Responsible Investment Policy
capiton AG

1 capiton's commitments

1.1 Responsible investment commitment

capiton seeks to act with the highest level of integrity, taking a responsible approach when interacting with our portfolio companies, our advisors, our investors, local communities and the environment.

The cornerstone of our business is to deliver superior risk adjusted net returns to our investors. They have entrusted us with funds to be managed over a considerable time horizon, and they expect that we use our influence as owners to protect and enhance the value of the companies we invest in.

At the same time, we are aware of the responsibility for society and the environment at large that comes along with this influence. We therefore see it as our duty to manage our client's funds such that we live up to this responsibility. That in mind, we acknowledge that long-term financial sustainability is not only about financial dimensions, like avoiding excess leverage. It is also much about the quality of the management of portfolio companies and the integrity in the way they interact with their investors, employees, customers, central and local governments, other key stakeholders and the environment.

With our investment approach, there is no room for a responsible investment policy that is treated separately from our general investment policy. Our policy for responsible investment and our investment philosophy are intertwined and in fact two sides of the same coin; tools we apply to ensure that we over time get the best possible combination of managing risk and enhancing value.

In order to underpin and further develop our responsible investment claim, we became a signatory to the United Nations Principles for Responsible Investment (UNPRI; https://www.unpri.org/) in 2019. Moreover, we strive to take into account the work of the Task Force on Climate-related Disclosures (TCFD) and therefore encourage and support our portfolio companies in establishing management and reporting capacities as stipulated within the TCFD's reporting framework.

To be accountable to our commitments and actions, we document our ESG progress and periodically report to our investors, demonstrating the implementation of capiton's responsible investment approach. We are convinced that this accountability adds value and reduces risk with respect to our portfolio companies and should therefore be accretive for our investors.

1.2 Internal commitment

Just as we strive to be a responsible manager of funds, we commit ourselves to manage our internal affairs in a responsible manner, by continually reducing our environmental impacts and upholding best-practice social and governance principles. Our Code of Conduct guides our actions.

2 capiton's responsible investment approach

Our responsible investment approach's foundation is rooted within our commitments outlined above. The approach is executed through our ESG management and embedded within our exclusion criteria and our understanding of environmental, social and governance (ESG) issues:

2.1 Understanding of environmental, social and governance (ESG) issues

Environmental issues
capiton respects and adheres to local environmental laws in the regions in which it operates. Before we invest in a company, we analyze – as far as possible and material - the environmental management, - compliance and the resource efficiency and the environmental impact. In addition, we investigate any environmental damage that might be relevant to such an investment. After an acquisition, capiton focuses on improving the environmental performance of our portfolio companies.
We further acknowledge that climate change is one of the decisive challenges of our time. We therefore perform a dedicated climate-risk assessment for all our portfolio companies to analyze transitional and physical climate-related risks of their business.

We strongly encourage that our portfolio companies should develop and implement their own environmental policy and climate management tools in accordance with capiton's policy.

Social issues
capiton strongly believes that the firm and its portfolio companies will only be successful if the workforce enjoys a good working environment. Accordingly, we analyze the social management, health and safety situation and the aspects of supply chain and engagement before we invest in a company and aim to improve ESG performance in this respect during the development phase. capiton aims to promote human rights practices in the portfolio companies it owns, including:

- Considering employee working conditions such as minimum wages, working hours, health and safety of work force.
- Supporting the elimination of child labor including possible use of child labor by the suppliers to underlying portfolio companies.
- Avoiding discrimination e.g., based on age, race, gender, religion, sexual orientation or disability.
- Complying with international conventions on human rights.

We strongly encourage that all our portfolio companies should develop and implement their own Code of Conduct, in accordance with capiton's Code of Conduct. This should include value and ethics guidelines as well as a whistle-blower protection policy.

Governance issues
An essential part of capiton's value creation model is the governance and management structure that is put in place for each portfolio company. Consequently, we analyze organization, implementation and control of governance as well as the stakeholder management and communication in the acquisition phase and plan to improve the ESG performance in this respect during the development phase.

Supported by the advisory board, the management of each portfolio company is responsible for defining strategy and policy, and capiton expects this to include the setting of sound environmental, social and governance standards.

Each company's management is responsible for executing the strategy and running the daily operations of the company according to the policies established by the advisory board / shareholder resolution. capiton supports management to promote a culture of compliance.

2.2 Exclusion criteria

We shall not invest in companies which:

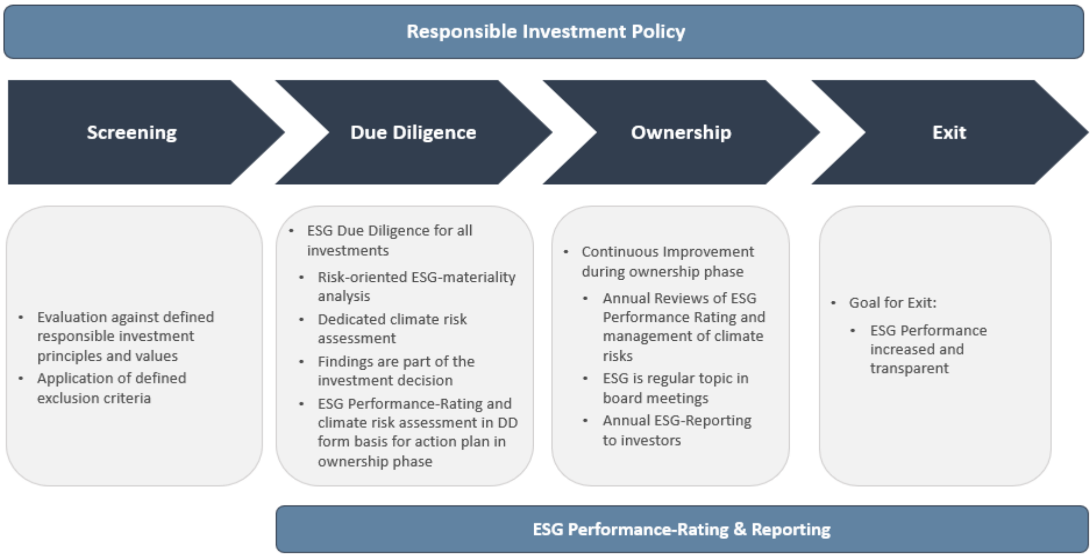
1. Have contributed to a systematic denial of basic human rights.
2. Demonstrate a pattern of non-compliance with environmental regulations.
3. Show a pattern of engaging in child labour or forced labor.
4. Are primarily engaged in the manufacturing, sales, or marketing of weapons, artillery, and ammunition to be used in the act of war or military conflict, (collectively, "Military Products") or components of the same, if the primary purpose of such component is to be included as a component in any Military Products.
5. Having its principal business activities in the field of:
    a. the manufacturing, distribution or sale of pornography
    b. the manufacturing, processing, distribution or sale of tobacco products.
    c. the operation of casinos or other gambling facilities.
    d. the extraction, refinement, sale and/or distribution, and power generation from coal.
    e. the manufacturing, distribution or sale of distilled alcoholic beverages.
    f. the mining or extraction of tar sands or oil sands.
    g. the production, distribution and/or sale of palm oil, unless they are certified or committed to be certified by the Round Table on Sustainable Palm Oil, or a similar internationally recognized organization.
    h. dealing in agricultural or marine derivatives

i. research, development or manufacturing of technical application relating to electronic data programs or solutions which:
    i. aim specifically at:
        - supporting any activity refer to under items above
        - internet gambling and online casinos; or
        - pornography

        or
    ii. are intended to enable to illegally
        - enter into electronic data networks; or
        - download electronic data.

2.3 ESG management

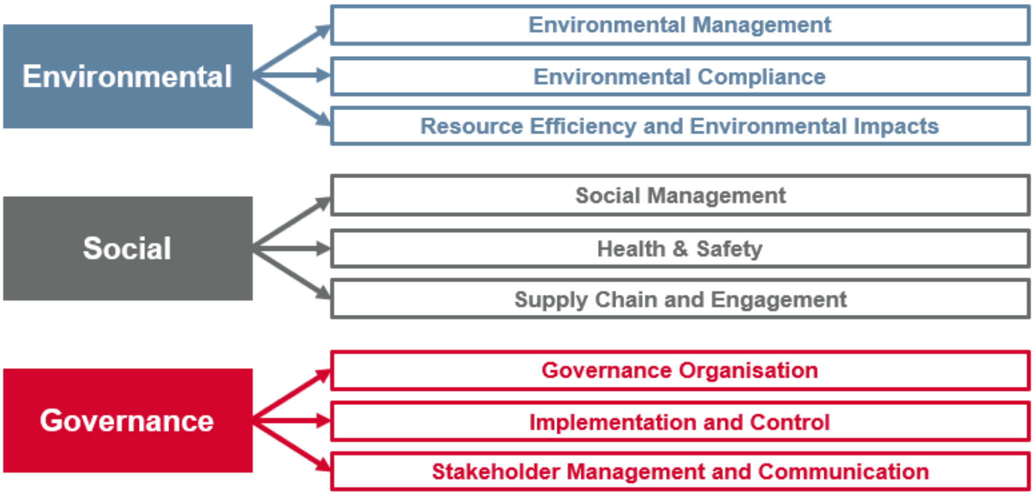
The ESG management at capiton within the investment process can be summarized in the following overview:



Based on capiton's ESG concept, 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.

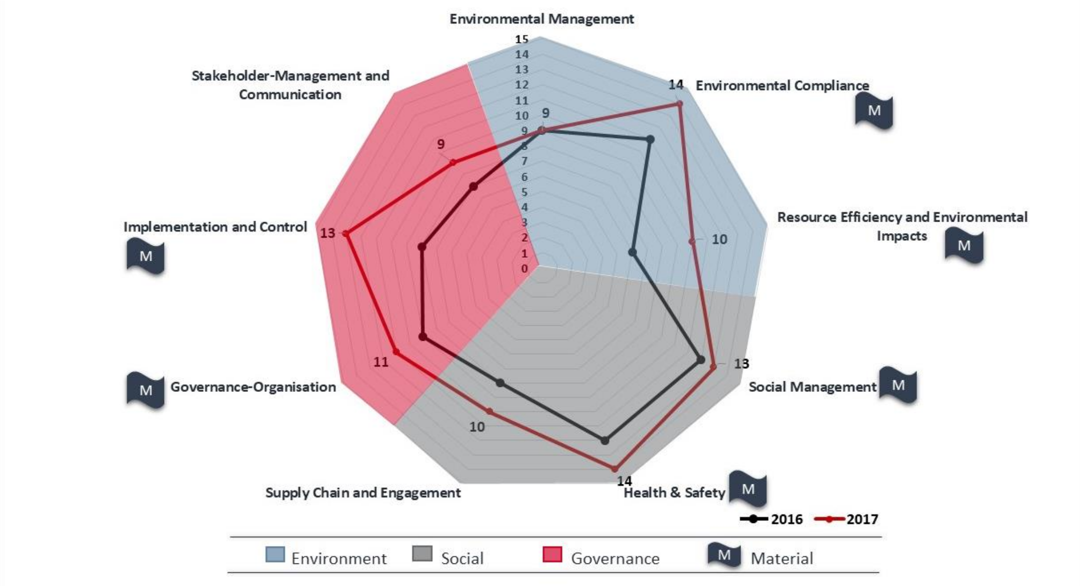
In order to create a comprehensive overview of the ESG considerations for the portfolio company, the three areas of environmental, social and governance are structured into nine categories in total, i.e. three categories for each area. These are shown in the figure below.



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.

Additional to these nine categories, capiton employs a dedicated climate risk assessment within its due diligence process to identify and mitigate (transitional and physical) risks from climate change. An example of this assessment including potential recommended actions can be seen below.

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 summarized 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 analyzed 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 and the improvement of the climate risk management are 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 the further development of capiton's ESG concept, ESG-Reporting to investors and coordinates the ESG implementation at capiton and portfolio companies. The investment team manager 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.

The ESG concept can be summarized within the three investment phases acquisition, development and exit:

ESG in the acquisition phase (screening and due diligence)
All ESG aspects including climate risks 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 summarized and evaluated in a special ESG section of the Investment Memorandum. If ESG risks, including climate risks, from the past harbour excessive risks for the future, we will not make the investment.

The investment team manager in charge is responsible for the ESG Due Diligence, supported by capiton’s controlling.

ESG in the development phase (ownership)
The actions to improve the ESG performance and the climate risk management 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 investment team manager in charge is responsible for the realization of the ESG rating and climate risk management objectives until exit. capiton’s controlling is responsible for the analysis of the ESG reporting by the portfolio companies and the ESG reporting to capiton’s investors.

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 (including climate risk management) 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).
- Adequate climate risk management.