

capiton ESG directive

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

ESG in the due diligence phase:

Our value creation strategy includes ESG as an integral component in order to exploit opportunities and control and reduce risks. We do not see the compliance with ESG standards as purely an investment criterion but also as an opportunity to create added value for the company.

All ESG aspects are reviewed and assessed as part of the due diligence process. Depending on the industry and the size of the company, external consultants are hired to support the due diligence audit. 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.

ESG in the support phase:

The measures to improve the institutionalisation of ESG in the relevant portfolio companies is derived from the ESG due diligence. These measures are part of the value enhancement plan (e.g. 100-day plan), which is determined for every portfolio company at the beginning of the support phase. The implementation of these measures is reviewed in the advisory board meetings of the portfolio companies as well as in the monthly controlling meetings at capiton.

ESG in the exit phase:

It is capiton's declared goal that the portfolio company fully complies with ESG 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)

Responsibilities with regard to these subject areas shall be clearly defined and set down in writing; communication in the company shall be open, unambiguous and transparent. ESG regulations shall be reviewed regularly as part of the risk management system.

Moreover, the company shall be informed about the ESG standards employed by its main suppliers and customers and, if necessary, exert its influence to improve the situation concerned.