

Responsible Investment Policy capiton AG

(December 2024)

1 Goal Setting

As a leading asset manager in the DACH region, capiton recognizes its profound responsibility to mitigate the environmental, social, and governance (ESG) impacts of its investment decisions. We are committed to upholding the highest standards of integrity in our engagements with portfolio companies, advisors, investors, local communities, and the environment.

Our investment strategy is firmly rooted in fundamental ESG principles, aligning with the United Nations Principles for Responsible Investment (UN PRI). We prioritize the continuous assessment and enhancement of our ESG policy and practices to stay on top of the evolving methodologies and regulatory requirements.

This Responsible Investment Policy serves as a guideline for our investment decisions and our commitment to supporting our portfolio companies.

2 capiton's Commitments

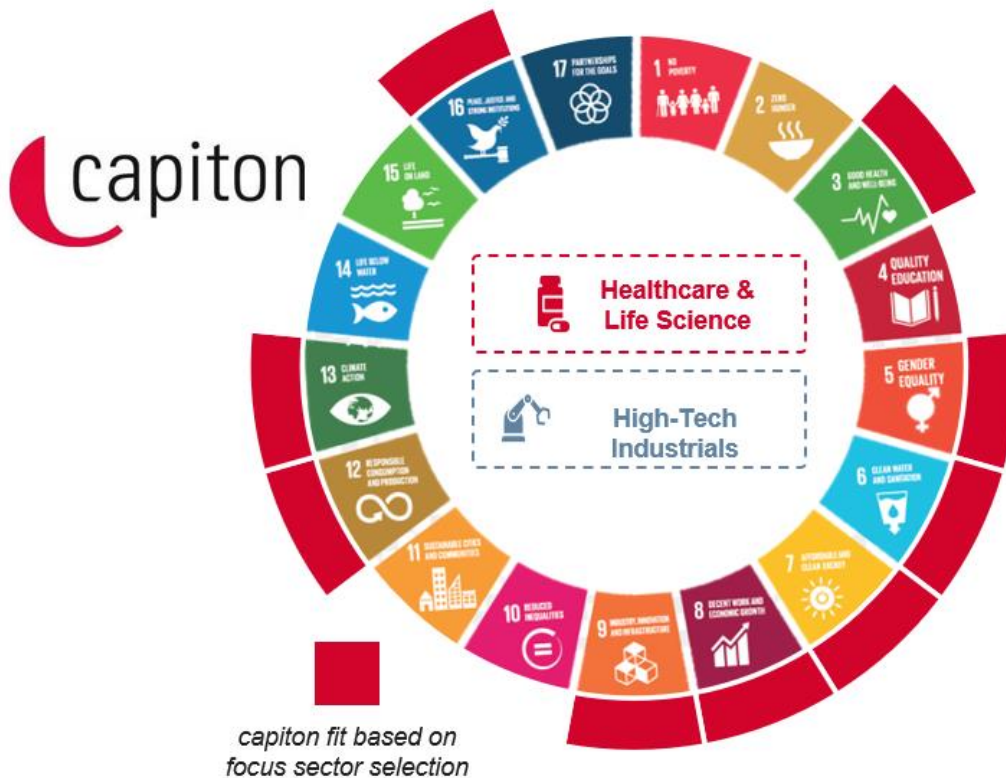
2.1 Responsible Investment Commitment

In 2019, capiton became a signatory to the United Nations Principles for Responsible Investment (UNPRI; <https://www.unpri.org/>) aligning our investment approach with globally recognized standards for responsible investing. Adhering to the six UN PRI principles is integral to our strategy, ensuring the safeguarding and enhancement of returns across our portfolio investments.

- **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.

Active Ownership: Through its active participation in the advisory boards of its portfolio companies, capiton ensures oversight and strategic guidance aligned with its ESG commitments. While capiton plays a critical role in fostering responsible business practices, it refrains from direct involvement in the day-to-day management of its portfolio companies, respecting their operational independence.

capiton's dual-focus sector investment strategy in its Art. 8 funds (SFDR) are aligned with important Sustainable Development Goals (SDGs) of the United Nations:



In adherence to SFDR requirements, we diligently assess and consider Principal Adverse Impact (PAI) indicators, which evaluate the negative effects of investment decisions on sustainability factors. Our commitment to transparency is demonstrated through the annual disclosure of our PAI statement, providing stakeholders with insights into our sustainability performance.

To ensure accountability, we meticulously document our ESG progress and regularly report to both investors and the public. This practice not only reflects our dedication to responsible investment but also enhances value and mitigates risks within our portfolio companies, ultimately benefiting our investors.

2.2 Internal Commitment



Diversity at capiton

At capiton we recognize the importance of diversity throughout our organization and within our portfolio companies. To address this, we support the non-profit organization Level 20, whose mission is to promote greater representation of women

throughout the private equity industry, particularly in senior positions on the investment team.



Global warming

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.

We have implemented the carbon neutrality of capiton’s business operations by partnering with ClimatePartner on international carbon offset projects combined with a regional initiative in Germany.

With these projects we contribute to the following UN Sustainable Development Goals (SDGs):



Good Health and Well-Being
Forests reduce noise and the amount of pollutants and dust in the air. The positive health effect of staying in the forest has been scientifically evident.



Clean Water and Sanitation
Forest soils filter rainwater, provide clean groundwater and ensure high drinking water quality.



Sustainable Cities and Communities
Forests are diverse recreational areas for all population groups. They also protect from erosion, avalanches, flooding and high tide.



Responsible Consumption and Production
Wood is one of the few renewable raw materials.



Climate Action
Forests store large amounts of CO₂. They have positive effects on the global, regional and local climate.



Life on Land
For many animal, plant and fungal species, the forest is the habitat that provides them with food and shelter.



Social engagement

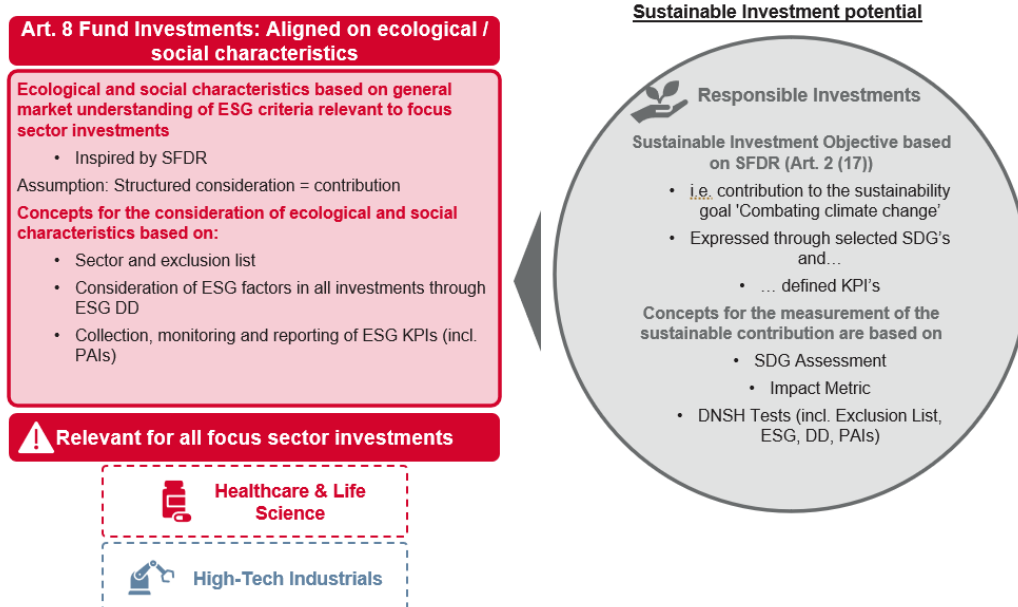
We firmly believe that social engagement plays a crucial role in our commitment to ESG. Each year, we aim to financially support at least one international or community charity project.

3 capiton's Responsible Investment Approach

3.1 Our Responsible Investment Approach is Embedded in our Investment Strategy

capiton's investment strategy follows a 2-focus sector strategy (High-Tech Industrials and Healthcare & Life Science) for SFDR Art. 8 fund investments which are aligned on ecological and social characteristics. In addition, we target investments with a sustainable investment potential within these two focus sectors in which we have identified a high ESG value creation potential.

2-focus Sector Strategy with Testing for and Promotion of Sustainable Investment Potential



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

3.2 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 analyse – 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 annual climate-risk assessment for all our portfolio companies to analyse transitional and physical climate-related risks of their business.

We strongly encourage that our portfolio companies develop and implement their own environmental policy and climate management tools and set relevant and measurable environmental goals.

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 analyse 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 labour including possible use of child labour 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 develop and implement their own Code of Conduct including value and ethics guidelines as well as a whistleblower protection policy. In order to be able to measure the targeted ESG performance, we strive to define relevant and measurable social goals for the portfolio companies together with management.

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 analyse 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.

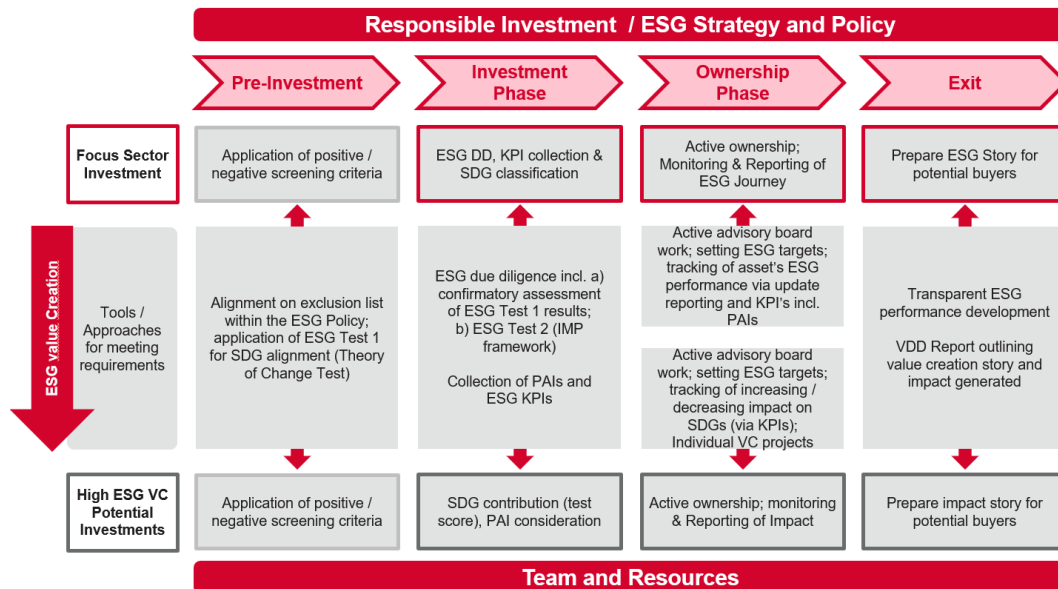
Supported by the advisory board, the management of each portfolio company is responsible for defining strategy and policy, and capiton expects this to include the setting of sound environmental, social and governance standards.

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 and to set relevant and measurable governance goals.

As part of the implementation of the capiton ESG approach, our declared aim is to sustainably improve the ESG performance or impact of our portfolio companies through our role as an active owner represented in the advisory boards.

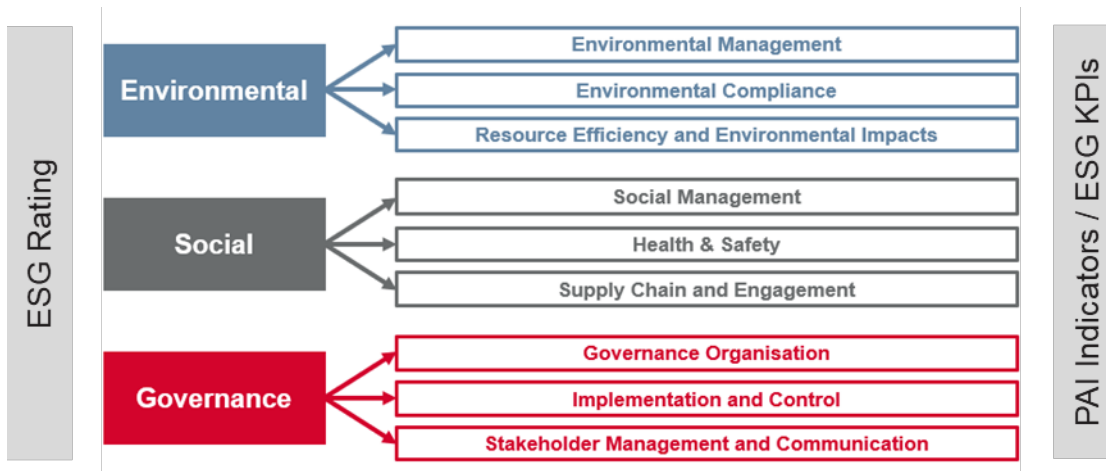
3.3 ESG Management

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

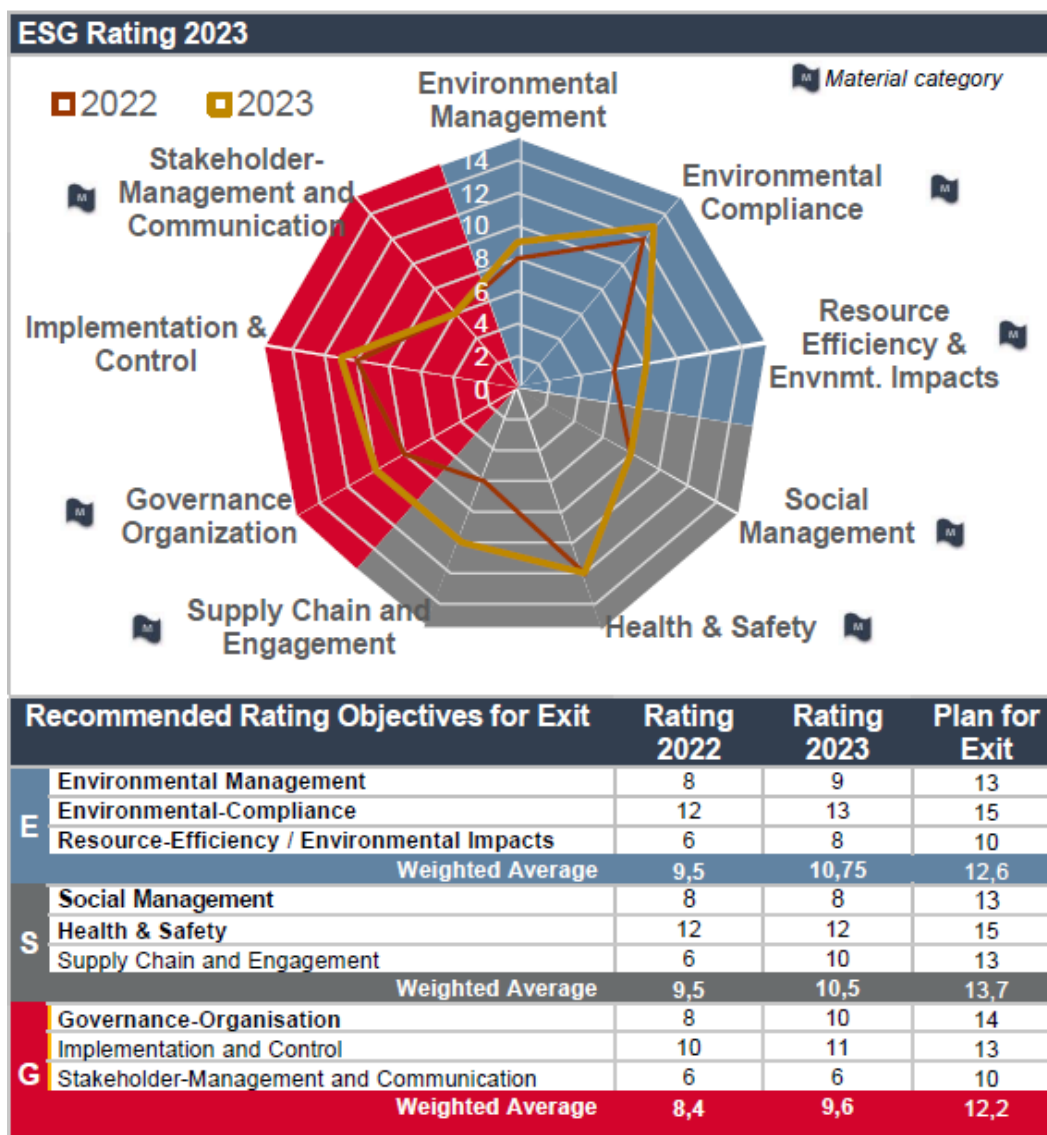


Our approach to responsible investing does not only form an integral part of the investment decision (pre-investment and investment Phase) but is also part of the continuous management process in the ownership phase (development phase) of our portfolio companies. It is the stated aim of capiton's ESG concept for the portfolio companies to comply fully with capiton's ESG standards at the time of divestment and to demonstrate a transparent ESG performance increase or impact generated. We strive to track and document this improvement in ESG performance by agreeing relevant and measurable goals. We are convinced that this sustainable investment approach will add value and reduce risk in the long term with respect to our portfolio companies and the funds managed by capiton.











In our comprehensive overview of our ESG considerations for the portfolio companies shown below, the three areas of environmental, social and governance are structured into nine categories in total for our ESG rating. PAI indicators / ESG KPIs covers all aspects.



The following graph illustrates the capiton ESG rating including action plan until exit of the portfolio company:



Additional to the ESG rating underpinned by KPIs, capiton conducts a dedicated climate risk assessment in the in cooperation with an external advisor during the 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 found below.

Climate Risk Assessment						Recommended Action		
Climate Management	<ul style="list-style-type: none"> The topic of climate change is deeply anchored in the business model and climate risks and opportunities are regularly discussed as part of the risk management jour fixe. Market developments and changes in regulation concerning this topic are carefully tracked and resulting implications are integrated in the strategy of the business. Acute physical risks are identified by the management as increasing extreme weather events, hindering the safe work on sites. These were addressed by opening new sites closer to the operating locations, in order to reduce travel time and increase flexibility. In addition, chronic physical risks relate to rising temperatures which were mitigated through new air conditioning in vehicles, increased offer of beverages for employees and adapted workwear Opportunities are identified through increased demand for reparation of damaged wind turbines by extreme weather events. Moreover, new market potential is being created through political pressure in neighboring countries. New technology such as drones and robotics are already being used to analyze wind turbines. 						<ul style="list-style-type: none"> Regular employee training on emergency procedures (e.g. extreme weather events) at the operation site Monitoring of average temperature increases and impacts on employee health Active monitoring of political initiatives and possible changes in legislation Active monitoring of technology changes 	
	Climate Related Risks	Physical	Acute 	Chronic 	Transitional	Regulation 		Technology 
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The aim is to achieve during the ownership phase a rating in the respective ESG category which is considered adequate for the analysed company and its industry, 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 during the ownership phase.

In addition to the ESG rating, the annual ESG reviews include the collection and reporting of the PAI indicators / ESG KPIs. Where relevant improvement measures are defined (goals) and monitored. ESG Value Creation projects are carried out at the portfolio companies where appropriate and accretive. Central element for this stewardship is the active work in the advisory board of our portfolio companies. The status and improvement rate of the ESG targets and the development of the PAI indicators/ESG KPIs as well as climate risk management are reviewed annually and discussed by the portfolio company's Advisory Board.

It is capiton's declared goal that the portfolio company fully complies with company-specific ESG standards / ESG rating targets (including climate risk management) /

reporting standards 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).
- annual PAI indicator / ESG KPI reporting.
- adequate climate risk management.

The improved ESG performance and achievements through capiton's holding period as well as ESG upsides for a new owner are presented transparently in ESG vendor assistance / vendor due diligence reports prepared during the exit process where possible and useful.

capiton has established a specialized ESG team with members from the investment team and controlling team to implement the capiton ESG concept across the portfolio and at capiton. capiton's ESG team will drive the development of capiton's ESG concept, ESG-reporting to investors and the coordination of the ESG implementation at capiton and the portfolio companies, under the responsibility of capiton's ESG manager (investment team). capiton's ESG efforts are further supported by a managing partner of the firm (head of the investment team) to ensure the implementation at the highest level of the organisation.

The investment team manager in charge is responsible for the ESG due diligence conducted by capiton's external ESG consultant in alignment with the ESG team. During the holding period, the individual investment team manager is responsible for the implementation of the ESG concept in each investment process and active work in the advisory boards (stewardship). capiton's ESG manager is leading the ESG team which is responsible for the analysis of the ESG reporting by the portfolio companies and the ESG reporting to capiton's investors.

Annual ESG trainings are held with the aim of further establishing the ESG concept on an organizational level at capiton AG.

3.4 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 labour.
4. Produce weapons that through their normal use may violate fundamental humanitarian principles (e.g. anti-personnel land mines, production of cluster munitions, production of nuclear arms).
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.

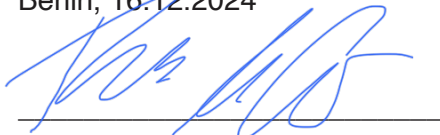
- c. the operation of casinos or other gambling facilities.
 - d. the extraction, refinement, sale and/or distribution, and power generation from coal.
 - e. the manufacturing, distribution or sale of distilled alcoholic beverages.
 - f. the mining or extraction of tar sands or oil sands.
 - g. the production, 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 mainly 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.
6. Having its principal business activities in the following high-emitting sectors: Gas, Oil, Cement, Utilities (except for utilities related to renewable energy sources), Steel, Aluminium, Agriculture, Forestry, Fishery, Textile and Leather, Water.

If ESG risks, including climate risks, from the past harbour excessive risks for the future, capiton will not invest in the company.

4 Effectiveness

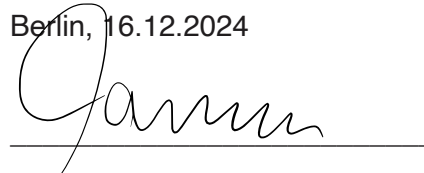
The Responsible Investment Policy is effective in the version dated December 2024.

Berlin, 16.12.2024



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