commerce sector
 windhoist		Specialist Industrial	Windhoist is a leading installer of onshore and offshore wind turbines
Hawksford ⁽¹⁾		Financial Services	Hawksford is an international provider of compliance-driven fund, corporate and private client administration services
Rail Operations Group ⁽²⁾		Transport & Logistics	ROG is a leading provider of rolling stock movement and storage services to the UK rail industry

(1) Completed on 25 February 2021

(2) Completed on 12 January 2021

(3) As of 31 December 2020

Key Metrics ⁽⁴⁾

→ **27** professionals

→ **+€700m** capital committed in STAR III

→ **+4,900** employees across the portfolio

→ **+€1.3bn** revenue

(4) Portfolio metrics include Hawksford and Rail Operations Group



STAR III Portfolio Geographic Exposure

 Sources of Revenue for STAR III Portfolio in Europe

STAR at a glance

SUPPORT FOR EXTERNAL INITIATIVES



STAR has been a signatory to the United Nations Principles for Responsible Investment since August 2017. In 2019 and 2020, STAR was ranked A for Strategy and Governance and for the Direct and Active Ownership module for Private Equity.



STAR is proud to support Right to Play and has been supporting them since 2018. Right to Play is harnessing one of the powerful and fundamental forces in every child's life, the power of play. Their programmes protect, educate, and empower children to heal from the harsh realities of war and abuse, to change their behaviour and protect themselves from disease, to go to school, graduate and create a better future. They play for change in five key areas: quality education, gender equality, health & well-being, child protection and peaceful communities.



Tony Mallin is the Founder and Chairman of Youth Experience in Sport and was recognised in the 2020 honours list with an MBE for this charity. The charity aims to bring at-risk young people into active sport in deprived areas of London. The objective being to help reduce youth crime rates and improve the general health and well-being of young people.



As part of our continued commitment to diversity and inclusion STAR has become a member firm of Out Investors, a global network for LGBT+ investment professionals. The organisation's mission is to make the direct investing industry more welcoming for LGBT+ professionals by organising networking events, speaker series and mentorship programs. The network includes over 40 firms today across private equity, hedge funds, venture capital and other large investment organisations.



STAR is a Sponsor of Level 20, the not-for-profit organisation established to inspire women to join and succeed in the private equity industry. Our firm supports Level 20's mission to encourage greater female representation across the private equity industry with the goal of having 20% of senior positions in the industry held by women and with a particular focus on increasing the number of women in investment roles.

2020 ANNUAL REVIEW

1. REVIEW OF 2020

STAR Capital has been implementing ESG measures across our investment cycle for a number of years, including engaging with our portfolio companies in addressing material ESG matters in their operations. Our portfolio companies have been progressing a range of good initiatives during 2020 around reducing carbon emissions, reducing the use of plastics and improving H&S standards, to name just a few.

In 2020 we undertook a project to review and strengthen our ESG management system and update our Sustainable Investment Policy (the updated version is included in the Appendix). This involved workshops with members of the deal team, portfolio team, and finance and legal teams at both junior and senior levels. It has led to a review of our processes and overall approach to develop a new, more proactive and forward-looking strategy as set out in section 3 of this report.

On a practical basis we instigated the collection of a comprehensive set of ESG KPI data that allows us to report on key ESG KPIs more consistently across all of our portfolio companies. This has enabled us to present our first portfolio-wide KPI report (p8) and the collation of ESG performance on each portfolio company in individual summary sheets (p9-13). We intend to build on the detail within these over the coming years.

2. PORTFOLIO RESPONSE TO COVID-19

The past 12 months have been a challenging time for businesses across the world in the face of the Covid-19 pandemic. The policies that have been implemented by government around the world to limit the spread of the virus have had a significant impact on our economies and affected many lives.

Our focus as shareholders throughout this pandemic has been first and foremost on protecting the well-being of the employees of all of our portfolio companies, as well as on supporting these businesses through what has been an operationally very complex and challenging period.

We are proud of how each of our portfolio companies has responded to the crisis. All of them have continued to operate during this period and adapted well to the continuously changing environment and restrictions. Some of our portfolio companies have also been supporting the healthcare sector in the fight against the pandemic.



Throughout 2020, SynergyLMS has been a key partner of the NHS, supporting delivery of healthcare through the COVID crisis, supporting with the mobilisation of the linen needs required at the Nightingale hospitals and meeting the changing linen demands of its Healthcare customer base.



ASL supported the critical transportation of PPE through the Covid period, transporting essential PPE from Asia to Europe.

3. STAR'S APPROACH TO ESG INTEGRATION

At STAR, we believe that a responsible approach to investing is inextricably linked to building long-term sustainable value in our business and portfolio companies. We take an end-to-end approach starting from acquisition through to exit, with a special emphasis on engagement during our ownership phase where we can make the most difference.

ESG Integration Through the Investment Cycle



In order to drive consistency, we have adopted a thematic Sustainable Investment framework to ensure we consistently consider a wide-ranging set of ESG topics for their relative materiality within any business or sector context. This is integrated into our investment lifecycle through our screening and profiling tools, performance assessment and improvement and reporting.

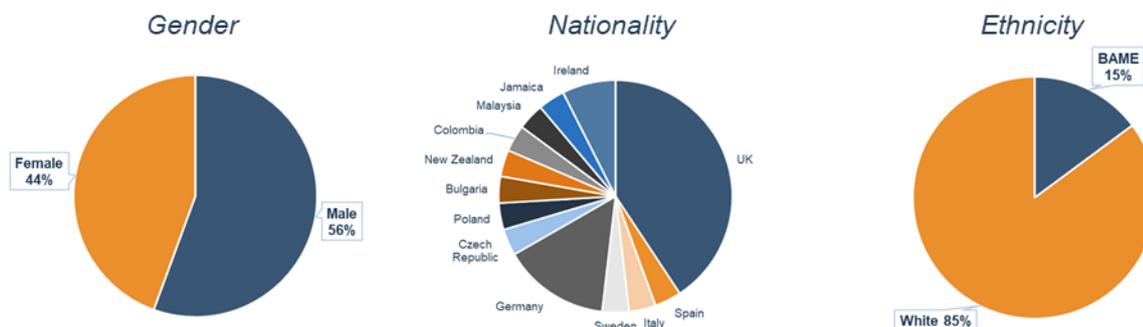
Environment	People and Society		Governance
Climate	Health, Safety & Wellbeing	Marketplace Responsibility	Governance & Business Ethics
Waste and pollution	Diversity & Inclusion	Supply chain ethics	Risk & Compliance
Natural Resources	Training & Development	Community Investment	Commitment to Sustainability

The Executive Board of STAR Capital is responsible for the Sustainable Investment Policy (please see the Appendix), for ensuring it is implemented across the organisation and for the review and approval of any material changes. The Investment Committee is responsible for assessing the ESG risks on new investment opportunities, and the portfolio management team together with the board of directors of each portfolio company are responsible for developing and monitoring the ESG programmes post-acquisition in each portfolio company.

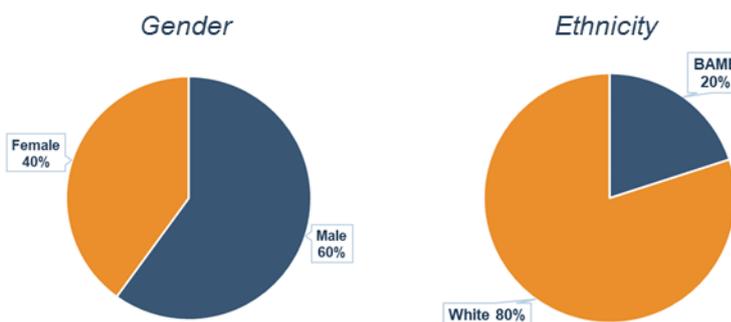
4. STAR's ESG PERFORMANCE

We are a small team of 27 staff but a diverse team in terms of both gender and nationalities. We believe that a diverse and varied workforce is of great benefit to the organisation.

STAR's Staff Composition



Executive Board Attendees Composition



Training and development is a core part of attracting and retaining our people. We are committed to providing our employees with the opportunities, experience and training to achieve their potential and grow their knowledge, skills and capabilities.

During the year to 31st December 2020, we provided formal internal training on areas and skills including:

- Presentation and communication skills;
- ESG;
- Anti bribery / corruption;
- GDPR;
- Anti-financial crime and conflicts of interest;
- Cyber risks;
- SMCR;
- Ninja productivity

We also run a mentoring program for all employees below partner level. This has been especially important over the past 12 months which have been very testing for everyone as result of the ongoing pandemic, and where we have had very limited physical interaction with our colleagues because we have been working remotely.

STAR Charitable Giving

With a traditional office Christmas party not possible in 2020, STAR made the decision to donate the allocated budget to charity. The charities were chosen by staff and donations were made to local communities through various initiatives listed below:



Refettorio Felix sustains and supports vulnerable people with positive and warm therapeutic services to accomplish their charity's objectives of relieving poverty, hardship, sickness and distress.



Tooting Community Kitchen's goal is to help alleviate poverty in South West London, by helping feed the homeless and those in need, and providing them with other vital resources.



Noah's Ark Children's Hospice provides support for babies, children and young people with life-limiting or life-threatening conditions and their families



Family Action – Toy Appeal delivered toys to over 11,700 children facing disadvantage, when otherwise they might have had nothing. The financial impact of Covid-19 has caused an unprecedented challenge for thousands of the most vulnerable low-income families and individuals across the UK.

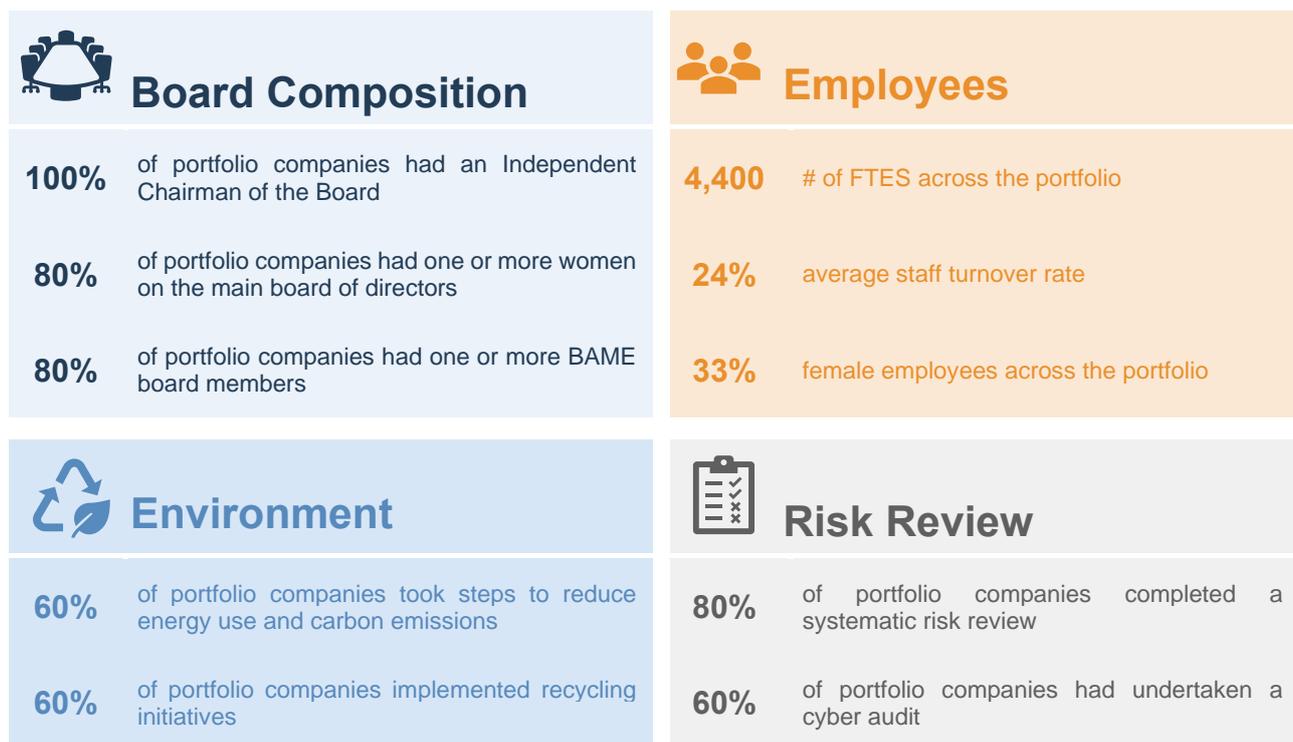


Big Issue's mission is to dismantle poverty by creating opportunity, through self-help, social trading and business solutions



5. 2020 PORTFOLIO ESG KPI REPORT¹

At STAR we are continuously striving to build on our experiences and improve the way we do things. To that effect, over the past 12 months we have been working with a specialist ESG consultancy firm to review and evolve our approach to ESG. We have developed a new reporting tool that will allow us to report on key ESG KPIs consistently across our portfolio companies. This exercise has highlighted some areas of strength, as well as areas where further development may be needed. We also expect the data set to improve over time as the portfolio companies become more practiced at collecting the information.



¹ Includes majority owned portfolio companies (SynergyLMS, DC1, GSLS, ASL, Windhoist)

Appendix – Sustainable Investment Policy

APPENDIX – SUSTAINABLE INVESTMENT POLICY

STAR Capital Partnership LLP is a UK headquartered mid-market private equity firm specialising in building businesses in Western Europe with a focus on businesses that utilise strategic assets to provide essential services to end users.

We are committed to the integration of sustainability management practices into our business, recognising the potential for material Environment, Social and Governance (ESG) factors to affect the value, resilience and success of our investments and their associated assets, and for their potential impacts on the environment, society and the economy.

This policy sets out our principles and objectives for how we will undertake this commitment, which we will apply across all of the funds which we manage or advise as well as our own business operations.

OUR PRINCIPLES

- To seek to optimise positive impacts and minimise or negate actual or potential adverse impacts through the integration of ESG/sustainability factors across the lifecycle of our investments.
- To promote the highest standards of business integrity and compliance with all applicable laws, both within our direct business undertakings and those of our portfolio companies.
- To take account of the interests and perspectives of our stakeholders in making investment and business decisions.
- To undertake timely, appropriate and transparent disclosure and reporting in relation to material ESG issues and impacts, using regular monitoring of ESG performance across our portfolio as the cornerstone of our approach.
- To continuously develop and enhance our approach to ESG management and demonstrate leadership within our business community and with our portfolio companies.
- To uphold and promote the principles of the PRI, which STAR has been a signatory to since 2017.

OUR OBJECTIVES

- To equip and empower our team to implement our principles above, through management support, training and the provision of tools and guidance that enable us to operate a robust and well-defined sustainable investment system.
- To play our part in building awareness and action in relation to the net zero carbon agenda and resilience in the face of the potential impacts of climate change on our businesses and our wider stakeholders.
- To seek to integrate consideration of the challenges that lie behind the UN Sustainable Development Goals and the principles of the UN Global Compact within our investment and stewardship processes.
- To be a sustainable operator ourselves through the proactive management of our direct ESG impacts as a business.

INTEGRATION OF ESG MANAGEMENT INTO THE INVESTMENT LIFECYCLE

During the pre-investment phase we:

- Develop awareness of potential material ESG risks in the deal-flow pipeline that may mitigate against investment.
- Profile ESG risk to identify material adverse factors and value creation opportunities as part of our pre-deal assessment and due diligence, and provide well-considered analysis for the Investment Committee evaluation process.
- Document our ESG profiling, decisions and agreed action plans to carry forward into the stewardship phase.

During the stewardship phase we:

Use our governance role to engage with the senior management teams and Boards of our portfolio companies to promote sustainable practices and outcomes, including focus on material ESG issues in the 100-day plan, and by setting a longer term agenda for sustainable value protection and creation throughout our hold period and beyond.

Appendix – Sustainable Investment Policy

- Undertake a review of the business to build a baseline ESG performance assessment with which to evaluate risks and opportunities, engage with the management team on setting objectives and performance standards and the creation of action plans to address the most material matters, and offering support where appropriate.
- Seek ESG KPI data, and an update against the baseline ESG performance review, on an annual basis to document progress, identify any new issues and opportunities and report to our investors. We will also use this data to make an analysis of performance change during our stewardship and any remaining risk and opportunity at exit.

STAR SUSTAINABLE INVESTMENT THEMATIC FRAMEWORK

We have adopted a thematic Sustainable Investment framework to ensure we consistently consider a wide ranging set of ESG topics for their relative materiality within any business or sector context. This is integrated into our investment lifecycle through our screening and profiling tools, performance assessment and improvement and reporting:

Environment	People and Society		Governance
Climate	Health, Safety & Wellbeing	Marketplace Responsibility	Governance & Business Ethics
Waste and pollution	Diversity & Inclusion	Supply chain ethics	Risk & Compliance
Natural Resources	Training & Development	Community Investment	Commitment to Sustainability

POLICY IMPLEMENTATION AND REVIEW

The Board and senior management of STAR Capital are committed to the proactive implementation of this policy and to providing the support and resources necessary to do this. We will review our policy on an annual basis.