

## **Responsible Investment policy Bregal Unternehmerkapital**

Bregal Unternehmerkapital is part of a family-business that has grown over several generations since 1841. With patient capital, entrepreneurial expertise and a partnership approach, Bregal Unternehmerkapital focusses on supporting management teams in improving the performance of portfolio companies and help them generate sustainable value. This also means that we ensure high environmental, social and governance (ESG) standards throughout our portfolio of companies and in our own investment approach.

The companies we invest in are an integral part of society, for which they share responsibility – as an employer, as an honest partner for customers and suppliers, and as an influence on the community and wider environment. These are issues that concern us in our work and in our investments.

Bregal Unternehmerkapital has adopted this Responsible Investment policy to guide our approach to building resilient businesses and to invest responsibly with environmental and social sustainability.

### **Purpose**

The purpose of the policy is to define Bregal Unternehmerkapital's approach to responsible investing and the integration of ESG considerations in our investment decision-making and ownership practices. Through our investments, we aim to build resilient companies and to create long-term value by improving both their financial performance and ESG performance during our ownership period.

### **Scope**

This policy shall be implemented throughout Bregal Unternehmerkapital and applies to all new investment opportunities explored and investment decisions made by Bregal Unternehmerkapital's Investment Committee as well as management of the existing portfolio. Bregal Unternehmerkapital specialises in majority and minority investments, especially in mid-sized companies based in Germany, Switzerland and Austria – the "Mittelstand". In our majority investments, Bregal Unternehmerkapital aims to support management in prioritising and improving relevant ESG impacts of the business. In our minority holdings, the governance structures might not allow Bregal Unternehmerkapital to control the incorporation of ESG considerations to the extend desirable. In such circumstances, we commit ourselves to promote and undertake reasonable efforts to consider ESG aspects.

### **Approach**

#### *Investment process*

ESG risks and opportunities are assessed during due diligence and discussed with the management team of the companies and the Bregal Investment Committee. Due diligence can be performed in-house, but should the industry or the business itself be exposed to material ESG issues we engage specialist consultants to assist us. Pre-investment, Bregal Unternehmerkapital seeks to confirm that the company's operations are environmentally and socially sound and the company complies with relevant industry regulations and legislation, human rights are respected and the business is governed with high standards of integrity.

Our Investment Committee memos have a mandatory ESG section covering the main ESG aspects and ensuring that ESG risks and opportunities are an integral part of the decision-making process. If we identify relevant ESG improvement areas, we define measures how to address and improve them. In case, nothing material is found we re-assess and review ESG priorities periodically.

Bregal Unternehmerkapital excludes investments in weapons, pornography, tobacco, termination of life and gambling. We are very critical of investing in fossil fuels, nuclear energy, intensive farming and industries making use of animal testing.

### *Ownership practices*

We support our management teams to strive for continuous improvements in ESG performance, to move beyond compliance and to embed ESG considerations in the companies' strategy.

Once Bregal Unternehmerkapital has invested in a company, management is encouraged to assess and prioritise company-specific ESG impacts as part of a 100-day plan and to formulate a long-term strategic direction. ESG issues can relate to both own operations and extended supply chain. Ideally, these priorities will be included in the broader value creation plan. Subsequently, we aim to focus on the 3-4 material ESG issues and to start monitoring and tracking performance on KPIs and improvement initiatives. ESG priorities might include, but are not limited to:

#### Environmental

- Energy efficiency and adoption of renewable energy sources;
- Resource and material usage, including recycling and waste; and
- Emissions, pollution and other environmental impacts.

#### Social

- Occupational health & safety;
- Fair labour practices, including compliance with human rights codes in supply chains;
- Responsibility for local communities the business operates in;

#### Governance

- Sound corporate governance, including business integrity, accountability and transparency.

The board of directors of a company is Bregal Unternehmerkapital's primary platform to define the long-term strategic direction of the business and to drive the value creation agenda, including ESG performance and progress. We encourage our boards to discuss the ESG priorities and the performance and progress of meeting these priorities at least once a year more extensively.

Bregal Unternehmerkapital aims to report to its investors on an annual basis on the ESG performance and the progress of our portfolio companies and to reassess ESG priorities periodically.

### **Our own organisation**

As a professional services firm, our own impact is relatively limited. Business travel, including frequent flying, is our main impact. Hence, we aim to substitute flights by video conference whenever we can and we will seek to offset our greenhouse gas emissions. Furthermore, we believe that we should contribute to the communities in which we work and invest. Together with many of the portfolio companies, we support a range of initiatives in our immediate communities that make a positive and lasting contribution to society. One such initiative is the Munich-based charity Dein München, which provides disadvantaged youths with greater access to education, culture and sport. As a supporter of Dein München, we not only contribute financially to their work, but we also offer our experience and know-how to help children and young people overcome the specific challenges they face.

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