



ESG Guideline

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ESG Guideline

1 Purpose

The purpose of this guideline is to operationalize eevolve's ESG Investment Policy.

2 Our commitment to ESG

We are the first choice for mindful investors and sustainable businesses.

As a mid-market private equity fund, eevolve aims at delivering attractive returns by investing in companies positioned to benefit from global megatrends, while actively measuring, managing, and improving sustainability in each investment. The fund intends to invest in mid-market companies with a strong financial value creation potential along with a distinct opportunity to accelerate their contribution towards a more sustainable world.

Global standards and principles

The United Nations' 17 Sustainable Development Goals (SDGs) present a significant opportunity for investors to support this global agenda by deploying increasing amounts of capital to businesses that address these critical challenges by continuously improving their impact. We are a signatory of the United Nations Principles of Responsible Investments (UN PRI) and are committed to integrating sustainability factors into all stages of the investment process. Our Sustainable Investment Policy also recognizes the Ten Principles of the United Nations Global Compact, and the UN SDGs. Our fund is classified as Art.8 fund according to the EU Sustainable Finance Disclosure Regulation (SFDR), and generally considers the regulation's Principal Adverse Impact indicators (PAI).

Throughout the entire investment cycle, ESG-related considerations will follow four key objectives, so that each investment:

1. generates attractive, risk-adjusted returns; the key objective is to align commercial outcomes and positive impact
2. contributes solutions to SDGs; focus is on the three below mentioned SDGs
3. creates impacts that are measurable; the key objective is to leverage established frameworks and lessons learned
4. improves ESG performance during ownership; the key objective is to provide specific and credible measurement, reporting and communication

Particular focus on three SDGs

eevolve's investment strategy is inspired by the SDGs. While following a comprehensive approach to ESG, the team puts a particular emphasis on three SDGs to which we can contribute most in our investments by supporting our portfolio companies in implementing best practice ESG processes within their operations:



A fundamental requirement for eevolve's investments is that each portfolio company must actively advance the world towards at least one of the SDGs by means of an effective sustainability management.

The incentive structure of eevolve's portfolio companies is combined with the respective company's ESG ambitions: typically, a portion of the management team's annual variable pay is tied to achieving a set of specific ESG targets.

Corporate social responsibility

Having ESG as one of the top priorities on its agenda in all investment activities, we have established an ESG linked performance participation model to demonstrate our ambition to deliver measurable positive impact outcomes in clearly defined ESG areas. Up to 10% of the performance participation (linked to the achievement of predefined ESG targets for each investment), plus 1% of our management fee will be allocated to an independent charitable foundation. This foundation has been established by eevolve, in line with Swiss foundation law, with a foundation supervisory board consisting of experienced external, independent members. The foundation's mission is to actively contribute to engagements which have a positive impact on a prosperous society and ecology in clearly defined ESG areas. In addition, each team member is committed to allocating a certain amount of pro bono working hours to local charity projects with ESG relevance. Finally, eevolve commits to become carbon neutral as a firm by end 2023, with the ambition to further CO2 reductions thereafter.

3 ESG as integral part of the investment process

eevolve uses ESG as a method to maximize value in its portfolio, by taking SDGs as a strategic tool applied throughout the investment process, including sourcing, due diligence, portfolio company management and divestment. Together with a specialized external ESG consulting team, and supported by the firm's dedicated Sustainability Advisors, eevolve has developed its proprietary ESG Scorecard, which consists of customary modules for each stage of the investment process. This Scorecard is based on the standards of SASB (Sustainability Accounting Standards Board), which are designed to identify material sustainability risk most likely to influence the operating performance or financial condition of a company. For targets with a sustainability impact potential, the framework of Impact Management Project (IMP) is applied in addition. Our ESG Scorecard contains the tools for a detailed ESG assessment, an Impact assessment where applicable, as well as the format to specify and summarize all relevant findings both quantitatively and qualitatively.

In its efforts to evolve sustainability in all investments during all stages of the investment process, the team is supported by eevolve's Sustainability Advisors who offer their broad experience and expertise in sustainability. When relevant, we will additionally procure the services of third-party experts.

Sourcing

The investment team looks proactively for ESG related risks and opportunities. We aim to not only reduce risk by working with ESG, but most importantly use ESG to identify business opportunities to improve organizations, strengthen governance, drive stronger growth, and improve bottom line.

Preliminary screening by the investment team ensures that we avoid investing in companies with activities listed in the exclusion list of our ESG Investment Policy or have unfavorable ESG credentials.

Strictly adhering to the ESG Investment Policy, conducting the Initial ESG Screening and (for targets with a sustainability impact potential) an additional Initial Impact Screening, the deal teams will only recommend potential investment opportunities to the fund where the target company is committed to actively advance the world towards a more sustainable future by contributing to the SDGs.

Due diligence

We always incorporate ESG into our due diligence process for a target company. The due diligence identifies both risks and opportunities related to ESG topics for the respective company and the relevant industry. In conducting the Initial ESG Check, followed by the ESG Due Diligence (and, where applicable, an Initial Impact Check, followed

by an Impact Due Diligence) and materiality assessment, we summarize our due diligence findings systematically and in detail in our ESG Scorecard, and integrate the respective recommendations to the Investment Committee. Identified ESG related risks and opportunities and ESG/impact findings during due diligence form the basis for actions and goals integrated in value creation plans for the target company.

Portfolio company management

Once the fund completed an investment in accordance with our ESG Investment Policy, we facilitate an onboarding process with management and board of the portfolio company to operationalize and develop the ESG roadmap. This roadmap is an integral part of eevolve's value creation, and includes specific SDGs. The goal of the ESG roadmap is to secure the portfolio company's contribution to one or more SDGs to address ESG matters effectively, based on the company's maturity level, industry and business model. The roadmap's ambition is to secure compliance with the fund's fundamental requirements and drive impact. Each portfolio company will integrate in its ESG roadmap the reduction of greenhouse gas emissions (GHG Scope 3), plus at least two additional, company specific ESG target parameters.

ESG is incorporated into the governance structure of each portfolio company, starting at the board level. The board is responsible for formalizing governance mechanisms related to ESG in the respective company, and for identifying and implementing company relevant ESG related topics, KPIs and benchmarks. The key metrics shall be made relevant within each portfolio company, through its senior management and into its organization.

The materiality of ESG factors is determined by considering the impact it might have on the local communities, stakeholders, and society, the portfolio company's strategy and performance as well as the long-term growth prospects of the business and the investment case.

Clear commitments and targets for improvements shall be embedded and documented. The ESG roadmap is expected to be regularly on the agenda of board meetings. Each portfolio company's CEO is expected to foster a healthy culture where positive contribution to society and the planet is imprinted in the company's DNA, with an ambition to reach industry's best practices. The management is typically financially incentivized to perform according to the company's ESG roadmap.

Divestment

ESG is used to find value creation opportunities, and to mitigate any potential ESG related risks in eevolve's investments. Hence, ESG is carefully considered to maximize exit value of portfolio companies. This link between ESG and business performance will be highlighted in exit discussions and materials and will be used to strengthen the positioning of a business in an exit process. Given the impact of the megatrends and ESG related topics, we believe that a sound positioning on ESG related variables will increase the attractiveness of our portfolio companies in future exit discussions.

4 ESG monitoring and reporting

We have the ambition to be a leader in impactful and mindful private equity. As a consequence, and in line with the relevant standards and regulations, we commit to highest transparency and reporting levels for the fund.

All the different activities, results, and impact around ESG will be measured regularly and be summarized in eevolve's annual sustainability report. Each company's relevant ESG related topics, KPIs¹ and benchmarks will be tracked and reported at least on an annual basis for each portfolio company. This report will contain a

¹ Including Principal Adverse Impact indicators (PAI) as per SFDR

comprehensive sustainability information and will be coordinated by the nominated external expert firm, which will also run an independent progress assessment of the portfolio companies' ESG activities which will be reflected in the sustainability report.

In addition, a systematic reporting of ESG incidents is installed to ensure that a material ESG incident is immediately brought to the attention of all relevant stakeholders and the necessary measures are taken to solve the problem. Our incident reporting is based upon the principles and tools of UN PRI, and is depicted in Annex 1.

5 ESG roles and responsibilities

As described above, ESG is a natural part of our investment process. ESG risks and opportunities are assessed during due diligence and discussed with the management team of the portfolio company and with the Investment Committee. Due diligence can be performed in-house but should the industry or the business itself be exposed to material ESG issues; we will engage specialist consultants to assist. Our Sustainability Advisors ensure that their extensive experience and expertise in all aspects of sustainability are reasonably integrated throughout the entire investment process.

In the Investment Committee memos, key due diligence findings are documented and potential measures to mitigate negative impacts are evaluated. Should materially negative ESG impacts be found, these will be discussed with company's management, and mitigation will be sought in transaction documentation. All Investment Committee memos contain a mandatory ESG section, ensuring that ESG is discussed in all Investment Committee meetings along the entire investment cycle, from due diligence through the investment period until divestment of the portfolio companies.

Within portfolio companies, the board of directors of a company has the primary responsibility to define the long-term strategic direction of the business and to drive the value creation agenda, including ESG performance and progress. eevolve expects all boards to discuss ESG priorities, the performance and progress of meeting these priorities in detail at least once a year. One ESG representative per company is appointed, who is coordinating the operational ESG activities and acts as primary contact for eevolve and external expert for practical aspects around ESG, e.g. for the coordination of monitoring and reporting. eevolve will ensure that the ESG representatives of all portfolio companies regularly share best practice experiences.

Within eevolve, the roles covering ESG are organized as follows:

- Philippe Bucher, one of the three co-founders and Managing Partners, holds overall oversight responsibility for ESG. Previously, at Capvis, Philippe Bucher was a driving force in initiating ESG framework, initiatives, monitoring and reporting, and in setting up a dedicated sustainability team.
- Daniel Huber, eevolve's People Partner, and Lisa Oberzaucher, part of the Investment Team are strategically and operationally responsible for ESG initiatives acting as eevolve's ESG specialists: i) eevolve's organizational ESG commitments, ii) ESG due diligence and continuous advancement of eevolve's ESG scorecard and measuring mechanisms as well as integration within its portfolio companies and iii) the independent charitable eevolve foundation.
- The Sustainability Advisors offer their general market intelligence around sustainability, provide benchmark information and updates on relevant developments, and selectively advise the team on specific topics around sustainability.
- When it comes to sharing eevolve's economics, the members of the board of the independent charitable foundation will decide how to allocate these amounts for ESG-relevant contributions to promote social or environmental engagements that positively impact society and ecology.

6 Industry engagement

We are active member of the Swiss Private Equity Association & Corporate Finance Association (SECA) and follow the professional standards set by this association. Specifically, we contribute by being SECA member of the board, and lead the Private Equity Chapter of the association. This engagement allows us to promote sustainability topics on a larger scale.

7 SDG objectives and KPIs

While following a comprehensive approach to ESG, the team puts a particular focus on Decarbonization, Diversity/Equality/Inclusion (DEI) and Governance (with the respective SDGs 13, 5 and 16) to which we can contribute most in our investments. The following overview shall offer a framework for eevolve's portfolio companies in their consideration of the relevant goals they will pursue during the investment period.

7.1 Environmental matters

SDGs in focus



Climate action: take urgent action to combat climate change and its impacts

Overview of specific examples

Environmental focus / issues	Illustrative KPIs / Outcomes
GHG (green house gas) emissions	CO2 equivalent, emission intensity
Air quality	Emission of NOx, Sox
Product design and life cycle management	Sustainability as core business strategy, new products
Physical impacts of climate change	Qualitative

7.2 Social matters

SDGs in focus



Gender equality: achieve gender equality and empower all women and girls

Overview of specific examples

Social focus / issues	Illustrative KPIs / Outcomes
Gender pay	Average unadjusted gender pay gap
Diversity and inclusion	Gender diversity (total, management, board)

7.3 Governance matters

SDG in focus



Peace, justice and strong institutions: promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Overview of specific examples:

Governance focus / issues	Illustrative KPIs / Outcomes
Business model resilience	Qualitative
Sustainability capacity and transparency	Monitoring and reporting
Business ethics	Employees trained on business ethics and sustainability
Board and management composition	Board and management diversity/complementarity
Competitive behavior	Training
Management of the legal and regulatory environment	Code of conduct signed by level (1,2,3..) leaders and integral part of labor contract for all levels
Critical incident risk management	Number of incidents reported
Systematic risk management	Trend incidents reported

Annex 1: ESG material incident reporting

Definitions

An ESG incident is defined as an event that may have a relevant impact on the investment and / or its shareholders, particularly but not exclusively in terms of public health, the environment, labour disputes or, more generally, business ethics.

A material ESG incident may consist of one of the following events (list not exclusive):

- A serious health and safety incident resulting in multiple injuries and / or fatalities and / or impact on continued license to operate;
- A serious product safety incident resulting in harm to consumers and / or a product recall or boycott and / or impact on continued license to operate;
- A serious environmental pollution event resulting in harm to human health and / or the environment and / or impact on continued license to operate;
- A serious employee relations breakdown or trade union action resulting in serious production impact and / or impact on continued license to operate;
- A serious fraud, bribery or corruption incident resulting in a product boycott and / or impact on continued license to operate;
- A serious cyber security / data security event resulting in a material impact to a business.

Immediate notification of material ESG incidents

A material ESG incident in any portfolio company or at eevolve shall be reported to investors, acknowledging that the exact timing might vary due to the nature of each incident and associated legal and commercial sensitivities.

The material ESG incident is reported to investors and shall be done based on the following structure:

ESG material incident reporting template	
Date of report	
Fund / contact person	
Date and time of accident / date of notification to fund	
Type of accident	e.g., fatality, major oil spill, explosion
Victims and damage	<ul style="list-style-type: none"> • fatalities (number deceased, differentiating between groups) • number injured (mention hospitalizations) • loss, damage to company facilities or operating environment • environmental damage (e.g. water pollution)
Immediate response	
Description of issues	Include the following where available or relevant: <ul style="list-style-type: none"> • names of involved (if fatalities) • witnesses • routine, non-routine activity being undertaken • factual statement of what happened • scene inspection photos, notes • sequence of events pre-dating accident • immediate cause

	<ul style="list-style-type: none"> • unsafe acts in sequence • unsafe conditions in sequence • underlying causes of unsafe acts, conditions (initial view) • root cause(s) • corrective, preventive action for each significant cause • actioned, timed-bound plan • interim preventive measures • other interim actions required cross-check to other activities • any negative publicity (including media) resulting from the incident
Concluding statement	Outline of accident, key causes, corrective and preventative actions, final position, and lessons learned
Follow-up by eevolve	Complete follow-up checklist based on preliminary investigation

Any follow-up activities and learnings shall be systematically set up and communicated to investors and other relevant stakeholders.

Follow-up checklist
Areas where further clarity is desired based on current information
Further information awaited (utilizing third party expertise where necessary)
Critical review of accident and investigation status
Credibility of causes and corrective and preventive actions identified
Outcome based on above; <ul style="list-style-type: none"> • accept report, findings, or; • Conditionally accept report, require additional corrective actions, or; • Reject report
Key follow-up points (schedule to verify implementation of corrective and preventive actions)
Additional plans for verification and close-out of actions (e.g., third party expertise)
Lessons learned that could be shared with other portfolio companies

A summary of any material ESG incident shall be part of eevolve’s annual Sustainability Report.