

# PALLADIUM EQUITY PARTNERS

May 24, 2021

## Sustainable Industry Classification

Thematic Sector	Industry
Financials	Asset Management & Custody Activities

Palladium Equity Partners, LLC operates as a private equity firm. The company invests in business services, industrial, financial, media, consumer and food, and healthcare sectors. Palladium Equity Partners serves customers in the United States. Since its founding in 1997, Palladium has invested over \$2.8 billion of capital in 36 platform investments and 140 add-on acquisitions.

### Summary

Our assessment of Palladium's ESG performance across SASB categories is based on stakeholder and third-party perception about the company, and includes information provided by the Palladium itself.

Analysis of Palladium's ESG performance from 2019-2021 indicates that the company performs well across Environment, Human Capital, and Leadership & Governance SASB categories and excels in Business Model & Innovation and Social Capital SASB categories. Of all SASB sub-categories Human Rights & Community Relations (SOC), Employee Engagement, Diversity & Inclusion (HUM), Business Model Resilience (BUS), and Systemic Risk Management (LEAD) have the highest contribution to the overall SASB Intelligence score.

The nature of Palladium's business directs them to consult Asset Management & Custody Activities industry. Distinct tables for the industry standards, each containing those topics identified as material are provided (see pages 10-13). Quantitative data is followed by narrative information that describes the data table and incorporates qualitative metrics.

The **Asset Management & Custody Activities** industry is comprised of companies that manage investment portfolios on a commission or fee basis for institutional, retail, and high net-worth investors. In addition, firms in this industry provide wealth management, private banking, financial planning, and investment advisory and retail securities brokerage services. Investment portfolios and strategies may be diversified across multiple asset classes, which include, but are not limited to, equities, fixed income, and hedge fund investments. Specific companies are engaged in venture capital and private equity investments. The industry provides an essential service in assisting a range of customers from individual retail investors to large, institutional asset owners to meet specified investment goals. Companies in the industry range from large multi-national asset managers with a wide range of investable products, strategies, and asset classes to small boutique firms providing services to a very specific market niche.

SASB's Asset Management & Custody Activities industry standard requires companies to report on Transparent Information & Fair Advice for Customers, Employee Diversity & Inclusion, Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory, Business Ethics, and Systemic Risk Management practices (see pages 10-13).

### Founded

1997

### Location

New York, NY

### Key Industries

Consumer  
Services  
Industrials  
Healthcare

### Score Drivers

Weighted-average  
SASB Intelligence Score 59.62  
TTM

Human Rights &  
Community Relations  
(SOC) 13%

Employee Engagement,  
Diversity & Inclusion  
(HUM) 10%

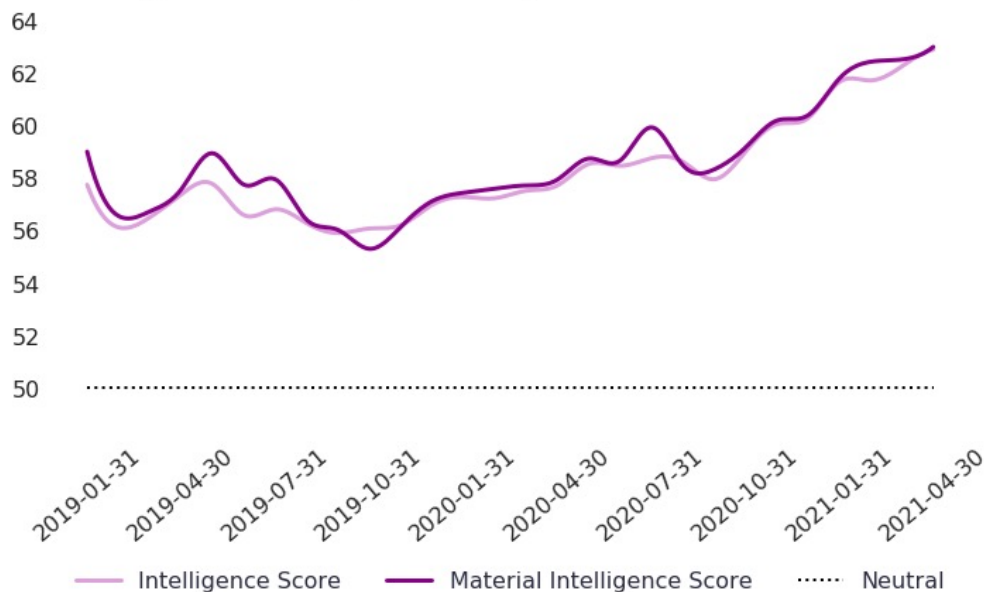
Business Model  
Resilience (BUS) 7%

Systemic Risk  
Management (LEAD) 17%

# PEP's INTELLIGENCE SCORE BY SASB DIMENSIONS

SASB Intelligence Score vs Material Intelligence Score has been calculated for PEP

**Intelligence Score / drivers by SASB dimension**



From 2019 to 2021, PEP's Material Intelligence score increased driven by strong Social Capital and Business Model & Innovation scores.

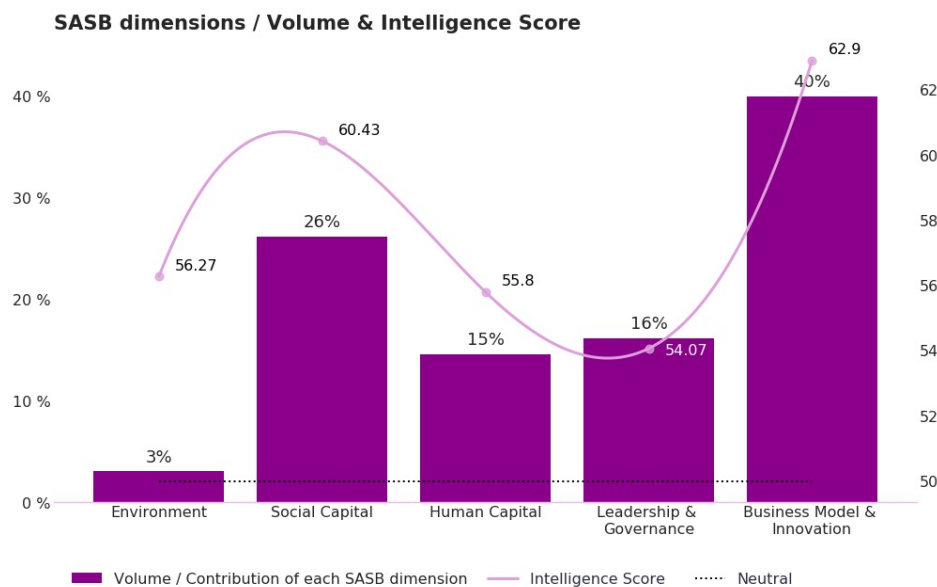
The **Intelligence Score** measures a company's long-term ESG record across 5 SASB categories. Intelligence Scores are less sensitive to each individual event. Scores are built using an exponentially- weighted moving average of the Real-time Score, which summarizes sentiments of each ESG- related information on any given day. The **Material Intelligence Score** is the company's Intelligence Score standardized for each industry/sector. SASB identifies certain sub-categories that are material for each sector: only 5 of the 30 categories are material on average. 0 to 100 scale is applied. 50 score indicates neutral impact. Scores above 50 indicate positive, and scores below 50 reflect negative performance.

PEP's SASB Intelligence Scores from 2019 to 2021 are shown above. On average, PEP's SASB Intelligence score is well above the neutral impact line of 50, representing overall positive and improving performance. PEP's Material Intelligence Score, which incorporates issues that are reasonably likely to impact the financial condition or operating performance of a company, and, therefore are most important to investors (SASB), has improved over the past 24 months. In the case of PEP, those financially material sustainability risks or opportunities are Transparent Information & Fair Advice for Customers, Employee Diversity & Inclusion, Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory, etc. (see pages 10-13).

To understand PEP's performance drivers by SASB categories, SASB Intelligence Score and Material Intelligence Score across 5 categories (Environment, Human Capital, Social Capital, Leadership and Governance, and Business Model and Innovation) have been calculated. The most impactful score drivers across all SASB sub-categories have been Social Capital and Business Model & Innovation.

# PEP's INTELLIGENCE SCORE BY SASB DIMENSIONS

Primary stakeholder focus across all SASB categories have been Social Capital and Business Model & Innovation – where performance has improved



Social Capital and Business Model & Innovation drive the majority of ESG information flow on PEP – that are above the neutral impact line.

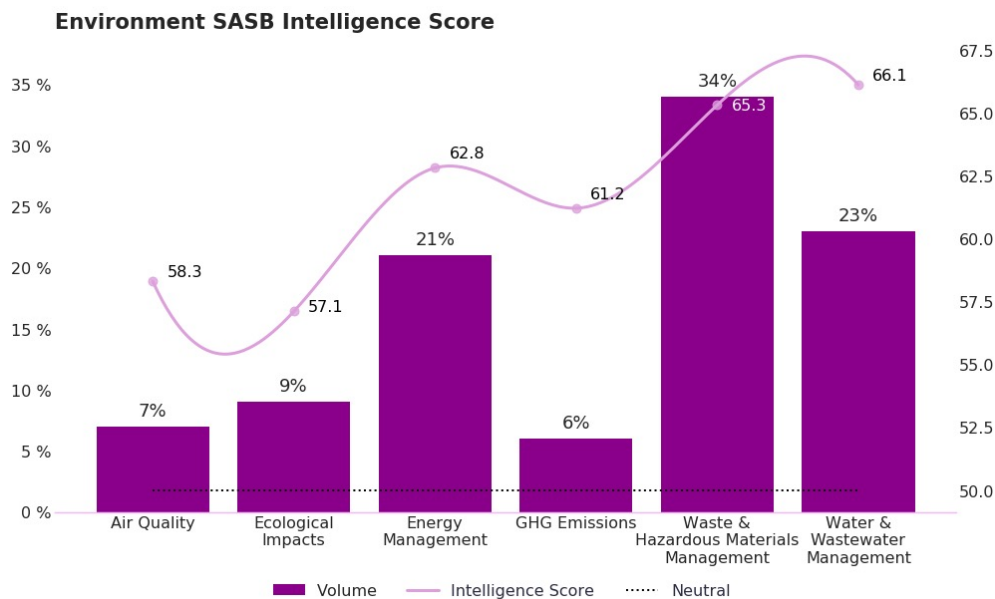
Social Capital and Business Model & Innovation topics constitute more than 60% of ESG news captured on PEP, in contrast to Environment topics, contributing a commensurate amount to the company's overall SASB Intelligence score.

In terms of **Environment SASB** category, stakeholder perception about PEP's performance is positive and mainly reflects information about where PEP has been mentioned in articles of its portfolio companies. However, there is a little volume on Environment topics (3%), indicating that stakeholders are relatively less concerned about the company's performance across environmental issues. Themes related to **Social Capital SASB** category provide stakeholders with insights into the company's work related to community relations. In those areas, the company's performance has been high and rising evidenced by Social Capital Intelligence Score, (see page 5 to understand the positive and negative perception drivers) as stakeholder perception about the PEP's contribution to society and its relationship with key outside parties has improved over the past 24 months.

With respect to **Human Capital SASB** category, 15% of the ESG news flow is directed towards insights into the company's management of human resources, labor practices, and employee diversity. In terms of **Leadership & Governance SASB** category, which measures the company's management of issues that are inherent to the business model or common practice in the industry (SASB), stakeholder perception about PEP's performance has been positive and reflects the incorporation of environmental, social, and governance factors in investment management & advisory and its leadership's diversity & inclusion. Topics related to **Business Model & Innovation** category drive 40% of the ESG news flow on PEP. The category largely focuses on investment and exit history of PEP. The company performs well across all Business Model & Innovation sub-categories, which reflects good business model practices of PEP and its portfolio companies.

# ENVIRONMENT

Waste & Hazardous Materials Management and Water Management sub-categories drive more than 50% of the stakeholder information flow in this category

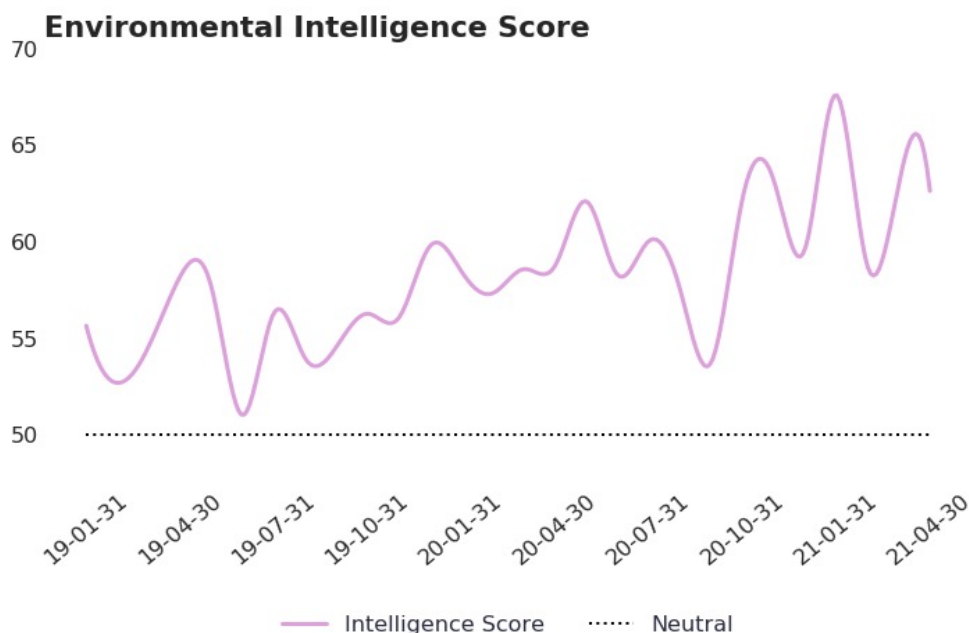


Performance on environmental topics has been positive, however, there is relatively little volume on these topics.

Driving only 3% of the overall ESG news flow on PEP are reports related to the Environment category (see page 3). From the stakeholders' perspective, environment is not a significant ESG performance driver for PEP.

This dimension includes environmental impacts, either through the use of nonrenewable, natural resources as inputs to the factors of production or through harmful releases into the environment that may result in impacts to the company's financial condition or operating performance.

With the limited information flow on the Environment topics, the company's performance has remained above the neutral impact line driven by the fact that stakeholder perceive that the company's operations do not present challenges for the environment as evidenced by the Environmental Intelligence Score graph below.

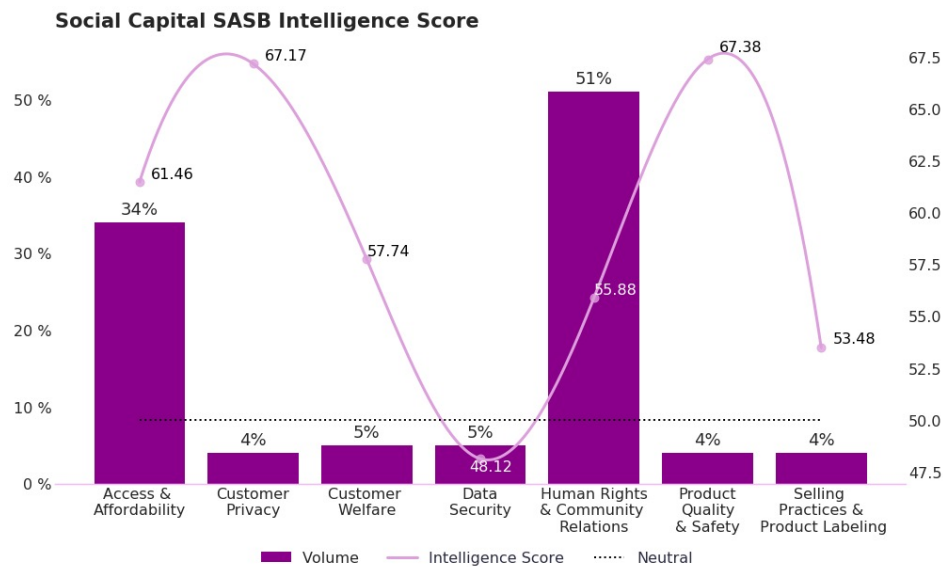


From the perspective of stakeholders, PEP's Environment category has been positive over the past 24 months.

# SOCIAL CAPITAL

Human Rights & Community Relations and Access & Affordability topics drive nearly 80% of the ESG information flow within the Social Capital category

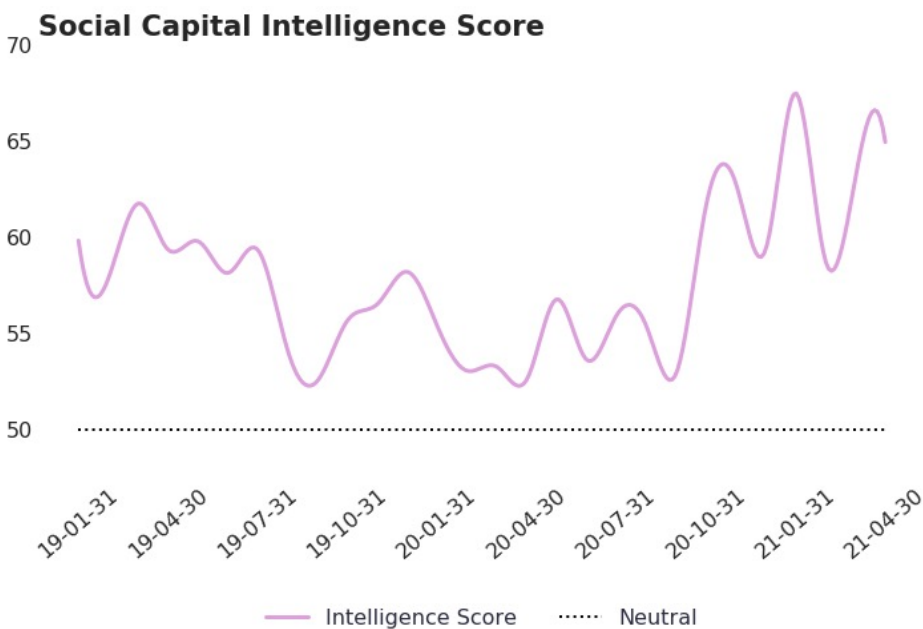
Stakeholder perception about the PEP’s contribution to society and its relationship with key outside parties has improved in the past 24 months.



In contrast to Environmental category, Social Capital topics drive nearly 26% of ESG news flow captured by ESG-BERT. From the stakeholders’ perspective, Access & Affordability and Human Rights & Community Relations are the two most impactful performance drivers, which reflects Palladium’s active contribution to various business, educational and cultural organizations.

This dimension relates to the expectation that a business will contribute to society in return for a social license to operate. It addresses the management of relationships with key outside parties, such as customers, local communities, the public, and the government. It includes issues related to human rights, protection of vulnerable groups, local economic development, access to and quality of products and services, affordability, responsible business practices in marketing, and customer privacy.

The Social Capital Intelligence Score graph indicates that there has been some modest improvement in the past 24 months driven by Palladium’s commitments and the fact that it has become a signatory of the United Nations supported Principles for Responsible Investment (PRI).

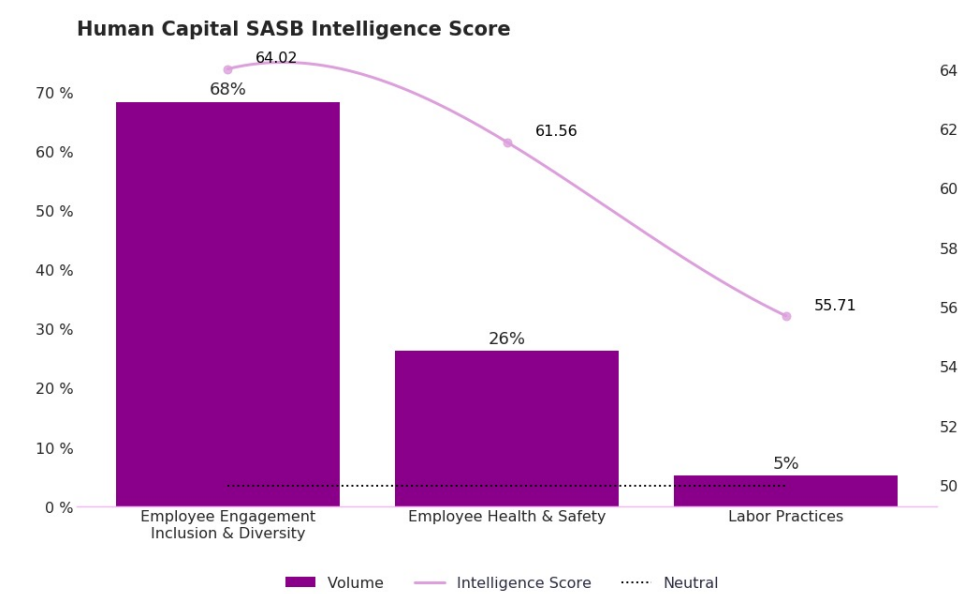


PEP’s Social Capital Intelligence Score has been strong, driven by the company’s commitment to building public trust and serving its stakeholders well.

# HUMAN CAPITAL

Information flow in Human Capital Category has been largely focused on Employee Engagement Inclusion & Diversity

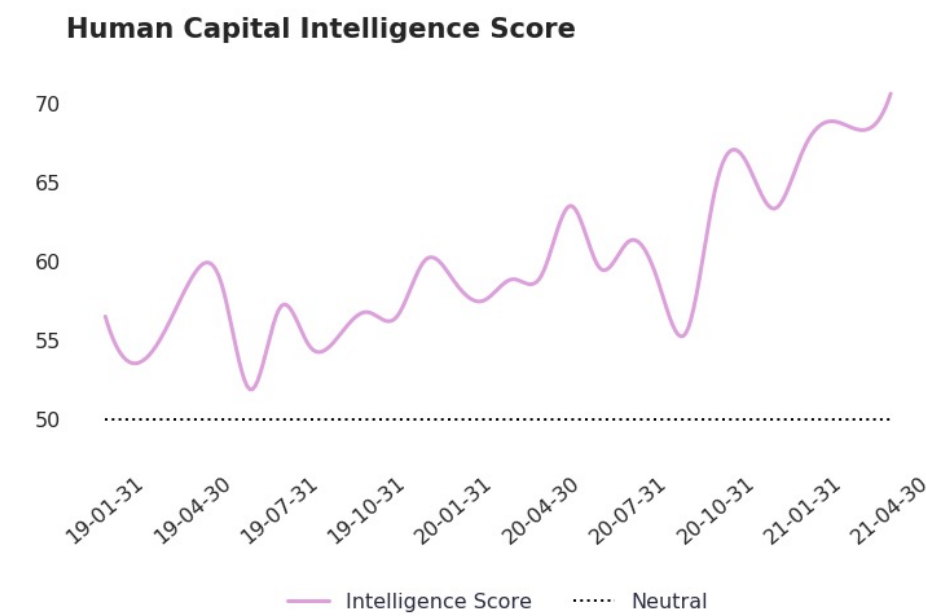
Within Human Capital, PEP’s performance is positive across all sub-categories and well above its neutral impact line.



SASB’s Human Capital topics drive nearly 15% of the ESG news flow on Palladium Equity Partners (see page 3). Within Human Capital, PEP performs well above the neutral impact line across all SASB sub-categories with the information flow being mainly focused on Employee Engagement Inclusion & Diversity SASB topic.

This dimension addresses the management of a company’s human resources (employees and individual contractors) as key assets to delivering long-term value. It includes issues that affect the productivity of employees, management of labor relations, and management of the health and safety of employees and the ability to create a safety culture.

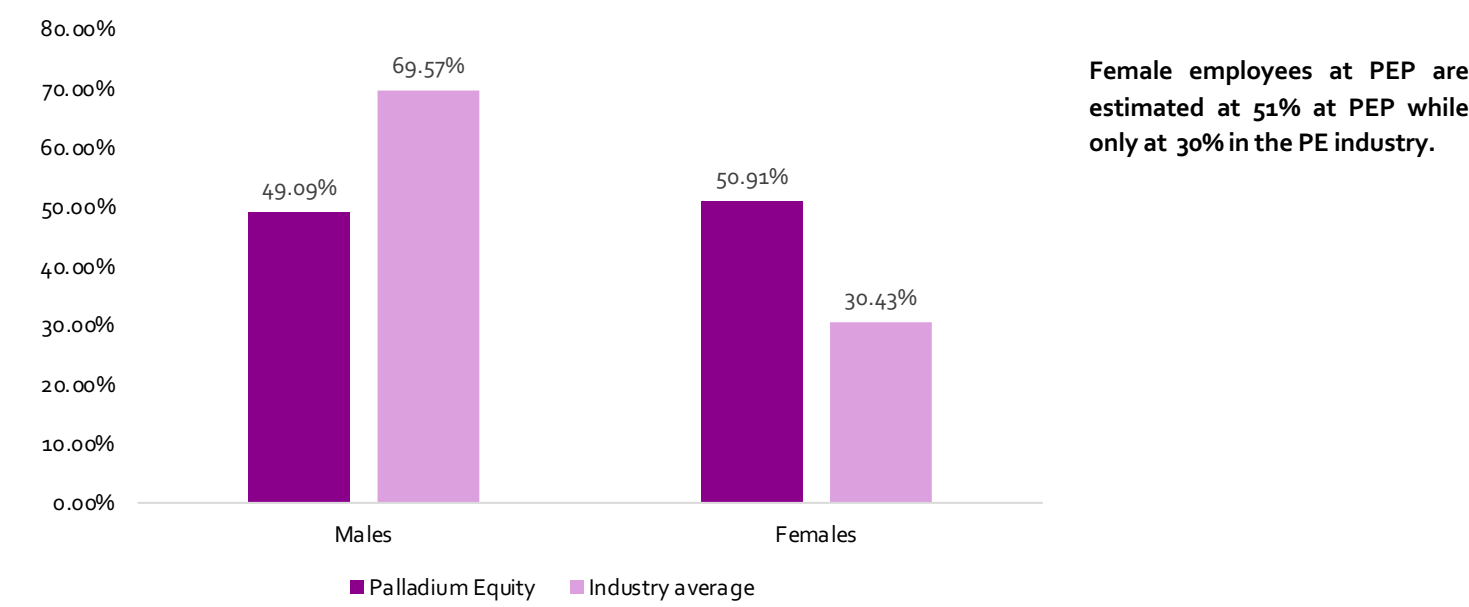
The Human Capital Intelligence Score graph tells us that in all Human Capital areas the performance has been strong and improving driven by the company’s overall ongoing commitment to diversity and transparency into board recruitment to advance diversity.



PEP’s Human Capital Intelligence Score has improved considerably over the past 24 months.

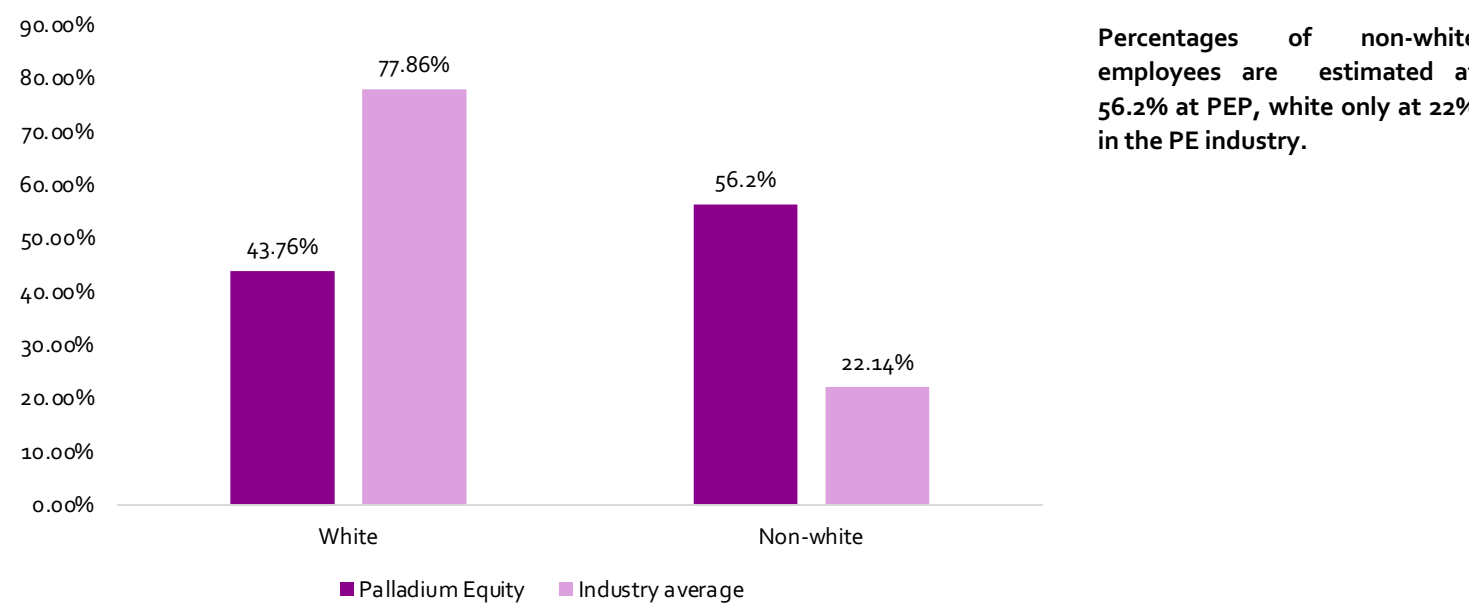
# HUMAN CAPITAL: EMPLOYEE DIVERSITY & ENGAGEMENT

## Palladium Equity Partners vs PE Industry Gender Statistics



Source: [palladiumequity.com](http://palladiumequity.com), mckinsey.com

## Palladium Equity Partners vs PE Industry Employee Demographics



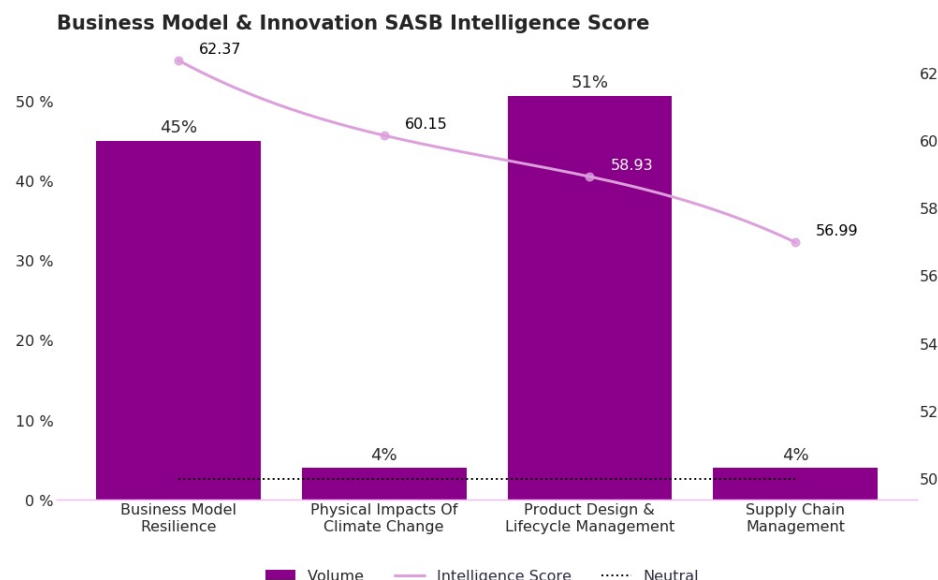
Source: [palladiumequity.com](http://palladiumequity.com), mckinsey.com



# BUSINESS MODEL & INNOVATION

PEP performs well across all Business Model & Innovation sub-categories with over 90% of information flow reflecting on Business Model Resilience and Product Lifecycle Management

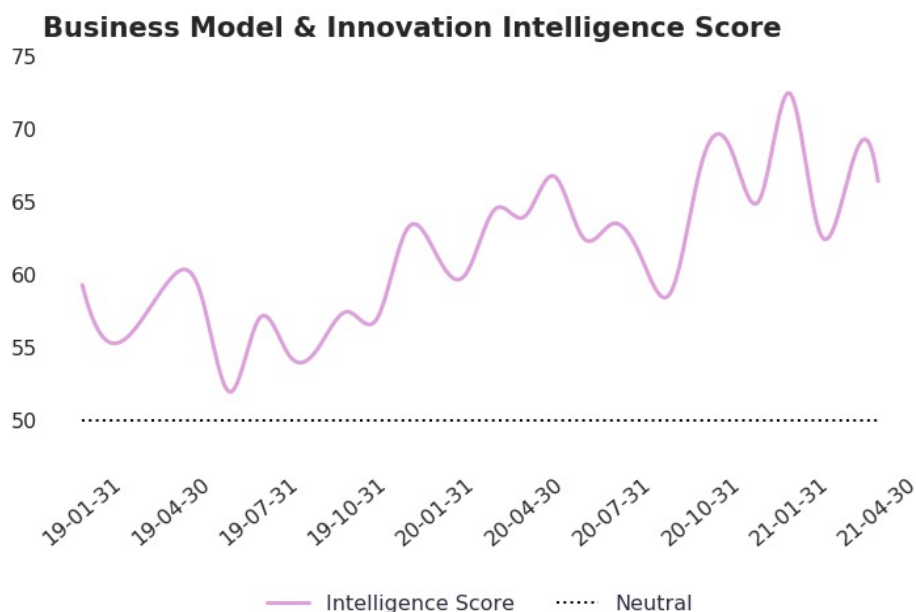
Within Business Model & Innovation SASB dimension, the stakeholder perspective about PEP has been well above the neutral impact line, added to the fact that 40% of all information captured is related to this dimension



SASB's Business Model & Innovation topics constitute nearly 40% of the ESG news flow on Palladium Equity Partners (see page 3). Data flowing into this category also represents an array of information about PEP and its portfolio companies' product innovations and integration of ESG factors into its value-creation process. With respect to this dimension, the majority of stakeholder information flow in 2019 and 2020 has been focused on Business Model Resilience and Product Design, where the company's performance has been well above the neutral impact line.

This dimension addresses the integration of environmental, human, and social issues in a company's value-creation process, including resource recovery and other innovations in the production process; as well as in product innovation, including efficiency and responsibility in the design, use phase, and disposal of products.

The graph below suggests that PEP's performance has improved in this SASB category over time. There is only 4% volume on Physical Impact of Climate Change and Supply Chain Management topics indicating immaterial consideration.

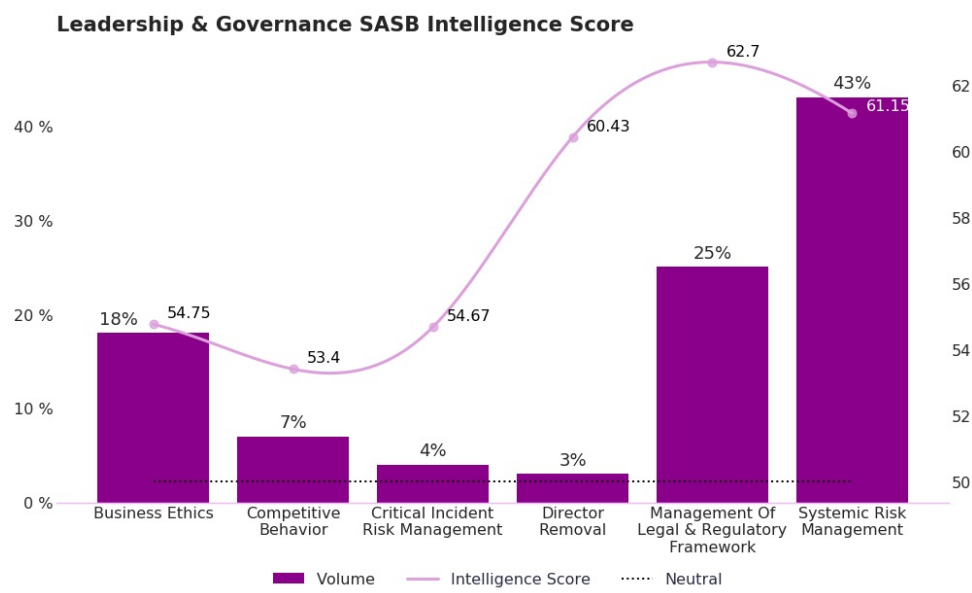


Intelligence Score for Business Model/Innovation has been high across all material SASB sub-categories and well above its neutral impact line.



# LEADERSHIP & GOVERNANCE

Within this category, ~ 70% of the overall information flow reflects Management of Legal & Regulatory Framework and Systemic Risk Management sub-categories -- that are above the neutral impact line

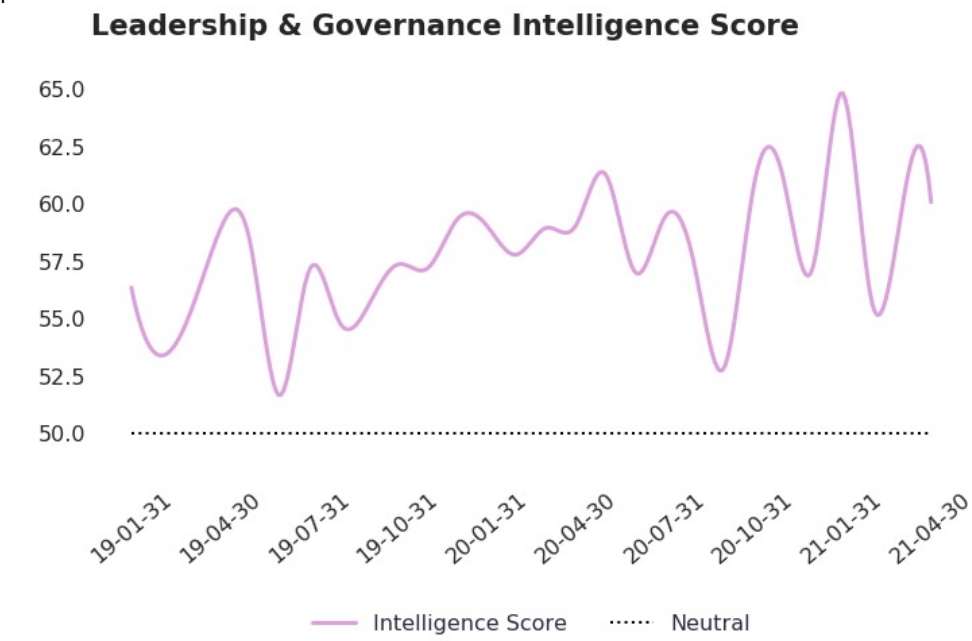


Palladium Equity Partners performs well across all issues related to Leadership & Governance.

In terms of SASB’s Leadership & Governance category, which drives nearly 16% of the ESG information volume, the most impactful Intelligence score drivers are Management of Legal & Regulatory Framework and Systemic Risk Management, which summarizes PEP investment/acquisition record over the past 2 years.

This dimension involves the management of issues that are inherent to the business model or common practice in the industry and that are in potential conflict with the interest of broader stakeholder groups, and therefore create a potential liability or a limitation or removal of a license to operate. This includes regulatory compliance, risk management, safety management, supply-chain and materials sourcing, conflicts of interest, anticompetitive behavior, and corruption and bribery.

The Leadership & Governance Intelligence Score graph indicates that the stakeholder perception about PEP’s performance and largely its acquisition/investment practices have been positive.



Leadership & Governance Intelligence Score of PEP has been strong and improving over the past 24 months.



# PALLADIUM EQUITY PARTNERS SASB DISCLOSURE

SASB's mission is to establish and maintain disclosure standards on sustainability matters that facilitate communication by companies to investors of decision- useful information. We support SASB (the Sustainability Accounting Standards Board) because its work contributes directly to generating comparable and consistent data, which is deeply aligned with our mission to provide transparency to financial markets.

## Asset Management & Custody Activities

### Activity Metric

Activity Metric	Measurement	Unit	Category	2020	2019	SASB Code
Entity-defined measure of user activity	(1) Total registered and (2) total unregistered assets under management (AUM)	Quantitative	U.S. Dollars (\$)			FN-AC-000.A
	Total assets under custody and supervision	Quantitative	U.S. Dollars (\$)			FN-AC-000.B

### Transparent Information & Fair Advice for Customers

Topic	Measurement	Category	Unit	2020	2019	SASB Code
Transparent Information & Fair Advice for Customers	1) Number and (2) percentage of covered employees with a record of investment-related investigations, consumer-initiated complaints, private civil litigations, or other regulatory proceedings	Quantitative	Number, Percentage (%)			FN-AC-270a.1
	Total amount of monetary losses as a result of legal proceedings associated with marketing and communication of financial product-related information to new and returning customers <sup>3</sup>	Quantitative	U.S. Dollars (\$)			FN-AC-270a.2
	Description of approach to informing customers about products and services	Discussion and Analysis	n/a			FN-AC-270a.3

### Employee Diversity & Inclusion

Topic	Measurement	Category	Unit	2020	2019	SASB Code
Employee Diversity & Inclusion	Percentage of gender and racial/ethnic group representation for (1) executive management, (2) non-executive management, (3) professionals, and (4) all other employees	Quantitative	Percent	"64% of Palladium's partners and 75% of its employees are diverse or female"		FN-AC-330a.1
Males	49.1%					
Females	50.9%					
White	43.76%					
Non-White	56.2%					

## Asset Management & Custody Activities

### Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory

Topic	Measurement	Category	Unit	2020	2019	SASB Code
Incorporation of Environmental, Social, and Governance Factors in Investment Management & Advisory	Amount of assets under management, by asset class, that employ (1) integration of environmental, social, and governance (ESG) issues, (2) sustainability themed investing, and (3) screening	Quantitative	U.S. Dollars (\$)			FN-AC-410a.1
	Description of approach to incorporation of environmental, social, and governance (ESG) factors in investment and/or wealth management processes and strategies	Discussion and Analysis	n/a	<p>"Palladium recognizes that a strong commitment to high standards of business practices &amp; ethics is essential to generating value to all stakeholders and that ESG aspects can have a material impact on investment performance. Palladium is committed to employing best practices for ESG management at the firm level, in target company due diligence, and throughout the firm's ownership period for each majority investment made."</p>		FN-AC-410a.2
	Description of proxy voting and investee engagement policies and procedures	Discussion and Analysis	n/a			FN-AC-410a.3

## Business Ethics

Topic	Measurement	Category	Unit	2020	2019	SASB Code
Business Ethics	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice, or other related financial industry laws or regulations	Quantitative	U.S. Dollars (\$)			FN-AC-510a.1
	Description of whistleblower policies and procedures	Discussion and Analysis	n/a			FN-AC-510a.2

## Asset Management & Custody Activities

### Systemic Risk Management

Topic	Measurement	Category	Unit	2020	2019	SASB Code
Systemic Risk Management	Percentage of open-end fund assets under management by category of liquidity classification	Quantitative	Percent			FN-AC-550a.1
	Description of approach to incorporation of liquidity risk management programs into portfolio strategy and redemption risk management	Discussion and Analysis	n/a	"The Palladium approach to the investment process is systematic and principled using products such as Management Buyouts, Growth Capital Financing, and Corporate Divestitures and Recapitalizations and focused on maximizing liquidity opportunities for LPs across the portfolio through recaps, strategic sales and capital market activities."		FN-AC-550a.2
	Total exposure to securities financing transactions	Quantitative	U.S. Dollars (\$)			FN-AC-550a.3
	Net exposure to written credit derivatives	Quantitative	U.S. Dollars (\$)			FN-AC-550a.4

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