

palero

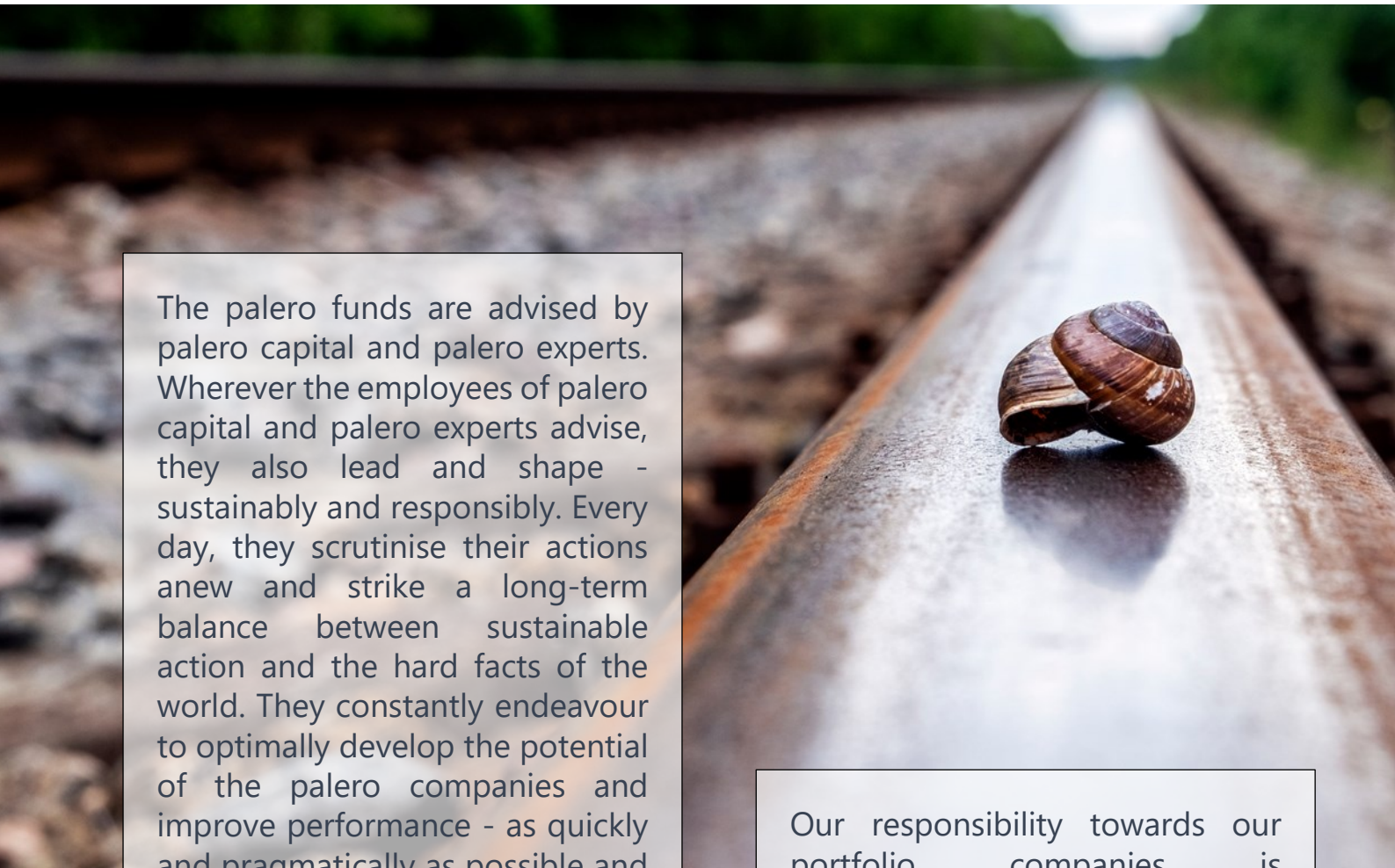
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ESG policy





The palero funds are advised by palero capital and palero experts. Wherever the employees of palero capital and palero experts advise, they also lead and shape - sustainably and responsibly. Every day, they scrutinise their actions anew and strike a long-term balance between sustainable action and the hard facts of the world. They constantly endeavour to optimally develop the potential of the palero companies and improve performance - as quickly and pragmatically as possible and also strategically sensible, so that success continues the day after tomorrow. By thinking sustainably, they work with foresight, appreciation and trust. Their actions focus on ecological (environmental), social (social) and economic (corporate governance) aspects. Compliance with these ESG principles plays a key role for palero.

Our responsibility towards our portfolio companies is characterised by sustainability; this is our core competence - as a contribution to the future on the way to a better world. We are aware that a company can only be successful on the market and in society if it complies with environmental, social and legal standards. This is the basis for the actions of all our employees.

Responsible Investment (“RI”)

One of the key potentials for palero capital, palero experts and the palero investments lies in the central theme of "responsible investing": minimising operational risks at an early stage, improving corporate governance and having a positive impact on employees, customers, external partners and the environment - that is the goal.

It is our highest duty to ensure that the topic of "sustainability" accompanies the entire investment cycle. This also means that palero capital already decides against ethically unacceptable industries (such as weapons, drugs, gaming or businesses violating human rights) when considering the company.

palero capital specifically focuses its targeting on companies whose business model offers products or service solutions for critical ESG issues or which are themselves facing major ESG-related challenges. palero experts aims to support the latter in recognising their value creation potential, developing ESG strategies and achieving value growth for the company through operational implementation.

The duty to act

From the outset, palero capital has been committed to sustainability in the private equity investment sector by signing the United Nations Principles for Responsible Investment Initiative (PRI) as an early mover back in 2012.

The aim of this initiative is to sensitise investors to the investment-related impact of ESG factors and at the same time support them in implementing these issues. By signing the "PRI", palero capital is required to manage ESG aspects strategically.

The PRI comprises the following six principles, which palero capital takes into account in its daily work:



Investment analysis and decision-making processes

We will incorporate environmental, social and governance (ESG) issues into investment analysis and decision-making processes.



Integration in ownership policy

We will be active owners and integrate ESG issues into our ownership policies and practices.



Disclosure of ESG topics

We will ensure appropriate disclosure of ESG issues at the companies in which we invest.



Acceptance and implementation

We will promote the acceptance and implementation of the principles in the investment industry.



Increased effectiveness

We will work together to increase our effectiveness in implementing the principles.



Reporting

We will report on our activities and progress in implementing the principles.

Sustainability at its core, innovation in spirit.

At palero, we are operationally and energetically shaping a future full of progress.

E nvironment

palero capital is actively committed to minimising the negative environmental impact of its portfolio companies. The basis for this is a high level of environmental awareness in the companies, which is actively promoted by the employees of palero experts. palero capital is committed to not including any products or work processes in the investments that do not meet the high ethical, ecological and safety standards. The palero capital and palero experts teams attach great importance to ensuring that all initiatives are in line with the principles of responsible environmental management.

Prior to any investment decision, the environmental impact and risks are carefully assessed. palero experts will support the portfolio companies' initiatives to use resources sparingly, optimise sustainable production processes, recycle and dispose of waste in an environmentally friendly manner. palero capital, on the other hand, ensures that potential adverse environmental impacts are taken into account during due diligence.

S ocial

For palero capital and palero experts, it is an overriding objective to bring all business activities within the portfolio companies into line with internationally recognised human rights principles and to guarantee consistent compliance. Any form of discrimination based on gender, age, race, sexual orientation or religion will not be tolerated, and no negligence in relation to health and safety issues will be tolerated. Applicable national and international labour-laws are strictly adhered to.

We assume social responsibility by promoting sustainable growth in the portfolio companies.

Our remuneration for our team is transparent and fair. All employees are being paid at least market standard fixed salaries which mostly are reviewed annually. The fixed salary is supplemented by an annual incentive bonus for the future. Further, we offer to our team a model to co-invest along with the investors at their discretion on a deal-by-deal basis which increases alignment and identification.

**G**overnance

As part of corporate governance, palero capital and palero experts comply with all applicable anti-corruption laws and best practice standards. To this end, targeted measures to prevent corruption and bribery are promoted.

The principles of honesty, integrity, fairness and respect apply to all business activities at palero capital and palero experts. There is a zero tolerance limit for fraudulent, misleading, malicious or unfair behaviour.

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palero capital will make every effort to ensure that it does not invest in companies that:

- a) are related to material and / or systematic violations of applicable laws, rules or regulations established by national authorities in the markets in which these companies operate and such violations have been determined by a decision of a court or other official source such as the UN, OECD, governments or other similar bodies.
- b) materially and / or systematically violate fundamental and internationally recognised ethical principles, including the UN Global Compact and the OECD Guidelines for Multinational Enterprises.
- c) substantially and / or systematically violate human rights as set out in the United Nations Universal Declaration of Human Rights or in United Nations labour-law or in the conventions of the International Labour Organization of the United Nations (www.ilo.org) (e.g. murder, torture, imprisonment, forced labour, child labour or any other form of exploitation of children);
- d) whose core business is linked to activities in connection with physical and / or systematic violations of internationally recognised conventions, standards or protocols of the United Nations, the OECD or other supranational or intergovernmental organisations in the field of environmental protection and which have been formally recognised by the Federal Republic of Germany or the European Union.
- e) are associated with material and / or systematic corruption and disregard or circumvent recognised anti-corruption laws.

"We are not only responsible
for what we do,
but also for what we don't do."

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