



Sustainability as a tool for Value Creation

Palladium's Approach

SIIF - Impact Workshop
Tokyo
November 28, 2023

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Who We Are – The Palladium Way

Successful 27-year history investing in the middle market

- Over 200 investments (40 platforms and 170+ add-ons)⁽¹⁾
- Realized \$4.0 billion on \$1.7 billion invested⁽²⁾

Distinct competitive advantage in the U.S. Hispanic Market

- Invested over \$1.25 billion in 19 platform companies in this market since 2000⁽³⁾
- Hispanic Market represents now \$3.2 trillion or 13% of U.S. GDP⁽⁴⁾

Stewardship and Authenticity

- Thought leader in the incorporation of sustainable practices as a tool for value creation
- One of a handful of non-impact U.S. private equity firms to achieve B Corp certification

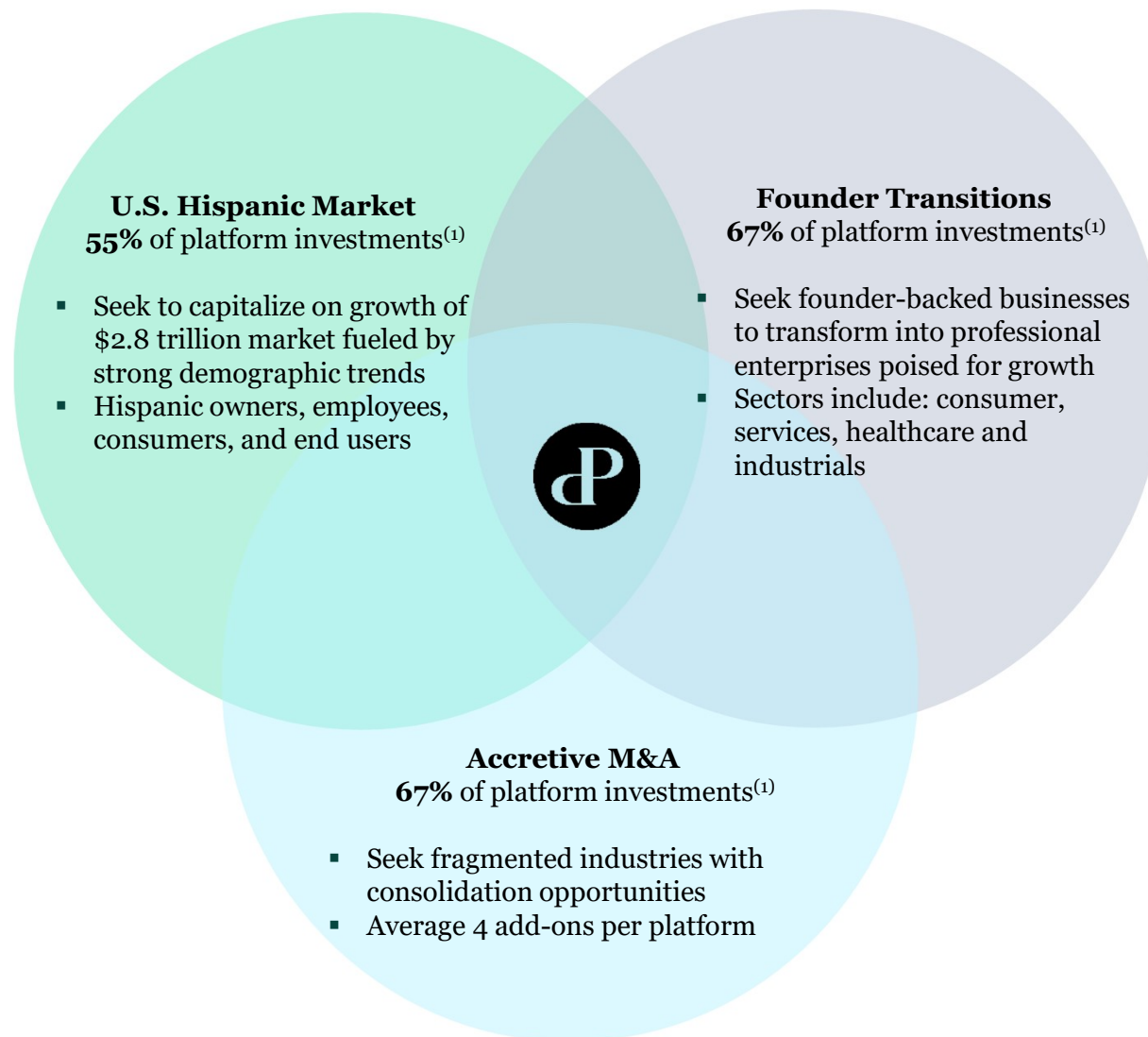


Note: All figures are as of June 30, 2023, unless otherwise stated. Certain statements above represent the opinions and beliefs of Palladium. Such statements involve known and unknown risks, uncertainties and other factors, and undue reliance should not be placed thereon. Please refer to the track records of the Palladium Funds for further information on how the gross and net figures stated herein are calculated. (1) \$4.0 billion delivered is gross of recycled capital. Includes all investments across Fund II, Fund IV and Fund V and the 12 largest Fund III investments. Total platform figures count Taco Bueno once in order to avoid double counting. GoodWest and Jordan's Skinny Mixes ("JSM") count as one platform investment. 39 total platform investments includes Superior Environmental Solutions, which closed 8/1/23, while all other data is as of 6/30/23. (2) Realized Investment includes fully and partially realized investments. Partially realized investments include investments that have Realized Proceeds of over 50% of Invested Capital. The actual value of unrealized investments will depend on, among other factors, future operating results, the value of the assets and the market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions and circumstances on which the current unrealized valuations are based. (3) Since 2000, Palladium has invested over \$1.2 billion across 20 U.S. Hispanic-oriented platform investments across the Palladium Equity Partners Funds. Hispanic-orientation was not an investment consideration prior to Fund III. (4) Latino Gross Domestic Product ("GDP") Report, September 2022, which states the methodology used for estimating Hispanic GDP.



Characteristics of Our Investments

What is a Palladium Deal?



Charts are for illustrative purposes only. U.S. Latino Gross Domestic Product ("GDP") Report, September 2022, which states that the methodology used for estimating Hispanic GDP and the associated data for population, employment and labor force, education and citizenship, relied almost exclusively on data and public use microdata from the U.S. Department of Commerce and the U.S. Department of Labor. (1) Data set includes Fund III's 12 largest investments, which represent 85% of invested capital of Fund III, all of Fund IV and Fund V investments to date. **Past performance is not necessarily indicative of future results, and there can be no assurance that any Palladium Vehicle will achieve comparable results, will meet its target returns, achieve its investment objectives, be able to implement its investment strategy or be able to avoid losses. There can be no assurances that any potential acquisitions will close on the terms presently contemplated, or at all.**



Sustainability is integral of Palladium’s History, Mission, and Investments

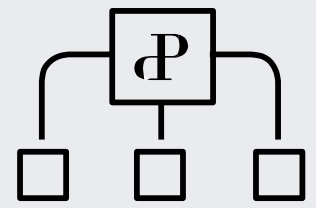
We believe that integrating responsible business practices across our Firm and our portfolio creates value for all stakeholders.

PALLADIUM



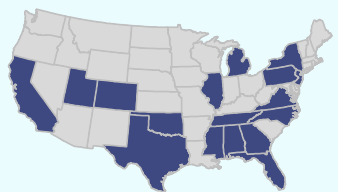
63% of employees⁽¹⁾
 55% of partners and 64% of Senior Team are either diverse and/or female⁽²⁾

PORTFOLIO COMPANIES



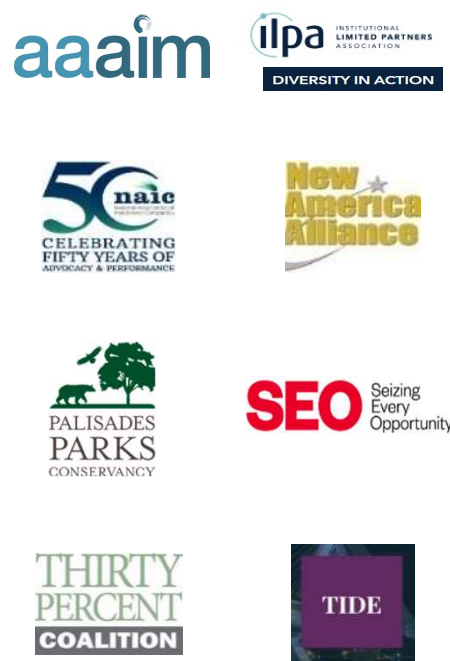
43% of board members⁽³⁾
 Palladium is committed to having at least 30% female and 30% diverse directors on each controlled portfolio company board

COMMUNITY



68% of investments⁽⁴⁾
 Many of Palladium’s portfolio companies create products or services to help narrow economic disparities that exist in these communities

Community Partnerships



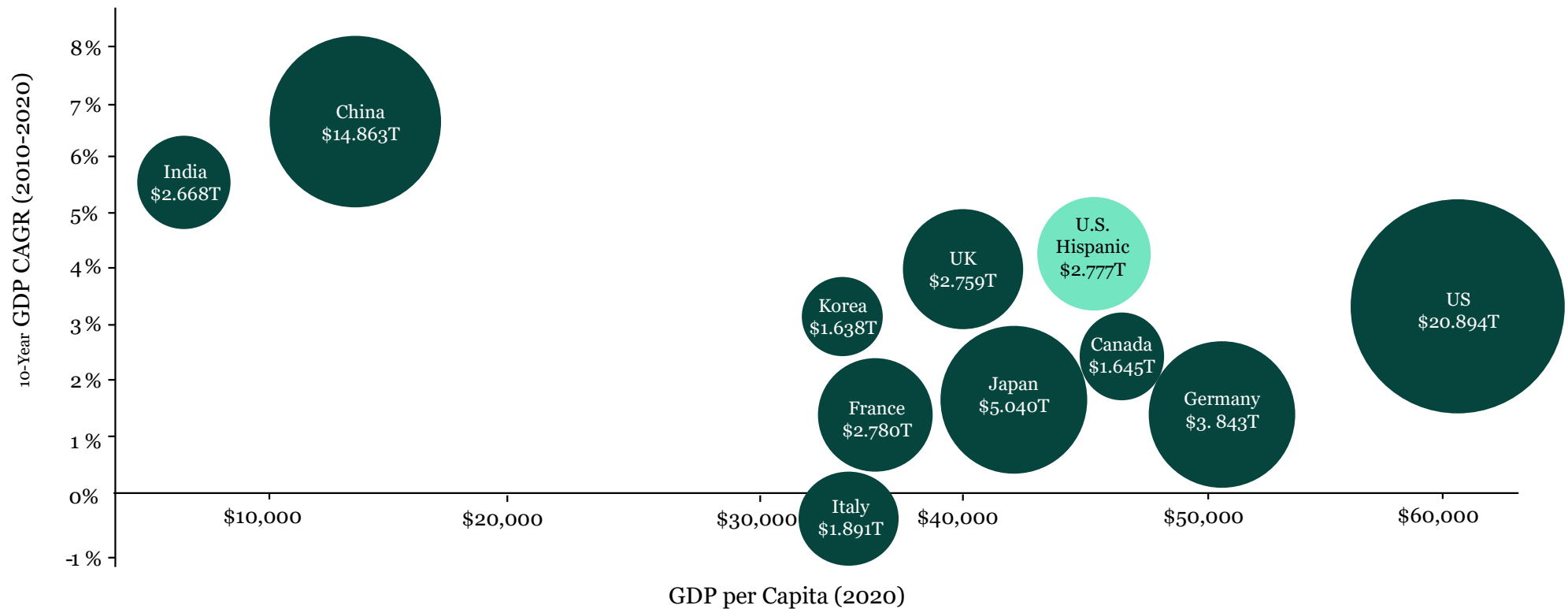
Palladium continues to deepen its commitment to socially responsible investing



Note: All figures as of October 2023 unless otherwise indicated. (1) Based on ethnic minorities and women out of all Palladium employees. (2) “Senior Team” is defined as employees at or above the Vice President level. (3) Out of 131 board members, 27% are female and 27% are diverse, and 43% of board members are female and/or diverse. Information as of September 2023. (4) Includes Fund III’s 12 largest investments, which represent 85% of invested capital, all of Fund IV’s twelve investments to date and the nine Fund V investments to date. Excluding Fund III, approximately 55% of Fund IV’s twelve investments and the nine Fund V investments to date are Hispanic-oriented.

The Underserved U.S. Hispanic Market

Emerging market investment opportunity in a developed market



This market would equal the *5th largest country* and *3rd fastest growing GDP*

The median age of the U.S. Hispanic population is *11 years younger* than the U.S. Non-Hispanic population

By 2060, Hispanics are expected to represent *~30%* of the U.S. population

Source: Latino Gross Domestic Product ("GDP") Report, September 2022, which states that the methodology used for estimating Hispanic GDP, and the associated data for population, employment and labor force, education and citizenship, relied almost exclusively on data and public use microdata as of December 31, 2020 from the U.S. Department of Commerce and the U.S. Department of Labor. Information for all other countries from World Bank data.
Note: For illustrative purposes only. No assurance can be given that current market conditions and related trends will continue.

Going beyond the semantics – Palladium Stewardship Approach

“Stewardship is in our name and our vision; Palladium is a trusted asset manager. Everything that we do is focused on delivering consistent, long-term risk-adjusted returns for our investors”



Marcos A. Rodriguez
Chairman and CEO
April 2023

A handwritten signature in blue ink, appearing to read 'Marcos A. Rodriguez'.

Sustainability Verticals



Resource Efficiency

- Efficient Resource Management – Energy/Water
- Minimizing Negative Environmental Impact



People & Community

- Workforce Safety
- Reduction of Benefits Gap
- Human Rights & Diversity
- Traceability of Supply Chain
- Positive Impact on Society & Communities



Integrity & Accountability

- Board Diversity
- Transparency & Ethics
- Cybersecurity Protocols

Objectives of Sustainability Integration

Three clear and defined objectives guides us through that integration



Risk Assessment & Mitigation

- Identify relevant risks across the portfolio, i.e. resource efficiency, people and communities, and integrity and accountability
- Mitigate the identified risks arising during the onboarding, engagement and monitoring of the portfolio company



Alpha Generation

- Interventions at the portfolio company level that will generate measurable value enhancement
- Recognition of market trends that assign value to strong Sustainability performance



New Business Opportunities

- Innovation and new products and business lines centered around themes that incorporate sustainability or impact trends.



Acceleration: Best practices disseminated across the entire portfolio

Framework for Integration of Sustainability across the portfolio



Measure

- **Independent Review:** Start with an independent review of relevant KPIs for the firm and each portfolio company
- **Transparent Reporting:** Participate in industry wide Sustainability Initiatives aiming at standardizing reporting



Green Project



Assess

- **Benchmark Results**
 - Benchmark sustainability performance of all our portfolio against peers
 - Benchmark Firm performance across best in class within the AM Industry

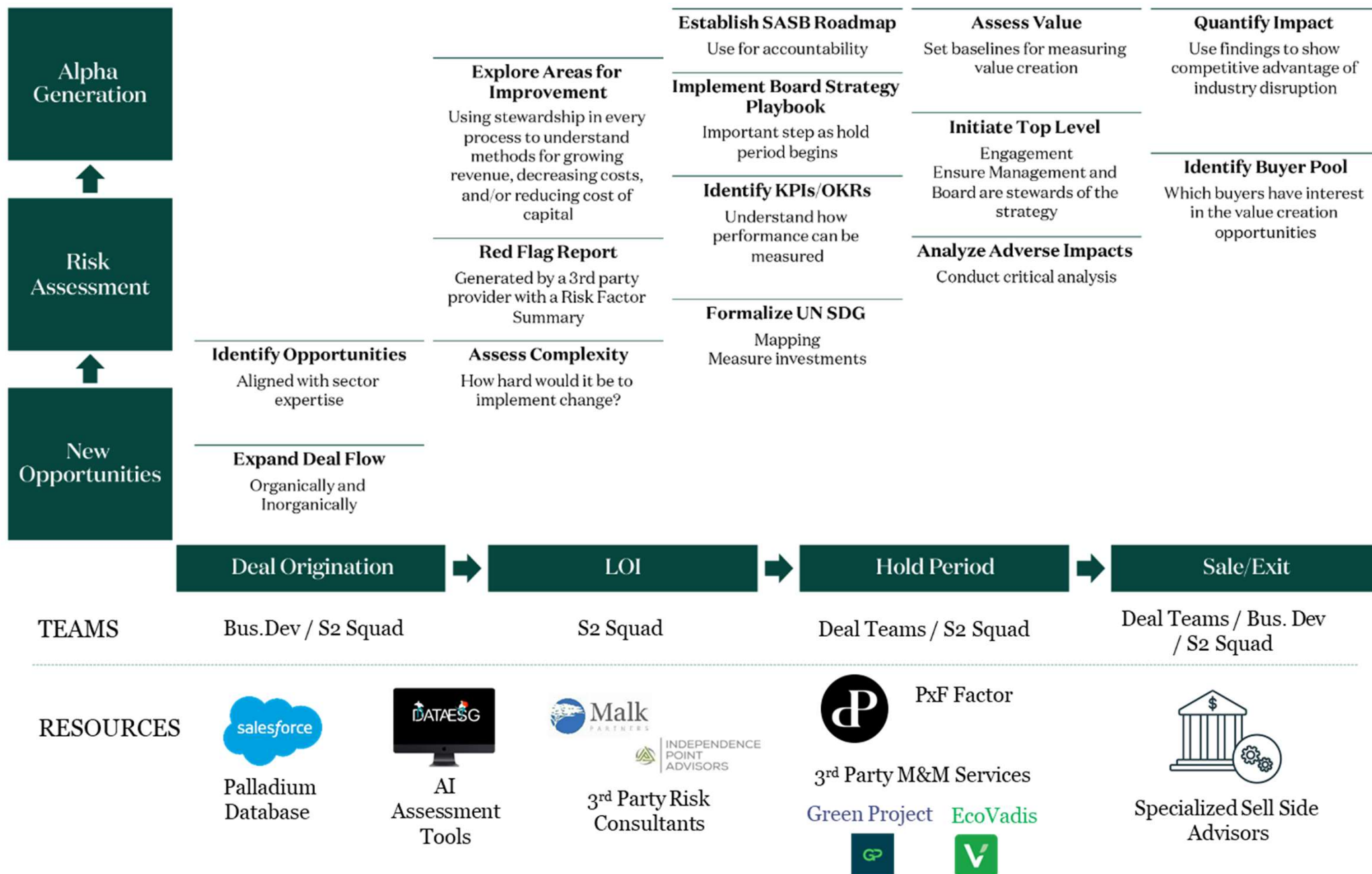


Improve

- **Continuous Improvement:** Develop Action Plan to improve key indicators YoY
- **Update Proprietary Sustainability Playbook:** Accelerate adoption of lessons learned throughout the portfolio



Roadmap for Integrating Sustainability



Deal Origination And Due Diligence

Palladium will work with the widely used Sustainability Accounting Standards Board (SASB) framework for measuring operational and financial materiality by sector.



SASB Five Dimensions: Relevant Data



Environment

GHG Emissions
Air Quality
Energy Management
Water & Wastewater Management
Waste & Hazardous Materials Management
Ecological Impacts



Social Capital

Human Rights & Community Relations
Customer Privacy
Data Security
Access & Affordability
Product Quality & Safety
Customer Welfare
Selling Practices & Product Labeling



Human Capital

Labor Practices
Employee Health & Safety
Employee Engagement, Diversity & Inclusion



Business Model and Innovation

Product Design & Lifecycle Management
Business Model Resilience
Supply Chain Management
Materials Sourcing & Efficiency
Physical Impacts of Climate Change



Leadership and Governance

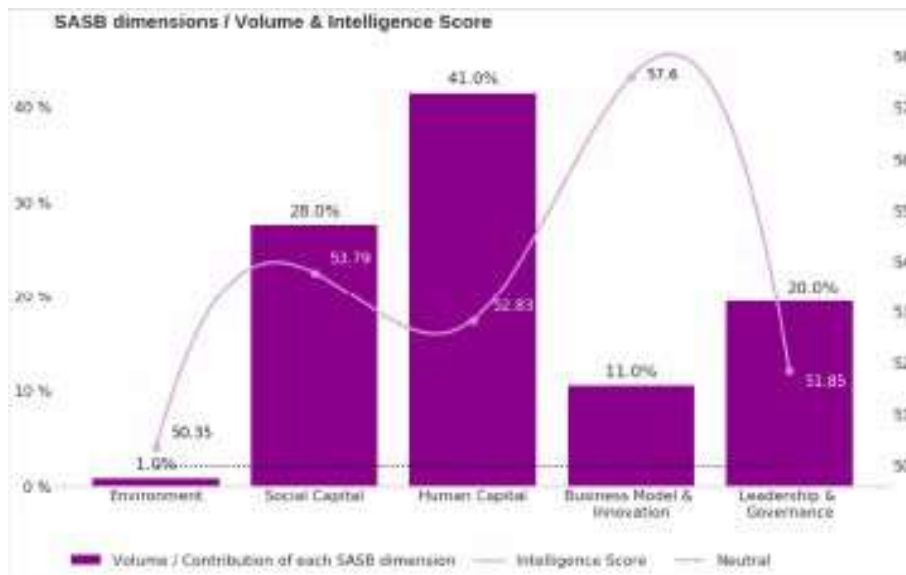
Business Ethics
Competitive Behavior
Management of the Legal & Regulatory Environment
Critical Incident Risk Management
Systemic Risk Management

Origination And Due Diligence – Initial AI Driven Assessment

Once the Deal Team is sufficiently interested moving to the pre-LOI phase of due diligence, a low-cost AI driven assessment of publicly available data can be used to determine materiality around **key sustainability issues**.

Early Stage/Pre-LOI: DataESG uses artificial intelligence to gather Sustainability related data from public sources about private companies and systematically converts it into a structured Sustainability assessment. Sources include SEC filings, interviews and media reports, analyst reports, company published resources, and others.

DataESG ASSESSMENT: Example - Envoy Global*



Source: DataESG

* The full DataESG report can be found in the Appendix.

- **Volume/Contribution of each SASB Dimension:** A DataESG assessment of publicly available information on Envoy Global indicated a strong perception about the company's work related to community relations and its relationship with key outside parties (*Social and Human Capital*).
- **Intelligence Score:** The Intelligence Score measures a company's long-term ESG record across the 5 key SASB dimensions and summarizes the sentiment projected by the publicly available information at any given time.

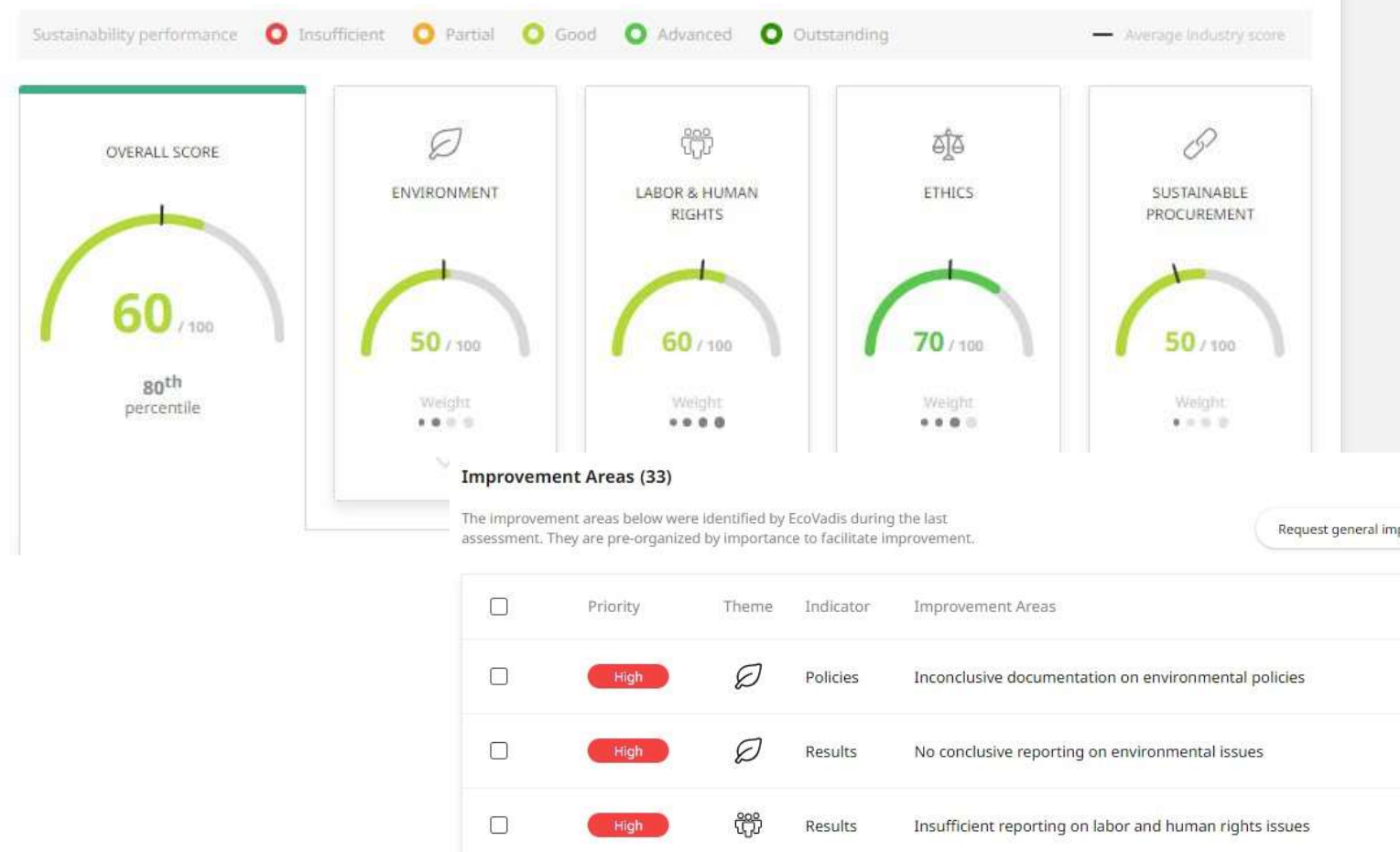
Implementation/Hold Period – Establishing a Baseline with EcoVadis

During the Hold Period, measuring, monitoring, and reporting will ensure investment decisions involving Sustainability will focus on long term, scalable, and recurrent value creation.

Measuring, Monitoring and Reporting: EcoVadis plays a critical role at this stage by working with management to identify Sustainability factors material to the company's financial and operating activities. Monitoring will include specific Action Improvement Plans to address any of the above identified factors



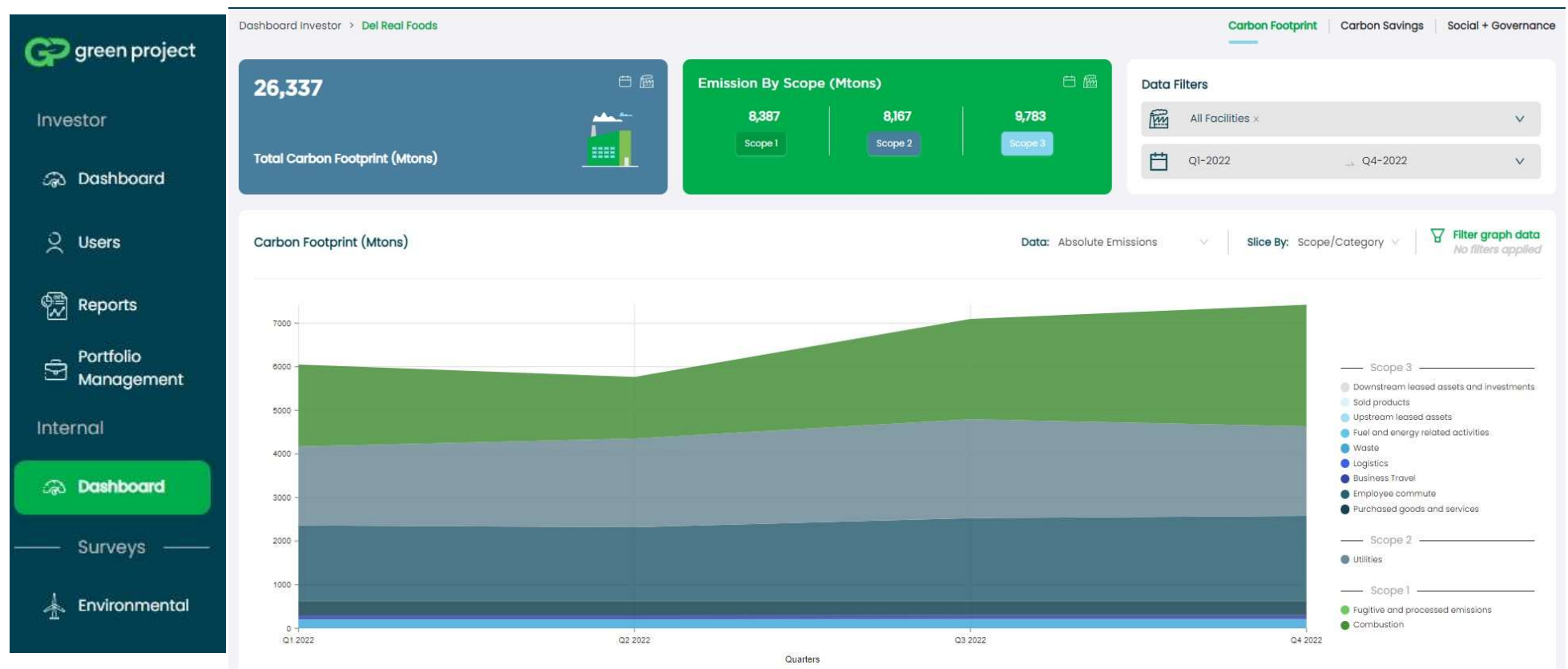
Best in class benchmarks



Source: EcoVadis

Implementation/Hold Period – Establishing a Baseline with GreenProject

Measuring, Monitoring and Reporting: Green Project Tech will also play a critical role at this stage by helping establish a carbon footprint for each of our portfolio companies, as well as identifying different protocols by which we can operationally reduce this footprint in an efficient and effective manner.



Implementation/Hold Period – Continuous Reporting on Standard KPIs



Px Factor

Adaptation on the Gini Coefficient, a well-established methodology to measure income inequality.

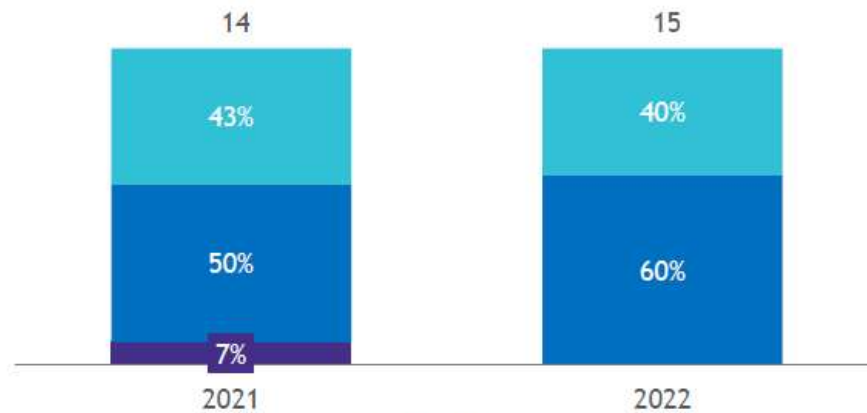
Implementation/Hold Period – Benchmark against peers

Palladium vs. private benchmark¹

% PortCos in each bracket, N = 15 PortCos

0% 0-25% 26-50% >50%

% of board members who are women



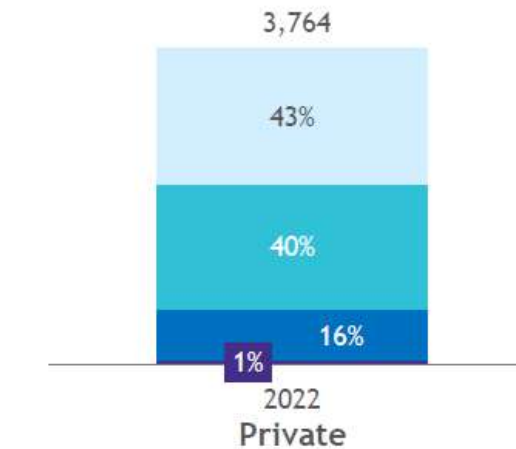
Palladium

% women board members
(2022 median)

30%

YoY change

-2pp



Palladium Δ vs.
benchmark
(2022 median)

18pp

Palladium overview

0%

0/15

of PortCos do not have
women on their boards

60%

9/15

of PortCos have women in
>25% of board seats

50%

PortCos
#49, #54

Highest % female
board members

Case Studies

Resource Efficiency: *Accupac Case Study*

accupac



Description: Contract manufacturer and packager for international personal and beauty care components

Date of Investment: January 2020

Region: Mid Atlantic U.S.

Sector: Personal Care Manufacturing

Initiative: Wastewater Management



As a personal and beauty product manufacturer, Accupac's blue chip global customers demand best-in-class design, quality, pricing, and resource efficiency. Accupac's efforts in 2022 contributed approximately \$600k to its EBITDA through cost savings on product inputs and further alignment with customer preferences. Accupac identified opportunities to improve practices through leading-edge resource conservation programs.

Accupac is upgrading its Pennsylvania wastewater management system, increasing its processing capacity and limiting the hauling of wastewater. This investment will bolster water conservation and management, saving costs by increasing the effectiveness of waste and water separation.

In addition to its wastewater management efforts, Accupac recycles and uses renewable energy. Recycling initiatives increase the lifespan of materials, which subsequently results in reduced GHG emissions and cost savings. Annually, Accupac recycles 1k tons of cardboard, 80 tons of steel, and 180k gallons of ethanol. Accupac's investments streamline operational efficiency, appeal to customers, and promote resource conservation.

“

Accupac's goal is to complete its wastewater management upgrade in 2024, which will increase processing capacity and limit the hauling of wastewater.

”

In Numbers

180K

gallons of ethanol recycled annually

41K

tons of mixed plastics diverted from regional landfills since 2010

1,470

MTCO2E of GHGs reduced in 2022

2,097

tons of waste diverted in 2022

\$600k

EBITDA contribution from resource focused initiatives

People and Community: *EverDriven Case Study*



Description: Provider of safe, reliable transportation for children with special transportation needs

Date of Investment: February 2020

Region: U.S.

Sector: Transportation

Initiative: Driver Safety



In providing student transportation, EverDriven understands the importance of driver safety and embraces its responsibility to protect the wellbeing of its employees, students, and the local communities it serves. Being the leader in safety can generate significant customer goodwill and interest in new markets, positively impacting EverDriven's bottom line and protecting people.

EverDriven's safety program provides thorough guidance to drivers through its SafeRide guidelines. EverDriven formalized these guidelines in a certification this year to showcase that its standards exceed the minimums set by a mosaic of regulatory requirements. SafeRide certification includes a stringent background check, alcohol and drug screening, a driver safety test, a vehicle check followed by ongoing audits, and third-party safety inspections.

Safety incidents are tracked closely to ensure comprehensive analysis and proactive response. In 2022, EverDriven's safety and operational incidents rate (0.05%) was significantly below the benchmark in 2020 at the time of initial investment (0.1%). Since Palladium's investment in 2020, EverDriven has not experienced a significant driver or student safety incident. Additionally, it proactively reviews its proprietary routing system and addresses all findings with its drivers. Moving forward, EverDriven intends to integrate telematics systems into its vehicles, providing greater visibility into safety behavior and appropriate responses.



EverDriven understands that a prioritization of people is not just crucial to health and driver safety; it is vital to long-term success.

In Numbers

1.5M

trips

0.05%

incident rate in 2022

22k

students served

0

significant* driver safety incidents since investment

3.95

vehicle accidents per million miles

*A significant incident is defined as a driver and/or passenger fatality

Integrity and Accountability: *Health Connect Case Study*



Description: In-home, community and school-based mental and behavioral health services

Date of Investment: August 2021

Region: Southeast U.S.

Sector: Healthcare

Initiative: Governance Initiatives



As a healthcare provider, Health Connect America (“Health Connect”) maintains a strong governance program that promotes the integrity and security of its services. It is responsible for upholding a strong program to address risks including regulatory obligations to healthcare and data privacy laws and ensuring proper patient interactions. Risks are heightened due to its services to vulnerable populations within in-home and school settings. Incidents could be costly without appropriate governance; good data management and compliance practices protect insurance reimbursement and revenue streams, attract new customers, and prevent costly regulatory violations.

Health Connect provides quality, affordable mental and behavioral services to individuals and their families in the Southeast U.S. Many of its customers face heightened barriers to proper healthcare, particularly to behavioral and mental health services. Strong governance allows its vulnerable clients to feel secure and protected in their provider relationships and focus solely on successful healthcare outcomes.

After conducting its initial EcoVadis assessment, Health Connect established an Action Improvement Plan outlining initiatives to strengthen its governance program across labor and human rights, ethics, and environmental topics.



Health Connect provides quality, affordable mental and behavioral services to individuals and their families in the Southeast U.S.

In Numbers

21K+

children and families served

7

States served

~74%

closed action improvement plan items