



STAR Capital Partnership LLP ESG 2021 Annual Review (Abridged Version)



CONFIDENTIAL

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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 promoting responsible investment with the highest levels of governance.

With current assets under management of c. €1.7 billion we understand and recognise that we have the opportunity to make positive improvements by integrating sustainability management practices into our business, through our investment decisions and our portfolio management activities. 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.

2021 has not been without challenges for the world, but it has shown some positive developments on various fronts. The COVID-19 vaccine was successfully rolled out in spite of further variants, and even though full climate pledges were not yet reached at COP26, efforts are continuing worldwide with more investments being made towards sustainability.

We are deeply concerned about the current conflict in Ukraine and its serious humanitarian consequences. We are continuously reviewing the impact of the conflict on our portfolio and we implemented response measures where required, always with the clear priority of ensuring the security and wellbeing of our staff. As the crisis continues to unfold and Governments impose new sanctions, STAR is monitoring the situation closely to ensure ongoing compliance across the portfolio.

A Note from the Chairman

Despite these events, STAR has continued to develop its capabilities in order to enhance its ESG practices.

A key focus this year has been on tracking carbon footprint across the STAR III portfolio. To this end, I am pleased to present our first reporting on carbon emissions as part of this Annual Review. This is a major step for our business towards greater transparency and monitoring of sustainability improvements. It further demonstrates STAR's commitment to making positive improvements, whether on its own or through its portfolio companies.

This year has seen us consolidating the foundation of our reporting and continuing the support of sustainability initiatives across the portfolio. In the coming year, our priority is to define consistent targets at STAR and across the portfolio, in line with our ESG strategy.

*“We believe that
companies can increase
shareholder value as a
result of their
sustainability efforts”*



Tony Mallin
Executive Chairman
March 2022



I. STAR at a glance



STAR at a glance

STAR III Portfolio

Company	HQ	Sector	Description
 SYNERGYLMS		Healthcare & Public Services	SynergyLMS is a leading provider of linen management services to hospitals, airlines and the hospitality industry in the UK
 DATACENTER ONE		TMT	Datacenter One is a regional data centre provider based in Germany
 MPC CONTAINER SHIPS		Transport & Logistics	MPCC is a global marine transportation business that owns and operates a portfolio of 68 ¹ feeder container ships
 GSLs <small>Secure Cash Logistics Partner</small>		Transport & Logistics	GSLs provides outsourced cash management and logistics services in 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
 windlogix		Specialist Industrial	Windlogix is a leading installer of onshore and offshore wind turbines
Hawksford		Financial Services	Hawksford is an international provider of compliance-driven fund, corporate and private client administration services
Rail Operations Group		Transport & Logistics	ROG is a leading provider of rolling stock movement and storage services to the UK rail industry
 SKYFive		TMT	Leader in air-to-ground connectivity services for aircraft

Notes: 1. As of 31 December 2021; 2. Committed/allocated; 3. Excluding contractors and temporary staff.

Key Metrics

- **30** professionals
- **+€800m** capital committed² in STAR III
- **c. 4,300** employees³ across the portfolio
- **+€1.7bn** revenue across the portfolio



STAR III Portfolio
Geographic Exposure

 Sources of revenue for STAR III portfolio in Europe

Commitment to Sustainability



STAR has been a signatory to the United Nations Principles for Responsible Investment since August 2017

A

*In 2019 and 2020, STAR was **ranked A** for Strategy and Governance and for the Direct and Active Ownership module for Private Equity **

Note: * In August 2021, the PRI Board decided to engage in a comprehensive review of the 2021 pilot reporting and delayed the next reporting cycle to 2023. Assessment reports for 2021 are expected in June 2022.

Support for Diversity initiatives



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.

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 programmes. The network includes over 40 firms today across private equity, hedge funds, venture capital and other large investment organisations.

Making an Impact in local 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.



STAR has been supporting Right to Play 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.



Working in partnership with schools, alongside a large and diverse range of employers and funders, Spark! enhance young people's employability skills, knowledge and experience so that they are better prepared for transition into the workplace.

STAR has been supporting the charity since 2017, by participating in Spark!'s industry days for students, as well as welcoming students inhouse for work experience.



Impetus transforms the lives of young people from disadvantaged backgrounds by ensuring they get the right support to succeed in school, in work and in life.

STAR has supported Impetus' triathlon events since 2018, with several teams signed up and raising money for the cause.



II. Our approach to ESG

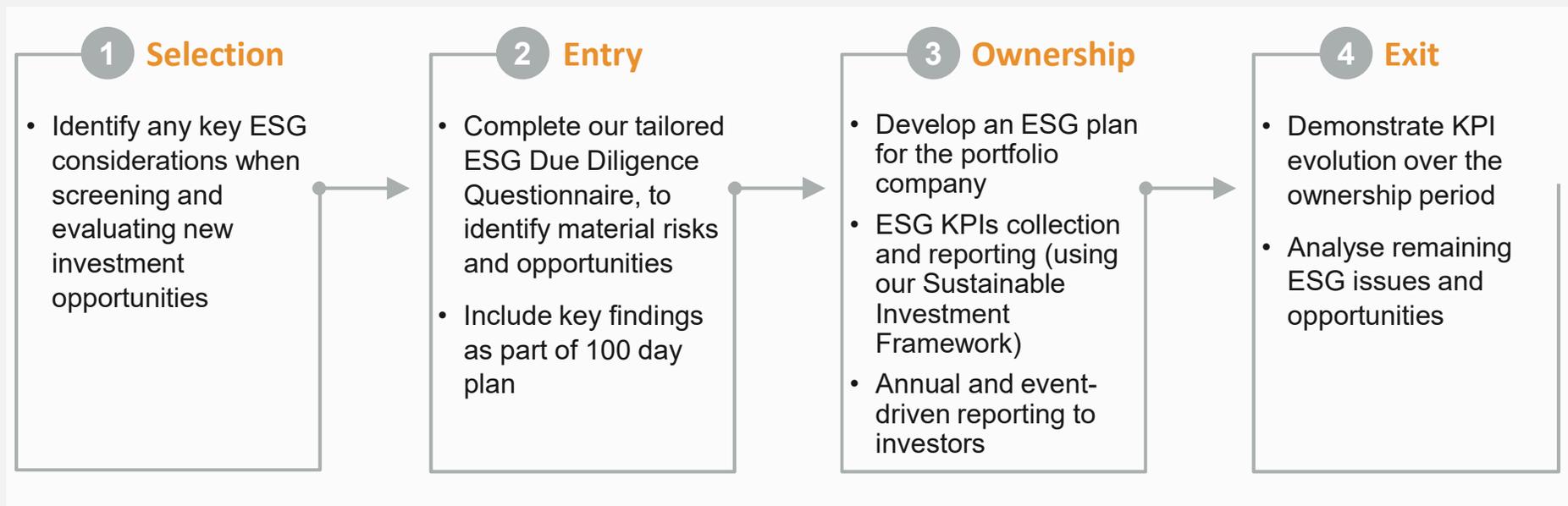


STAR's approach to ESG integration

Investment process

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



STAR's approach to ESG integration

Sustainable Investment framework

In order to ensure a consistency of approach, we have adopted a thematic Sustainable Investment framework to methodically review 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.



STAR's approach to ESG integration

Responsibility

The Executive Board of STAR Capital is responsible for the Sustainable Investment Policy (please see our website) and its implementation across the organisation.

The Investment Team is responsible for assessing the ESG risks and opportunities on new investments, with the Investment Committee making the final investment decision.

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.



Tony Mallin
*Executive Chairman,
Managing Partner*



Paul Gough
Managing Partner



Uniti Bhalla
Managing Partner



Laura Carballo
*Head of
Portfolio Management*



Sam Fletcher
*Principal, Portfolio
Management*



Sebastian Cox
*Principal, Portfolio
Management*



Elizabeth Judd
General Counsel



Robert Spurr
CFO



Aurelie Goupil
*Investor Relations
Manager*

Note: * Executive Board attendee.

Company Culture



At the core of STAR's culture is the belief that our most valuable resource is our people and that the best ideas are born from working collaboratively as a team.

STAR has a flat organisational structure in which everyone is encouraged to contribute their ideas and views on a daily basis. This practice helps us to offer innovative investment opportunities to investors.

STAR adopts the same collaborative, open and transparent approach in interacting with investors.

Finally, we are guided by sustainability principles both in the selection and management of our investments, and in the way we conduct our business day to day.





III. 2021 Annual Review



Review of 2021

Following the publication of our first stand-alone ESG 2020 Annual Review last year, our journey has progressed during 2021 predominantly in two areas: (a) continue to guide and assist our portfolio companies in the development and implementation of their own ESG agendas, and (b) improve and expand the quality of our ESG reporting to ensure we can consistently track trends and impacts of our initiatives over time. A consistent and reliable set of KPIs represents a solid foundation for comprehensive and consistent target setting and monitoring, the implementation of which is our primary goal for next year.

This Annual Review contains an overview of STAR's activities during 2021. The highlight for the year is our first carbon emission analysis, the outcomes of which are summarised on pages 18 to 20 of this Annual Review. The

analysis was performed in collaboration with an external environmental specialist and included workshops with the relevant portfolio companies to discuss potential actions that can be taken to reduce emissions going forward.

Our portfolio companies have continued to pursue a range of positive initiatives during 2021 on a number of ESG fronts, including reducing water, energy and plastic consumption, and the improving Health & Safety environment for employees. Of particular importance to these efforts is the ASL conversion programme under which the business has committed to a significant modernisation of the fleet which will help reduce carbon emissions per aircraft. Further information on those initiatives can be found on pages 27 and 28.

Review of 2021

We continued our work on ESG KPIs, expanding the scope of the data gathering exercise in a consistent manner across our majority investments. This work allowed us to improve our portfolio KPI report (pages 23 to 26), which now extends over the three areas of ESG and includes historical trends.

During the year we have also updated our Sustainable Investment Policy (updated version is on our website) to reflect the requirement of negative screening of potential investments in accordance with our new fund's investment policy and the collection of information on the carbon footprint of existing investments.

Finally, we have included in this Annual Review some additional information around STAR's collaborative corporate culture and values.

Carbon Emissions Review

During 2021, we commissioned an external environmental specialist, Carbon Responsible, to assess the carbon footprint of STAR, as well as the STAR III portfolio. We have measured Scope 1 and Scope 2 emissions, and as much of Scope 3 as possible based on data points available.



This analysis has provided us with an initial baseline from which to plan and set measurable targets for carbon reduction, aligned to each portfolio company's business strategy.

The exercise has highlighted certain information gaps (mainly in Scope 3) which STAR and its portfolio companies will be looking to improve on during 2022 and may result in an adjustment to the base line in the future.

Definitions:

Scope 1: direct emissions from owned and controlled sources.

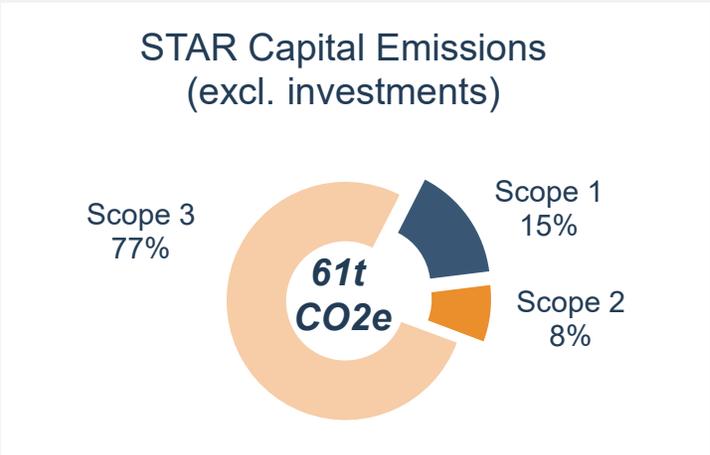
Scope 2: indirect emissions from purchased electricity, steam, heating or cooling.

Scope 3: all other indirect emissions in the company value chain.

Carbon Emissions – STAR Capital

STAR is a small team of 30 employees primarily based in London and our direct carbon emissions are mainly limited to office gas and electricity consumption and business travel. The majority of STAR’s carbon emissions derive from our investments, and that is where STAR has the biggest opportunity to make improvements going forward.

STAR’s direct carbon emissions for 2021 (excluding the impact of our investments) were 61.2 tCO₂e, the majority of which came from business travel (Scope 3). It is important to note that business travel undertaken in 2021 is not likely to represent a normal level for the firm given the various travel restrictions in place due to COVID-19.



Including the emissions generated by the portfolio company investments, STAR’s 2021 carbon emissions were 528,856 tCO₂e*. The vast majority of these emissions comes from the portfolio and especially ASL, as shown on the next page.

Note: * Includes STAR III majority investments only (SynergyLMS, DC1, GSLS, ASL, Windlogix, Rail Operations Group and Hawksford). TASC excluded as acquisition of majority stake only completed in December 2021. STAR total carbon emissions calculated as sum of Scope 1, 2 and 3 emissions for STAR Capital together with Scope 1 and 2 emissions for STAR III majority investments, weighted by STAR’s ownership percentage. The analysis excludes Scope 3 emissions for portfolio companies due to the significant variance in Scope 3 data capabilities across portfolio companies.

Carbon Emissions – STAR III Portfolio*

The STAR III fund has been invested across a wide range of businesses and sectors, each with very different carbon emissions profiles. The table below summarises the carbon emissions of each portfolio company. ASL (provider of aircraft wet leasing capacity) and SynergyLMS (provider of linen management and laundry services) generate the largest emissions (c. 98% of the total).

STAR and each portfolio company held individual workshops with Carbon Responsible to discuss possible actions to reduce emissions as well as future targets setting.

We will use our initial emissions analysis to develop and set appropriate targets during 2022 towards Net Zero. Technological solutions and their current/future availability vary across sectors and therefore the carbon reduction trajectory is likely to be different for each company.

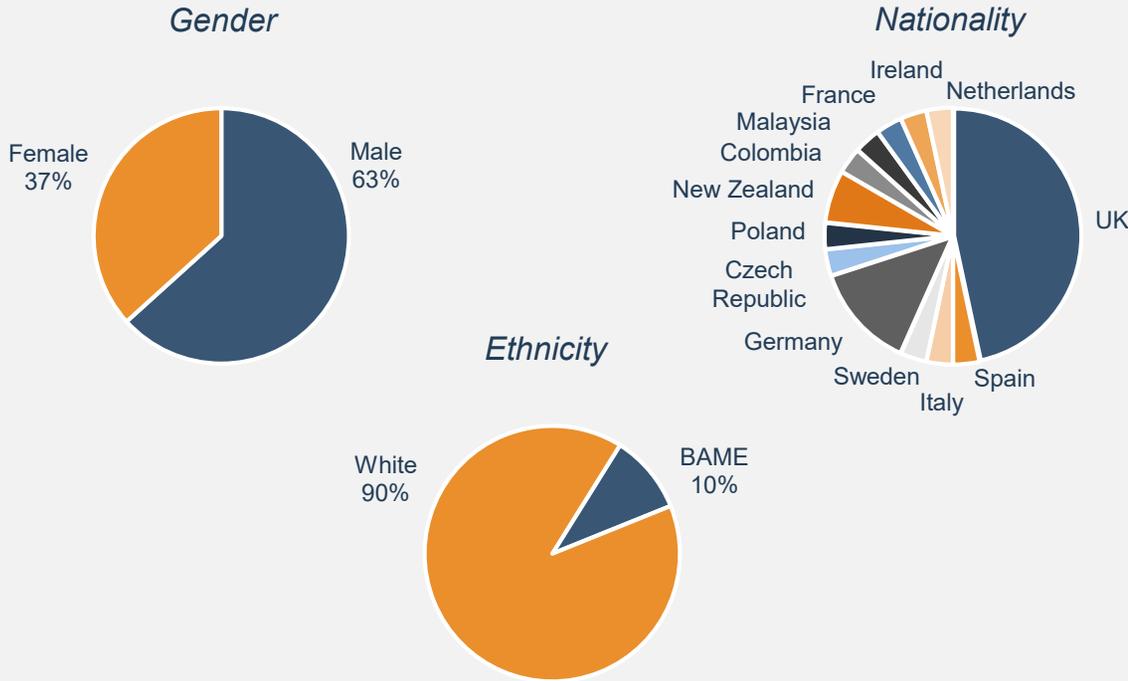
Company	Total Emissions**	Scope 1 & 2**	Scope 3**
 SYNERGYLMS	15,056	14,819	237
 DC1 DATACENTER ONE	3,564	3,379	185
 gsls Secure Cash Logistic Partner	1,226	1,177	49
 ASL AVIATION HOLDINGS	951,594	505,640	445,954
 windlogix	2,775	2,773	2
Rail Operations Group	1,093	1,003	90
Hawksford	25	4	21
TOTAL (tCO2e)	975,333	528,795	446,538

Note: * Includes STAR III majority investments only (SynergyLMS, DC1, GSLs, ASL, Windlogix, Rail Operations Group and Hawksford). TASC excluded as acquisition of majority stake only completed in December 2021; ** Based on STAR ownership percentage.

Diversity & Inclusion at STAR

We are a small team of 30 staff but highly diverse 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



Employee Development & Retention

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.

We also run a mentoring programme for all employees below partner level. This remained highly important during 2021 given the persisting COVID-19 restrictions and requirement to work remotely.

STAR has always striven to create a positive work environment. This has been reflected in the team displaying very limited turnover over time.

STAR has also recently adopted a hybrid working policy, in order to allow more flexibility for its employees.

2021 Training provided

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



2021 Portfolio ESG KPI Report

The past 12 months represented a continuation of the work done in 2020 with a focus on improving and expanding the scope of the ESG reporting on our portfolio companies.

The portfolio overview focuses on the investments where STAR holds a majority position and can drive the ESG agenda. In 2021, we have included for the first time Rail Operations Group and Hawksford (acquisition completed in Q1 2021), bringing the reporting sample to a total of seven companies*. Unless specified, the figures in the following pages include the results for the entire sample.

Moreover, we have expanded and improved our ESG KPI reporting tool to ensure consistency in data across companies and through time, allowing us to better track trends at both the fund and portfolio company level.

The following slides summarise some of the key trends we have identified across the three dimensions of E, S and G.

Note:* SynergyLMS, DC1, GSLS, ASL, Windlogix, Rail Operations Group and Hawksford. TASC excluded as acquisition of majority stake only completed in December 2021.



Environmental

Work continued alongside portfolio companies to **improve efficiency in energy usage and waste production**, in particular in 2021:



- ✓ **100% of companies** operated a recycling policy (vs. 86% in 2020*),
- ✓ **71% of companies** took active steps to reduce material input or throughput (unchanged*),
- ✓ **86% of companies** have established energy efficiency measures in their business operation (unchanged*),
- ✓ **57% of companies** actively operated an environmental policy (unchanged*).

Finally, the carbon emission analysis performed in 2021 enabled our portfolio companies to start calculating their carbon and greenhouse emissions using a recognised and consistent method.

Note: * like-for-like from 2020 to 2021.

Social

Across the seven companies considered, STAR employed c. 4,300 FTEs at 31 Dec 2021, a 6% reduction compared to 2020, driven by lower volumes in some portfolio companies during the pandemic.

STAR has continued to work alongside each company to ensure staff can operate in a safe and healthy environment. The impact is visible in the relevant KPIs:

- ✓ **22% decrease**¹ in average number of incidents per company between 2020 and 2021,
- ✓ **31% decrease**² in the average number of hours lost due to incidents per company between 2020 and 2021,
- ✓ **All companies**² reported no hours lost or a reduction in number of hours lost due to Health & Safety incidents compared to the previous year.

In 2021, the portfolio companies experienced an increase in average staff turnover (28%) compared to 2020 (21%).

The increase derives partially from idiosyncratic circumstances and from job market volatility during the year.

The average gender split remained constant during the year, with females representing 31% of the workforce in each company.

Notes: 1. Excludes SynergyLMS and ASL; 2. Excludes SynergyLMS and DC1.

Governance

Our portfolio shows a **high degree of governance maturity**. In order to properly assess the maturity level of each company we have established a **governance maturity score** assigning one point to the existence of each of:



- ✓ a Code of Conduct
- ✓ an independent Chair of the Board
- ✓ an Anti-Bribery & Corruption policy
- ✓ a Whistleblowing policy
- ✓ a systematic business risk review
- ✓ a cybersecurity assessment

2021 average portfolio governance maturity score:

5.4/6 (vs. 4.7 in 2020)

Notes: * For Synergy, ESG is managed directly at Board level.

ESG in Action: Focus on ASL



In 2020, ASL developed the **ASL CargoVision Forum**, together with leading new technology companies.

The forum's aim is to **drive discussions and support actions** within the aviation industry to ensure that environmentally sustainable air cargo is firmly on the global aviation agenda.

The CargoVision initiative has led to ASL developing partnerships with both Universal Hydrogen and ZeroAvia to support the **development of hydrogen powered ATR-72 aircraft**.



ASL is committed to '**Destination 2050**', the European aviation industry's roadmap to lower carbon emissions by 2030 and to net-zero emissions by 2050.

ASL will work with the European Commission on the '**Fit for 55**' regulatory proposals as members of the European Regions Airline Association.

ASL also launched a **conversion programme** in order to upgrade its fleet to more energy efficient aircraft, with reduced carbon emissions. The programme is underway and continues into 2023/2024.



Other selected initiatives at portfolio level



Health & Safety Improvement

Investments made into improving processes, culture and awareness



Total reduction in LTIs (hours): c. 40% vs 2019



Plastic Bags Replacement

Plastic coin bags replaced with a mix of reusable cloth/ recyclable material



Total reduction in plastic bags consumption: c. 40% vs. 2020



Bath Towel Review

Weight reduction by 20 grams per sq. meter, and sizing optimisation



Total reduction in energy consumption: c. 18%

Diversity and Inclusion at our portfolio companies

Board Diversity

The high level of diversity that characterises the team at STAR is also reflected in the composition of the board of our portfolio companies.

71% of our portfolio companies had at least one female board member in 2021 (42% in 2020)

100% of our portfolio companies had at least one female attendee in 2021 (71% in 2020)

71% of our portfolio companies had at least one BAME board member in 2021 (57% in 2020)



Disclaimer

The contents of this report have not been subject to a formal or comprehensive third party audit/verification.

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