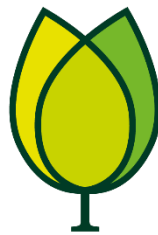


Environmental, Social and Governance Policy

Last Update: 31 October 2022



SOPHORA
UNTERNEHMERKAPITAL

Contents

- 1. Purpose of the Sophora ESG Policy 3
- 2. Sophora’s Strategy, Values & Commitment 3
- 3. ESG Governance within the Sophora Organisation 4
- 4. Integrating ESG Factors into the Investment Process 5
- 5. Supporting ESG Matters in the Ownership Phase 6
- 6. Our Approach to ESG at Exit 7
- 7. ESG Policy Approval by Sophora Partners Team 7
- Appendix A – Sophora’s ESG Model 8
- Appendix B - Negative Screening Checklist (Exclusion list) 9
- Appendix C – Due Diligence Standard Checklist 10
- Appendix D – Checklist on Potential Purchaser for Exit 14

1. Purpose of the Sophora ESG Policy

Sophora Unternehmerkapital (“Sophora”) is a long-term oriented investor that is aware that managing environmental, social, and governance (ESG) factors is a matter of risk management and as such can be a value driver for companies. The purpose of this policy is to present Sophora’s approach to integrating ESG-related risks and opportunities into its activities.

Sophora’s ESG model (see Appendix A) is based on an end-to-end approach that aims at identifying, managing, and reporting ESG-related risks and opportunities in its investment decisions, its portfolio work, and its exit processes of portfolio companies.

This policy is applicable to the entire Sophora perimeter, including all funds and portfolio companies except otherwise stated.

2. Sophora’s Strategy, Values & Commitment

Sophora is an independent equity investment firm with a focus on small and mid-sized enterprises (SMEs) in the DACH region comprising an interdisciplinary team of entrepreneurs with many years of experience in the investment industry as well as operational experience as founders and CEOs of companies. We see ourselves as a value-creating partner for entrepreneurs and management teams of SMEs and provide flexible capital as well as our strategic and operational know-how and our network of experts in order to discover and unlock potential together.

Our values communicate – internally and externally – who we are, set the benchmark for our actions, and are the foundation for our shared success:

- **Holistically entrepreneurial:** Sophora is an independent, Partner-led private equity firm. We are a well attuned team of holistically thinking entrepreneurs and process experts whose goal is to promote entrepreneurial thinking and action.
- **Striving for Excellence:** We are ambitious, quality-oriented and always looking for innovation and improvement opportunities. In addition, we are united by an intellectual rigour in the search for root causes and solutions. We understand "excellence" as an ever-changing goal on the never-ending journey of continuous development.
- **Reliable Partners:** The tree on which our company name is based (Sophora Japonica or pagoda tree) is also called honey tree due to its property as a bee nutrient plant. We believe in symbiotic partnerships based on trusting and reliable cooperation at eye level.
- **Responsible:** We take responsibility and act sustainably in our dealings with business partners, companies and their employees. We are signatories to the UN Principles for Responsible Investment (PRI) with the aim of better understanding the impact of investment activities on ESG matters. We are convinced that the active engagement with ESG issues can affect the performance of investments positively. Applying the UN PRI supports us to better align investors’ objectives with the broader goals of society.
- **Winter-hardy:** We want to contribute to making good companies even better and believe that resilience and perseverance are key traits to successfully manage even difficult situations. At the same time, we always maintain our positive mindset and look for the best solutions. This combination helps to make our portfolio companies “winter-hardy”, just like the pagoda tree.
- **Down-to-earth:** Trust, respect, appreciation and integrity are elementary attributes in our daily work with our partners. We are hands-on (but never hands-in), want to actively contribute to progress and enjoy achieving goals together.
- **Searching for undiscovered values:** We are passionate about discovering and developing undiscovered values. We are convinced that there is always untapped potential in companies

and teams. In our projects, we pay special attention to promoting and integrating the potential of women.

Our commitment as an investment manager is to identify attractive investment opportunities for our investors, who have entrusted their money to us, and apply our investment strategy in order to generate attractive returns on invested capital. As institutional investors, we have a duty to act in the best long-term interests of our beneficiaries. We are convinced that non-financial criteria, in particular ESG matters, can influence how companies are valued and as such shall be taken into consideration in investment decisions as well as effective value creation plans.

As a signatory of the UN PRI, we recognise that applying these Principles may better align investors with broader objectives of society. Therefore, where consistent with our fiduciary responsibilities, Sophora commits to the following:

- **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.
- **Principle 6:** We will each report on our activities and progress towards implementing the Principles.

The Principles for Responsible Investment were developed by an international group of institutional investors reflecting the increasing relevance of ESG issues to investment practices. The process was convened by the United Nations Secretary-General.

3. ESG Governance within the Sophora Organisation

It is important to have an appropriate structure and culture in place within the Sophora organisation to achieve sustainable impact in identifying, managing, and reporting ESG-related risks and opportunities. To achieve this, the following governance has been defined for the implementation and monitoring of our ESG strategy:

- **Formal Commitment from the Top:** Two of our Partners, Joop Heijenrath and Benjamin Hubner, have been appointed Co-Heads of ESG and as such are responsible for managing our overall ESG strategy and implementing it as well as further advancing it going forward.
- **Full Team Commitment:** The entire Sophora team is committed to applying the Sophora ESG model to investment decisions and the monitoring of our portfolio companies.
- **Training & Development:** ESG-related knowledge is shared and accessible for all Sophora team members and Sophora is committed to offer learning opportunities, such as trainings and the attendance of relevant conferences.
- **Investment Committee (“IC”):** ESG is on the agenda of every IC for new deal opportunities and ESG criteria are assessed in making investment decisions.
- **External ESG Experts:** We also rely on external ESG experts where reasonable to support us in the due diligence of investment opportunities or the monitoring of our portfolio companies.
- **Engagement with Stakeholders:** We are committed to using our voice to promote ESG integration with the PE industry, e.g., by sharing knowledge via case studies, articles or

speaking at industry events. We have an open dialogue with our investors to exchange ESG-related ideas and expectations and continue to monitor and align our ESG model with international standards and best practices.

- **Continuous Improvement Process:** We are constantly striving to improve our investment practices and as such are also evaluating our ESG policy over time with an aim to further increase the effectiveness of our ESG model.

4. Integrating ESG Factors into the Investment Process

There are 3 phases in Sophora's ESG approach to make sure that ESG factors are adequately reflected throughout the Investment Process: (i) negative screening, (ii) ESG due diligence (potentially supported by external consultants) and (iii) investment decisions & related agreements.

The first step in integrating ESG factors in our investment process is to apply a negative screening based on an exclusion list, which prohibits investments, e.g., with the following characteristics:

- Companies which are involved in illegal activities and where Sophora is aware of this at the time of making the Investment decision.
- Companies whose principal business is in one of the following industries: Weapons, gambling, tobacco, distilled alcoholic beverages, pornography, human cloning and genetically modified organisms (GMOs).
- Companies that display behaviour which Sophora considers to be unethical in certain aspects of their business and which Sophora cannot control to be changed/terminated going forward.

More information on negative screening criteria can be found in the respective checklist (Appendix B – Negative Screening Checklist).

In a next step, a preliminary ESG assessment is carried out by the Sophora team based on desktop research, discussions with management of the investment opportunity as well as site visits. As this is an iterative process, it is important to keep this matter on the agenda throughout the investment process. The following procedures have been adopted as standard practice to make sure that ESG matters are considered adequately:

- ESG considerations are included in all IC discussions.
- Investment papers shall include a separate section on ESG that summarise the status on ESG matters to date.
- Each member of the IC has a right to veto transactions based on qualified ESG concerns. An ESG veto can only be healed by revocation of the veto or by all remaining members of the IC unanimously voting to overturn the veto. If neither of the two healing options is applied, the investment opportunity will not be pursued.
- External advisors will be included in the due diligence process if the IC or deal team requests that a more detailed analysis of selected areas shall be conducted. This can happen when significant risks are identified or when the business model or industry indicates that an in-depth analysis of selected matters is appropriate (e.g., environmental DD in the chemicals industry).

Sophora uses an ESG due diligence checklist (Appendix C – Due Diligence Standard Checklist) as a starting point for identifying potential ESG risks and opportunities. Additional ESG matters specific to the industry, geography or businesses model of the investment opportunity will be considered on a

case-by-case basis based on existing toolkits, such as the SDG¹ Action Manager, the SASB² standards or the GRI Sustainability Reporting Framework.

In a third step, the investment decision will be made. Based on ESG findings, Sophora excludes investment opportunities with a high probability of adverse effects that might be difficult to mitigate (reputational risks, material transition risks related to climate change, technological disruptions). During the negotiations with the company, Sophora's approach to ESG and value creation will be clearly articulated and aligned with the management of the future portfolio company. We seek commitment from our portfolio companies to adhere to ESG items, an ESG policy or guidelines and may include ESG clauses in shareholder agreements or other legal documents, where we deem it to be appropriate.

5. Supporting ESG Matters in the Ownership Phase

Sophora is convinced that considering ESG factors is not only a "license to operate" but a way to create value by reducing risks and identifying opportunities, thereby becoming an essential part of business strategy that helps to form healthier and more sustainable organisations while creating a more balanced society. Managing and driving ESG strategies can have many benefits, such as:

- Financial benefits (reduced energy costs, employee turnover related costs, new clients)
- Social benefits (fewer safety incidents, more productive workforce)
- Better governance & overall alignment of interest

Sophora is committed to supporting its portfolio companies by encouraging the adoption of progressive ESG strategies which are fully linked to the Sophora Value Creation Plan. In addition, we see our value in bringing expertise, enabling best practice sharing across our portfolio and network as well as serving as sparring partners to management on a board level.

We believe that the overall progress of our portfolio shall be measured regularly (usually once a year) and that this process can serve as an important feedback loop for our portfolio companies to continuously update the respective ESG roadmap based on results achieved and new ideas developed over time. This is done by tracking a defined set of ESG KPIs over time which can include generic KPIs (e.g., data on energy consumption or work-related injuries) as well as company-specific KPIs to be jointly defined. Moreover, Sophora will consider using an external ESG consultant to conduct ESG assessments of portfolio companies. As part of this process, the consultant applies an internal ESG appraisal system by which portfolio companies are compared on their ESG performance and receive an ESG rating plus a set of company-specific recommendations on how to improve the score going forward.

Sophora has implemented the following procedures related to ESG matters:

- At the start of every value creation journey with our portfolio companies, we will conduct in conjunction with the management team a materiality analysis to determine the key priorities for the ESG part of the strategic roadmap (SASB and SDG Action Manager will be guiding to identify the relevant areas to set the priorities and actions)
- ESG is an important value creation lever and part of the Sophora Value Creation Plan (incl. all updates thereto) and the resulting strategic roadmaps
- Portfolio companies are encouraged to appoint a Head of ESG from the management team (that is also a board member)

¹ Sustainable Development Goals (<https://www.unglobalcompact.org/take-action/sdg-action-manager>)

² Sustainability Accounting Standards Board (<https://www.sasb.org/>)

- ESG generally is an agenda point of board meetings and an update on ESG progress shall be given at least quarterly by the Head of ESG
- Sophora will share knowledge with the management of the portfolio companies to bring the relevant expertise on the various ESG topics to them
- Periodic site visits shall be conducted by the board
- ESG progress is part of every internal portfolio review of Sophora
- ESG is included in the reporting to our investors on a regular basis (at least annually)

6. Our Approach to ESG at Exit



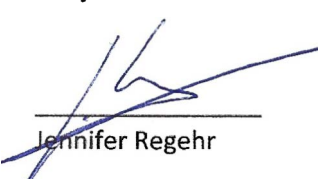
As we are convinced that ESG matters can influence the valuation of businesses, we see it as an opportunity for our portfolio companies to effectively communicate relevant information in this context to prospective investors during the course of an exit process. This shall be considered a chance to highlight the performance and value creation on ESG matters achieved to date as well as to provide on outlook on the ESG strategy going forward. Thus, we plan to do the following during or in preparation of an exit process:

- Prepare an ESG factbook or a vendor due diligence (either as a separate document or as part of an Investment Memorandum) that provides prospective investors with information on the status of ESG-related management, activities and processes as well as respective KPIs
- Share an ESG roadmap with prospective investors that is linked to the portfolio company's business plan
- Share other relevant information on ESG with prospective investors that are suited to demonstrate the progress achieved over the time of the holding period, such as the ESG assessments & recommendations conducted by an external consultant

The impact of a proposed transaction on the portfolio company shall also be assessed by Sophora ahead of making a divestment decision, e.g., with regards to whether a sale would foreseeably lead to redundancies, whether the environment could be adversely affected or what the effect could be on local communities. It should also be confirmed that the money used for the transaction is legitimately coming from the purchaser. A checklist for ESG exit considerations has been developed in this context and will be applied in case this is deemed appropriate by the IC (Appendix D – Checklist on Potential Purchaser for Exits).

7. ESG Policy Approval by Sophora Partners Team

The ESG policy has been approved on 31 October 2022 by:

 _____ Joop Heijenrath	 _____ Benjamin Hubner	 _____ Neil MacDougall
 _____ Dr. Michael Matros	 _____ Jennifer Regehr	

This ESG policy is communicated to all Sophora Partners and employees and endorsed by all.

Appendix A – Sophora’s ESG Model

ESG factors can influence how companies are valued and as such will be taken into consideration in investment decisions, our ownership approach and in exit processes

Sophora aims to be a responsible investor that takes SDGs into account, is a member of the UN PRI, and has incorporated ESG aspects at all steps of the investment cycle

ACQUISITION

Sourcing | ESG DD | Investment Decisions & Execution



- Exclusion list
- ESG questionnaire
- Assessment of management’s view on ESG
- If reasonable, external ESG consultants involved
- Separate ESG sections in investment papers & ESG discussed in all Investment Committees
- ESG veto right in Investment Committee
- If appropriate, ESG clauses included in acquisition documentation
- Exclusion of investments with high ESG risks

ACTIVE OWNERSHIP

ESG Roadmap | Monitoring | Reporting



- ESG roadmap incorporated into 100-day plan
- ESG as a distinct value creation lever in the Sophora Value Creation Plan
- Appointment of Head of ESG in every portfolio company
- Involvement of external ESG consultant for periodic ESG assessment, scoring & recommendations
- ESG is an agenda point of every board meeting with at least quarterly updates on ESG progress
- ESG performance discussed at every internal portfolio review
- ESG included in reporting to our investors

EXIT

ESG impact on valuation | Purchaser assessment



- Preparation of ESG Factbook or vendor due diligence ahead of every exit process
- ESG roadmap linked to the Company’s business plan shared with prospective purchaser
- Fit with prospective investor assessed via ESG purchaser checklist



Signatory of:



Appendix B - Negative Screening Checklist (Exclusion list)

	ESG question	Response	Comment
	Are you aware of any illegal activities that the target company is involved in?	Yes <input type="checkbox"/> No <input type="checkbox"/>	
	Is the target company's principal business in one of the following industries: Weapons, gambling, tobacco, distilled alcoholic beverages, pornography, human cloning and genetically modified organisms (GMOs)?	Yes <input type="checkbox"/> No <input type="checkbox"/>	
	Does the target company display behaviour that you consider unethical?	Yes <input type="checkbox"/> No <input type="checkbox"/>	
	Completed by Deal Partner: _____	Date: _____	

Appendix C – Due Diligence Standard Checklist

<p>What is management's view of the overall maturity status of the target's existing ESG policies, processes, and systems?</p>	<p><input type="checkbox"/> Mature <i>Procedures and systems centrally coordinated, well-established, and continuously reviewed and improved</i></p> <p><input type="checkbox"/> Partly Developed <i>Developed and implemented within departments but not centrally coordinated, not consistently applied, and not subject to regular review and improvement</i></p> <p><input type="checkbox"/> Immature <i>No or very limited formal policies and systems are in place.</i></p>
<p>ASSESSING ESG FACTORS</p>	
<p>Factor</p>	<p>Comment/Risk</p>
<p>ENVIRONMENT</p>	
<p>Is the target subject to specific environmental regulation?</p> <p>For example:</p> <ul style="list-style-type: none"> • Does the target have or require any environmental permits, licenses, or consents? • Does the target have any environmental reporting or monitoring obligations? • Is the target compliant with its environmental obligations? 	
<p>Does the target have environmental policies in place?</p> <p>For example:</p> <ul style="list-style-type: none"> • Does the target have an environmental policy with clear allocation of roles and responsibility? • Who is responsible for day-to-day environmental management? • Does the target have any waste management and/or recycling initiatives? • Does the target have any energy efficiency and natural resource initiatives? 	

<p>Has the target experienced any environmental incidents?</p> <p>For example:</p> <ul style="list-style-type: none"> • Have there been any regulatory breaches related to environmental issues in the last three years? • Have there been any other environmental incidents in the last three years? • Is the target aware of any current or past contamination issues (e.g. soil, groundwater) at its sites? • Has there been any environmental enforcement action against the target in the last three years? 	
<p>SOCIAL</p>	
<p>Does the target have fair work practices?</p> <p>For example:</p> <ul style="list-style-type: none"> • Do all employees have a formal written contract of employment? • To what extent is there worker representation or engagement with management? • Are workers free to form or join a union and engage in collective bargaining? • Is the target compliant with regulations relating to human rights, labor standards, and modern slavery? • What is the target's grievance process for its employees and contractors? • Is there a whistle-blowing policy? 	
<p>Does the target respect data protection and privacy principles?</p> <p>For example:</p> <ul style="list-style-type: none"> • Does the target have a data security policy? • Have there been any cybersecurity breaches within the last three years? 	
<p>Does the target have health and safety procedures in place?</p> <p>For example:</p>	

	<ul style="list-style-type: none"> • Has the target implemented a health and safety risk system and register? • Does the target monitor incidents and accidents? • Have there been any health and safety incidents over the last three years? 	
	<p>Does the target take into account ESG issues when engaging and dealing with suppliers, contractors, sub-contractors?</p> <p>For example:</p> <ul style="list-style-type: none"> • Do any suppliers or contractors operate in regions at high risk of labor abuses? • Does the target conduct supply chain risk assessments? 	
	<p>Does the target support social objectives?</p> <p>For example:</p> <ul style="list-style-type: none"> • Does the target have policies regarding diversity, equal opportunity, anti-discrimination? • Does the target have policies to promote target involvement with the community (e.g. volunteering, philanthropy)? • Has the target had any social-related claims or investigations over the last three years? • Is there an independent remuneration committee? 	
GOVERNANCE		
	<p>Is the target aware of ESG issues and committed to identifying and addressing them?</p> <p>For example:</p> <ul style="list-style-type: none"> • Does the target have a corporate code of conduct and/or code of ethics that is available to staff? • Does the target have a separate standalone ESG policy or system? • Is the target a signatory of the UN Principles for Responsible Investment or a member of another similar organization? • Is there compliance training for staff? 	

<p>Does the target have, or did it have, any illegal or illegitimate practices? Does it have policies to combat illegal or illegitimate activity?</p> <p>For example:</p> <ul style="list-style-type: none">• Has the target had any issues with illegal practices, such as, for example, corruption or fraud, in the past?• Does the target have anti-bribery and anti-corruption policies and gift policies? Have there been any breaches?• Are there any key ESG risks included in the corporate risk register?	
<p>Does the target's governance structure foster attention to ESG issues?</p> <p>For example:</p> <ul style="list-style-type: none">• Who is responsible for overseeing ESG matters?• Is ESG information recorded, and is there a channel for reporting to the board/committee?• To what degree is the board involved in ESG and CSR matters?• How is the board/committee composed? How is this composition determined?• What governance committees does the target have (e.g. risk, audit, ESG/CSR, remuneration)?	

Appendix D – Checklist on Potential Purchaser for Exit

	ESG question	Response	Comment
	Does the Deal Partner have any concerns over the business integrity of the potential purchaser (e.g., corruption or other crimes)?	Yes <input type="checkbox"/> No <input type="checkbox"/>	
	Is there any evidence that the purchaser is or will be overtly non-compliant with Sophora ESG policies?	Yes <input type="checkbox"/> No <input type="checkbox"/>	
	Does the Deal Partner expect any foreseeable issues connected with job losses?	Yes <input type="checkbox"/> No <input type="checkbox"/>	
	Does the Deal Partner expect any foreseeable negative effect on local environment or local communities?	Yes <input type="checkbox"/> No <input type="checkbox"/>	
	Does the Deal Partner foresee to be NGO and/or media interest in the sale?	Yes <input type="checkbox"/> No <input type="checkbox"/>	
	Is there any evidence that ESG management will significantly negatively change?	Yes <input type="checkbox"/> No <input type="checkbox"/>	
	Completed by Deal Partner: _____	Date: _____	