



capiton ESG Policy

1. Basic principles and overview

As stipulated in capiton's Principles of Responsible Investment, we are convinced that good governance, and consequently a management style that values and takes into account the interests of investors, employees, customers, suppliers, society and the environment are of vital importance. These principles will make a significant contribution to value enhancement as well as risk reduction for the selected investments. capiton is therefore supporting its portfolio companies with the integration of environmental, social and governance (ESG) aspects in their organisational structures and processes.

The ESG management at capiton can be summarized in the following overview:



2. capiton's ESG concept

Based on capiton's ESG concept – which applies environmental, social and governance criteria – this approach to responsible investing does not only form an integral part of the investment decision (screening and due diligence) but is also part of the continuous management process in the development phase (ownership) of our portfolio companies. It is the stated aim of capiton's ESG concept for the portfolio companies to comply fully with capiton's ESG standards at the time of divestment. We are convinced that this sustainable investment approach will add value and reduce risk in the long term with respect to our portfolio companies.

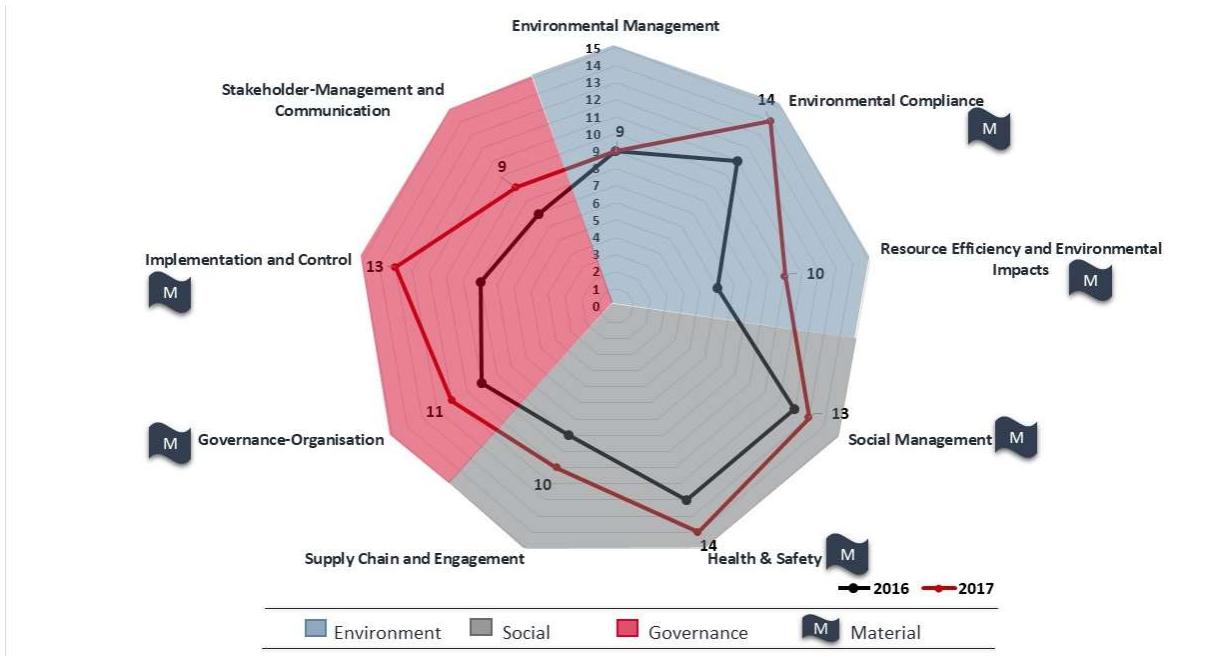
The capiton ESG concept was developed in a partnership with an external consultant and includes a specific analysis and rating system. This is used not only for ESG due diligence, but also for monitoring and collaboration during the development phase and for reporting.

In order to create a comprehensive overview of the ESG considerations for the portfolio company, the three areas of Environmental, Social and Governance are structured into nine categories in total, i.e. three categories for each area. These are shown in the figure below.



Each of the nine categories above is based in turn on several criteria which are evaluated during the ESG due diligence on the potential portfolio company. Screening the criteria primarily allows for the general ESG structures in the company to be recorded, but also helps identify key material ESG aspects for the individual target or portfolio company.

After conducting a preliminary analysis and assessing the key ESG criteria, the ESG risks and ESG potential improvements are determined during ESG due diligence in the acquisition phase using the capiton ESG questionnaire and dedicated interview approach. The results of the ESG due diligence are summarised in an ESG rating and visualized in a radar chart (as exemplarily shown below):



The aim, however, is not to achieve the maximum rating in each category, but a rating in the respective ESG category which is considered adequate for the analysed company, whilst taking



into account the materiality of the specific ESG aspect. Rating objectives for each category are suggested based on the analysis, therefore ensuring that the ESG concept is implemented efficiently and goal oriented.

Other central aspects of the ESG concept findings include recommended actions to improve the ESG rating for the year following the acquisition, and for the defined ESG rating objectives to be pursued right through to the planned sale of the portfolio company. These ensure that the ESG objectives from the acquisition phase can be followed up in the development phase. The achievement rate of the ESG targets is reviewed annually and discussed by the portfolio company's Advisory Board. Based on the capiton ESG concept, capiton reports on portfolio level at the annual general meeting and in the Q4 annual report to its investors.

capiton's Head of Controlling is responsible for ESG-Reporting to investors and coordinates the ESG implementation at capiton and portfolio companies. The deal team of capiton is responsible to apply the ESG concept in each investment process. Annual ESG trainings are held with the aim of further establishing the ESG concept at capiton AG.

3. ESG in the acquisition phase (screening and due diligence)

All ESG aspects are reviewed and assessed as part of screening and the due diligence process in line with capiton's ESG concept. The due diligence is conducted by capiton's external ESG consultant. Depending on industry and company specific issues, additional external consultants are hired to support the due diligence. The results are summarised and evaluated in a special ESG section of the Investment Memorandum. If ESG risks from the past harbour excessive risks for the future, we will not make the investment.

The Deal Manager in charge is responsible for the ESG Due Diligence, supported by capiton's controlling.

4. ESG in the development phase (ownership):

The actions to improve the ESG performance in the relevant portfolio companies are derived from the ESG due diligence. These actions are part of the value enhancement plan, which is determined for every portfolio company at the beginning of the development phase. The implementation of these actions is – based on the annual ESG reviews - reviewed in the advisory board meetings of the portfolio companies at least once a year as well as – if required - in the internal monthly portfolio meetings at capiton.

The Deal Manager in charge is responsible for the realization of the ESG rating objectives until exit. capiton's controlling is responsible for the analysis of the ESG reporting by the portfolio companies and the condensed ESG reporting to capiton's investors.

5. ESG in the exit phase:

It is capiton's declared goal that the portfolio company fully complies with company-specific ESG standards / ESG rating targets at the time when the investment is to be sold. In particular, this refers to

- compliance with all relevant, applicable laws (e.g. environmental legislation, social legislation, governance),
- sustainable use of natural resources and



- compliance with social standards (e.g. anti-discrimination, job security, health and safety) as well as
- good governance, oriented on the principles of due commercial care (e.g. code of conduct, dealing with conflicts of interest, preventing corruption and money laundering).

The ESG reports including the current ESG rating and the ESG rating objectives for exit will be reported to potential investors in order to demonstrate the implementation of capiton's ESG concept and document ESG improvements during the development phase. We are convinced that this approach adds value and reduce risk with respect to our portfolio companies and should therefore be accretive for our investors.