

Palladium Equity Partners, LLC

2022 Stewardship Report

April 2023



Table of Contents

3	CEO Statement
4	2022 Review
7	Programs and Operations
13	Resource Efficiency
18	People and Community
24	Integrity and Accountability

CEO Statement

“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”



In 2022, Palladium’s 26th year in business, we achieved our objective to make value creation simple, repeatable and scalable. We are proud to deliver our annual stewardship report to investors documenting those results.

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.

And we have gotten the job done. That’s why our LPs and their 3 million beneficiaries invested with us.

Our LPs care how we generate returns, and this stewardship report measures the how.

We have developed proprietary internal metrics such as the Palladium X-Cellence Factor (Px_F) to drive improved operating margins while increasing worker productivity and satisfaction in a tight labor market.

We have also used third parties such as EcoVadis to benchmark our companies against their peers and to measure year-over-year improvement.

Palladium builds great, profitable, resilient businesses with transparent processes and secure systems. We have delivered consistent returns that are sustainable over the long run.

During 2022, our efforts were recognized when we became B-Corp certified in March. We have strengthened our relationships with leading industry groups such as UN PRI, GIIN and ILPA.

We are grateful for your partnership. Our partners invest on behalf of millions of hard-working folks – including teachers, firefighters, police officers, manufacturing and service employees – whose backgrounds are as diverse as ours, and who depend on us to help ensure they are able to enjoy a secure retirement.

In 2022, our objective was to make value creation and realization simple, scalable, and repeatable by documenting and streamlining processes and playbooks. In 2023, we are accelerating and stepping up the pace.

Marcos A. Rodriguez
Chairman and CEO
April 2023

2022 Review


2022 Review

In 2022, Palladium achieved its objective to make outstanding value creation simple, repeatable and scalable.

During 2022, we strengthened our relationships with industry groups such as the UNPRI, GIIN, and the ILPA Data Convergence Initiative (EDCI). We committed to share practices around being good stewards of our clients’ assets, embodied transparency and accountability, and prepared ourselves to execute these initiatives in a thoughtful manner.

“*The Palladium Operating System makes outstanding value creation simple, repeatable and scalable.*”

Our 2022 centered around value creation and decisive, forward-looking action. We became B-Corp certified in March, signaling that we attained the highest verified standards of transparency and responsible business practices. We also engaged Green Project Technologies and EcoVadis to gather information and recommend Key Performance Indicators at the portfolio level, demonstrating a commitment to accountability and peer benchmarking. These are invaluable in helping us assess risks and opportunities as well as drive performance, and we intend to develop action plans that generate operational and financial value.



- Palladium is one of a handful non-impact U.S. private equity firms to achieve B Corp certification⁽¹⁾
- B Corp certification signifies that we meet rigorous standards of transparency and responsible business practices
- This certification is awarded by B Labs, an independent organization with an objective review and certification process

Our efforts earned several awards, including recognition via Mergers & Acquisitions the Magazine⁽²⁾ and via Pensions & Investments as a “Best Place to Work in Money Management,”⁽³⁾ both for the second year in a row. We also earned a silver medal from EcoVadis⁽⁴⁾, which is awarded to businesses in the top 25% of performers, confirming our industry-leading stewardship practices and processes. Palladium appeared as a thought leader in the 2022 Davos Interview Series to speak on responsible investing.



(1) See endnote 1 on page 30. (2) See endnote 2 on page 30. (3) See Endnote 3 on page 30. (4) See Endnote 4 on page 30.

Signatory of:



PRI is the leading proponent of responsible investment; we commit to responsible investing practices for our firm and report transparently to promote accountability and improvement



Membership to GIIN provides education and collaboration with leading industry players and experts



As a founding member, we commit to track and disclose portfolio company metrics; membership strengthens data transparency in the industry and portfolio benchmarking

2022 Objectives and Key Results

We promoted best-in-class practices at both the firm and portfolio level in 2022, tracking and reporting on progress to promote accountability and transparency as stewards of our clients' assets.

We maintained strong internal processes for identifying and addressing risks and opportunities. The firm uses Objective and Key Results (OKRs), including a dedicated team managing stewardship matters and integrating them into the portfolio and investment process.

In 2022, we codified internal specific processes into Playbooks which contain objectives, a roadmap for integrating stewardship and accountability into deal lifecycles, and a listing of established frameworks and resources. To demonstrate commitment at the firm level, the firm approved a resolution adopting these playbooks as official workstreams in our investment process. We also provided firm-wide training to new personnel on the integration of stewardship across operations.

We continued to engage third-party experts in 2022 to review and provide objective advice on investment matters. We also utilized AI tools in our portfolio review processes to assess potential acquisitions. These engagements expand our knowledge base and ensure we remain current in this dynamic space.

“

Our 2022 Objective was to make outstanding value creation simple, repeatable, and scalable

”

In 2022, Palladium and 100% of its portfolio companies have...



Conducted assessments to establish a baseline and action improvement plan (AIP) for each company



Implemented a methodology (PxF) to drive improved operating margins while measuring worker productivity and satisfaction.



Established a carbon accounting protocol to proactively manage our carbon emissions



Programs and Operations

Measuring Stewardship

Palladium has integrated stewardship into our investment activities.

Since our founding in 1997, we have demonstrated a history of commitment to being good stewards of our clients' assets. Powered by our mission, vision, and culture, accountability is embedded in our operations and investment model. We established processes to ensure commitments are independently measurable to generate financial returns.

Palladium by the Numbers

3

Offices

38

platform investments

63

Employees

165

add-on acquisitions

\$3.2B

AUM

\$1.2B

invested in Hispanic market

28%

YOY revenue increase for Fund IV companies

22

companies serving the Hispanic market

Our investment thesis closely aligns to the following United Nations SDGs:



We are aligned with the United Nations SDGs, a standard of seventeen objectives for global prosperity. Alongside due diligence processes, we map acquisitions to applicable SDGs pre-signing to understand how investments impact our stakeholders and communities.



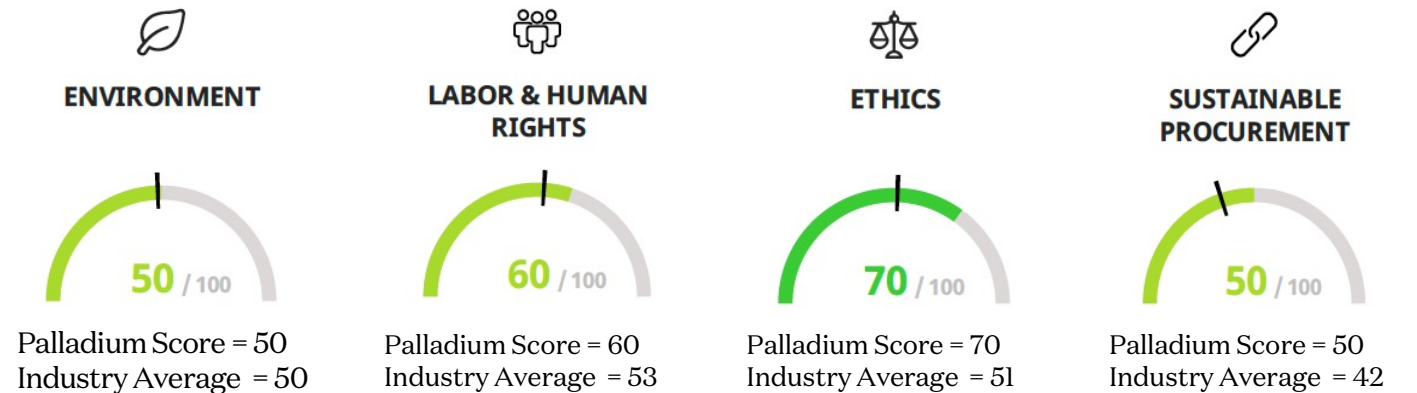
1997	2013	2020	2021	2022
<ul style="list-style-type: none"> • <i>Founded as one of the first minority-owned private equity buyout firm</i> 	<ul style="list-style-type: none"> • <i>Developed and shared the Firm's first sustainability policy</i> 	<ul style="list-style-type: none"> • <i>Signed ILPA Diversity in Action Statement</i> • <i>GIIN Membership</i> 	<ul style="list-style-type: none"> • <i>Signed UNPRI</i> • <i>Launched Palladium X-Cellence Factor</i> • <i>Established a working group to focus on stewardship</i> 	<ul style="list-style-type: none"> • <i>B-Corp Certification</i> • <i>EDCI Founding Membership</i>

Programs and Operations: *Firm Level*

We develop firm-wide objectives designed to deliver superior outcomes.

Palladium has a team, guided by Deborah Gallegos and Carlos Reyes, dedicated to measuring and improving stewardship across our firm. This group meets weekly to ensure continuous progress and pursuit of best practices. We engaged EcoVadis* to independently review Palladium along four dimensions: environment, labor and human rights, ethics, and sustainable procurement. EcoVadis conducts surveys, collects data, and reviews public information to measure and assess indicators along these dimensions. We received a silver medal in 2022 in connection with our first assessment. We are proud to highlight that our scores across material issues exceeded or were comparable to industry benchmarks.

Palladium's EcoVadis Scorecard



Best in Class Thought Leadership

In recognition of the firm's best in class thought leadership, EcoVadis invited Palladium to become part of the Client Council Board for Private Equity, the only US-based private equity firm that is a member of the current six-seat council. Carlos Reyes, Managing Director will represent Palladium in this forum.



Carlos Reyes,
Managing Director



EV Total Score - 60
Top 25% of performers

<p>We focus on measuring and reducing our GHG emissions and environmental impacts; we engage third parties to assess and advise on these impacts</p>	<p>We maintain strong employee benefits and listen to our employees to promote engagement and contribution; our B-Corp certification demonstrates strong human rights practices</p>	<p>We employ internal compliance team members and regularly conduct third-party compliance reviews</p>	<p>As a UNPRI signatory, we are committed to disclosing our procurement practices and integrating thoughtfulness into our purchasing processes</p>
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Data from 2022 EcoVadis assessment findings

*EcoVadis is a leading assessment platform that has conducted >100k assessments across 200 countries and 190 industries

Programs and Operations: *Portfolio Management*

We leverage industry frameworks to identify risks and opportunities.

We incorporate responsible investing into all aspects of the deal lifecycle from origination to exit. We consider these factors a competitive advantage in originating new deals and our investment teams are trained to recognize opportunities that may present unique and differentiated value. Our review encompasses an array of issue areas, including data privacy and security, safety, and ethics, among others. These issues ground our analysis and provide clear and comprehensive context for investment decisions and value creation opportunities during the hold period. Our playbooks are aligned to best-in-class industry standards, including the UNSDGs, SASB, and others. We believe these practices can be a strong source of alpha generation and can deliver greater returns for our investors.

IMPACT MANAGEMENT PROJECT

Impact Management Project (IMP) framework is used to assess the impact of an investment. The IMP is governed by 10 leading, independent partners and helps establish the to review before impact is classified.



Principal Adverse Impacts (PAIs) are negative effects, material or likely to be material that are caused, aggravated by or directly linked to investment decisions and advice performed by a legal entity.

Approach to Responsible Investing

Our approach aligns with the SASB framework. SASB guides the disclosure of financially material information by companies to their investors; the Standards identify the subset of issues most relevant to financial performance across 77 industries using five dimensions of focus.



SASB Dimensions of Focus

Environment

Social Capital

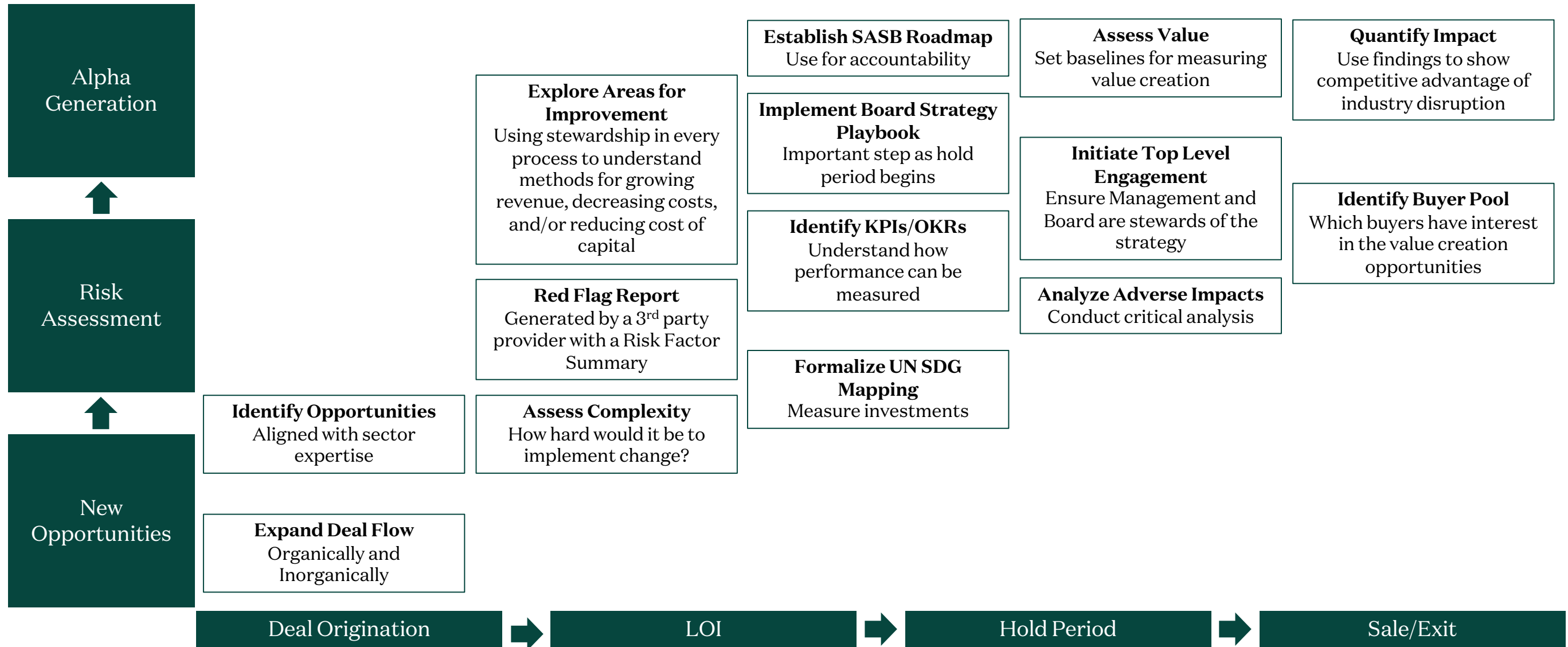
Human Capital

Leadership and Governance

Business Model and Innovation

Programs and Operations: *Integrating Stewardship in Every Deal*

We mitigate risks and create long-term value by being trusted stewards of our clients' capital.















Programs and Operations: *Set Baselines*

Palladium uses EcoVadis to establish a baseline for stewardship performance

EcoVadis Scores Set Baseline to Measure Improvement

We engage EcoVadis to review portfolio companies’ practices and have completed baseline assessments for 100% of our portfolio. Progress is made through analytics-based enhancements – our working group and leadership meet with EcoVadis to review results and improvement areas. Improvement plans are created, and each company has an updated EcoVadis assessment annually to track progress against their plan. This ensures accountability, drives financial gains, and mitigates incident risk.



Portfolio Company	Medal	Percentile Ranking
	 2022	80 th Percentile
	 2022	69 th Percentile
	 2022	63 rd Percentile
	 2022	55 th Percentile
	 2022	53 rd Percentile
	 2022	49 th Percentile



Programs and Operations: *Focus on Hispanic Market*

Palladium has a distinct competitive advantage in the U.S. Hispanic Market

We have prioritized investing in companies that serve the U.S. Hispanic market since 2000. We have invested \$1.2 billion in 20 platform companies in Hispanic markets. Our brand, reputation, and experience with minority-owned businesses – many of them founder owned – give us a competitive advantage in large sectors of the economy.

Palladium invests in the fast-growing \$2.8 trillion U.S. Hispanic market.

Hispanic Market

	Business Model	Growth
	<p>Quirch is a Hispanic-founded and managed distributor and exporter of proteins and Hispanic foods optimized for network efficiency</p>	<p>Quirch has expanded from supporting mainly local businesses to serving national retailers</p>
	<p>Hispanic-focused jewellery retailer offering in-house credit and targeting a customer base underserved by traditional retailers and financing institutions</p>	<p>Daniels has scaled its in-house credit program to create opportunities for more lower-credit customers</p>



Resource Efficiency

Resource Efficiency: *Firm Level*

We focus on analysis of an evolving regulatory landscape regarding the climate and implement best practices to deliver superior returns for our investors.

We prioritize efficiency and progress in our operations, which we believe positions us as a thought leader in our industry. As a firm, our focus remains on analysis of relevant changes to drive operational improvements. To this end, we engaged Green Project Technologies to conduct a baseline assessment of our firm level GHG emissions.

We engage EcoVadis to assess firm-level risks and opportunities, and we leverage this assessment to drive continuous improvement. As a UNPRI signatory, we report on initiatives to monitor and reduce our contributions emissions.



Software platform enabling climate reporting with data capture and aggregating tools

Highlights from our Assessment

- ✔ Partnered with Green Project Technologies to calculate Scope 1 emissions, Scope 2 emissions, and non-portfolio Scope 3 emissions.
- ✔ Leading sources of emissions were purchased goods and services, travel, and upstream leased assets.
- ✔ Potential emissions reduction actions may include building efficiency audits, incorporating travel offset costs into client billing or reducing employee travel.

Palladium's GHG Emissions

Scope 1:
14.5 Mtons

Scope 2:
39 Mtons

Scope 3:
1,210.5 Mtons



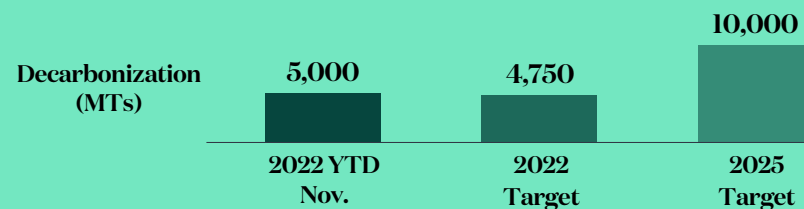
Resource Efficiency: *Portfolio Level*




We measure and improve resource efficiency, leveraging best-in-class third-party partners.

The efficient use of resources helps mitigate risks, create value, comply with regulations and align our portfolio companies’ offerings with customer preferences. During initial diligence, we assess hazardous waste management, climate stewardship, and biodiversity, as applicable. Moreover, we monitor the SASB 5 dimensions during diligence, including GHG emissions, air quality, energy management, water and wastewater management, and ecological impacts. In 2022, we engaged Green Project Technologies to track emissions across our portfolio.

Kymera Leads in Resource Efficiency

Kymera has implemented a decarbonization plan to reduce operating emissions by one-third by 2025. By the end of 2022, it achieved 50% of its 2025 target. Its recent EcoVadis assessment highlighted elements of a strong environmental program, including robust policies on air pollution, sorting and disposal of waste, wastewater assessments, and renewable energy. Kymera is ISO 50001 certified, signalling alignment with best practices in energy management, and positioning Kymera to meet customer demand.



Portfolio Company	Initiatives
	Integrated responsibility for protecting the efficient use of resources and labor rights with key upstream suppliers. This helps reduce risk of negative public scrutiny and regulatory fines for supply chain issues.
	Completed various initiatives including: a wastewater quality assessment, a process for internal waste sorting to track and reduce waste production, increasing resource efficiency, and a new procedure to control pesticide residue, resulting in cost reductions.
	Collaborated with third-party partners on incorporating hybrid and electric vehicles into the fleet to align with customer preferences. Influenced by these discussions, the percent of hybrid or electric vehicles in EverDriven’s fleet increased from 9% to 16% in 2022.
	Cleaned water through non-chemical mechanical methods, while utilizing new equipment and technologies to reduce internal water consumption in 2022. Reducing water consumption created cost savings.
	Established a procedure for treatment and safe disposal of hazardous substances, as well as hazardous substance training for employees to help reduce costs and mitigate related risks. Trachte also reported on recovered waste quantities and waste reduction.

Data from 2022 EcoVadis scores and findings

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

Resource Efficiency: *Spice World Case Study*



Description: Producer and supplier of garlic products and related spices

Date of Investment: July 2018

Region: U.S.

Sector: Food Manufacturing

Initiative: Sustainable Packaging



Spice World recognizes that consumer preferences are shifting toward more efficient products and is altering its product lines to capture increased revenue from those preferences. To that end, about 94% of Spice World’s products are packaged using recyclable materials. Most recently, Spice World took a significant step forward, integrating efficiency and progress into its research and development process, starting with its new Founder’s Garlic product.

Founder’s Garlic, which now comprises 16% of Spice World’s fresh product volume, is its solution to longstanding customer pain points regarding supermarket shrinkage, food safety, and checkout times. While plastic wrap may have presented the easiest solution, Spice World was determined to identify a better alternative for customers. Thirty months later, Spice World not only identified a plant-based, USDA-approved plastic alternative, but it also developed three patent-pending, proprietary wrapping methods. Initial feedback from customers has been positive, highlighting Spice World’s value creative resource efficient R&D process.

Spice World has challenged itself to innovate and improve the performance of other existing and new products. In doing so, it can capitalize on product premiums and improve its resilience to regulated environmental shifts.



Spice World was determined to identify a more innovative alternative that would address customer preferences at the same time as improving its resilience to regulated environmental shifts.



In Numbers

94%

products packaged using recyclable materials

3

patents pending

100%

compostable packaging for Founder’s Garlic products

July 2022

Product launch

People and Community

People and Community: *Firm Level*

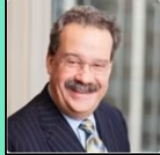

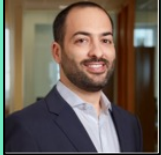


Talent acquisition and management is crucial for operational excellence, innovation and retention.

We know that human talent drives operational excellence and better decisions. To generate operational and financial benefits, we strive to capture each individual contribution. We have created a culture which promotes ingenuity, is dynamic and is representative of our constituents.

“Over the past 26 years, the partners have contributed over \$4M to causes supporting diverse representation in the financial services industry”

Management recruits a wide swath of applicants from across the country through partnerships. Our Firm’s leaders also sit on various prominent boards, embodying our commitment to seeking talent in our communities. Over the past 26 years, we have given back to the community by contributing >\$4M to industry organizations.

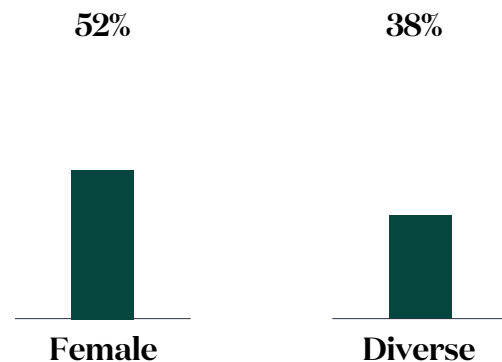
Commitment to Board Service

				
Marcos Rodriguez, Partner & CEO	Chris Allen, Partner	Leon Brujris, Partner	Suzanne Wong, Partner & CFO	Deborah Gallegos, Managing Director



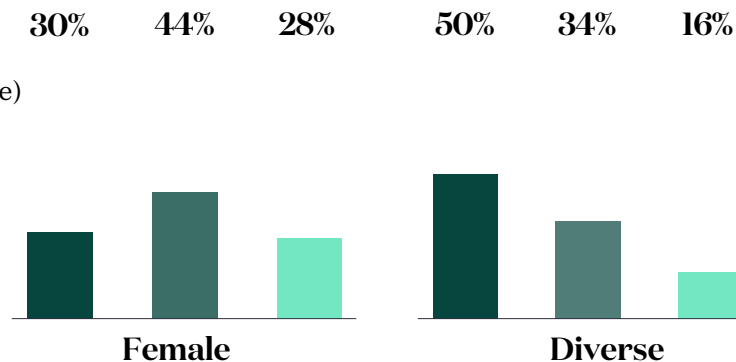
Firm-Wide Culture

74%
of employees are Female or Diverse



Management and Board Culture

- Palladium (Management Committee)
- Palladium (Senior Team)
- Russell 3000 (Directors)



As of April 30, 2023

Board Memberships and Affiliations

Our leaders are devoted to promoting diversity through a variety of industry group engagements and board memberships that allow us to stay abreast of relevant industry trends and embody a sense of citizenship that defines our approach to people and community.

People and Community: *Portfolio Level*

We actively engage our portfolio companies to develop more comprehensive and stronger business practices.

We are committed to working with our companies to enhance both internal human capital management practices and their value to their communities. Our initial diligence includes human capital topics, such as labor management, employee engagement, and worker health and safety. We leverage EcoVadis findings to identify and address human capital risk and capitalize on opportunities to pursue improvement.

EverDriven Promotes Quality Education for Underserved Youth

EverDriven is a provider of alternative transportation solutions for underserved students; 50% of the 22K+ students it serves have special medical needs and 50% are low socioeconomic status. EverDriven works with 500+ school districts and communities to deliver underserved populations quality education, and leverages technology and P2P relationships to ensure students, parents, and schools receive high quality and safe services. Palladium engaged a third-party, Bridgespan, to assess EverDriven’s positive impacts using a proprietary formula, which found that for every \$1 Palladium invested in EverDriven, society experiences a benefit of \$2.70.

“For every \$1 invested in EverDriven, society experiences a benefit of \$2.70”

Portfolio Company	Initiatives
	<p>Developed employee groups relevant to human capital management to review best practices and align Accupac’s processes. Committees include health and safety and labor management, both of which help to reduce turnover costs and increase worker productivity.</p>
	<p>Implemented the EverDriven family friendly program (FFP), the company’s employee engagement suite including parental leave and other employee-first policies. Its strong FFP helped drive increased worker productivity and create value for internal stakeholders.</p>
	<p>Established a strong human capital KPI tracking and improvement program, focusing on percent racial and ethnic minorities and percent women employed, accident frequency rates, and employee training hours. KPI tracking helps improve employee satisfaction and promote safety, resulting in increased productivity.</p>
	<p>Instituted a firm-wide “to the shop floor” long-term equity incentive program (LTIP) for employees for recruitment. The LTIP helps drive increased employee satisfaction, reducing turnover costs and increasing productivity to better meet customer demands.</p>
	<p>Developed official career mobility measures and career progression planning for employees, which benefits employee satisfaction. TransForce also increased its recruitment of US military veterans, creating economic opportunities for its communities and capturing talent from a new market.</p>

People and Community: *Innovation & Initiatives*

At the firm and portfolio levels, we innovate to drive improved financial performance while increasing productivity and satisfaction.

Our proprietary internal calculation, the Palladium X-Cellence Factor (PxF), helps measure worker satisfaction and retention. PxF is based on the Gini Coefficient. The measurement accounts for differences in function, industry, and number of employees to ensure comparability over time. Our companies calculate PxF scores semi-annually to measure progress. Improving PxF translates to higher productivity, margins and ultimately value for investors while improving employee satisfaction.



TransForce is a workforce solutions firm that serves the transportation industry. In 2018, it began to recruit and train Military Veterans through the “Troops into Transportation” program, helping veterans and service members secure commercial driver’s licenses (CDLs) and begin careers in trucking. TransForce engaged a veteran focused global recruiting firm and became a U.S. DOL Approved Apprenticeship Program Partner. Recruiting from a new talent market has helped maintain operations despite an industrywide driver shortage.

2,500 Veteran graduates annually



Kymera is a manufacturer of specialty materials for industrials. Prior to investment, Kymera’s ENPS score, measuring employee satisfaction, had been negative 6. Post investment, Palladium implemented a long term equity incentive program to enhance engagement, which contributed to an increase in ENPS to 26, demonstrating enhancement of the employee experience. Increased ENPS contributes to better worker productivity and lower turnover.

ENPS rose 32 points following LTIP implementation



Trachte is a provider of engineered solutions. In partnership with the Wisconsin Department of Corrections, Trachte started a work release program, offering jobs for prisoners, post-incarceration. According to the Bureau of Justice, almost 60% of formerly incarcerated people remain jobless. Its program employs workers as part of a pre-release program that provides work skills, helping to prepare them for jobs. This new talent market has helped Trachte combat a shortage of skilled workers in Wisconsin and increase resiliency.

In 2022, hired 22 formerly incarcerated individuals (~10% of workforce)

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

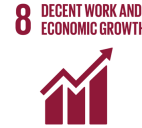
22k
students served

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*

People and Community: *Del Real Foods Case Study*



Description: Manufacturer of heat-and-serve Hispanic cuisine products

Date of Investment: October 2016

Region: U.S.

Sector: Food Manufacturing

Initiative: Employee Safety



Del Real Foods (“Del Real”) manufactures heat-and-serve meals in a fast-paced work environment. Safety in the workplace is integral to prevent disruptions and protect workers. Strong safety programs prevent costly worker safety incidents, OSHA fines and increase business productivity affected by lost-time injuries. Del Real created a health and safety culture that champions accountability and safety for all personnel.

Del Real appoints safety leads at each facility, and senior personnel conduct weekly knowledge-sharing sessions to target weaknesses and trends. Its safety policies cover manufacturing operations from all angles and its employee training reinforces this guidance. Onboarding trainings are supplemented by monthly modules tailored by department which extends to temporary employees and contractors. Training completion rates are tracked by facility, and Del Real boasts high marks at 85% completion.

Del Real uses incident tracking information to improve safety performance over time; from 2021 to 2022, its total recordable incident rate (TRIR) and days away from work, on job restriction, or transferred (DART) rates fell by 35% and 31%, respectively, and are now below industry average. Through low incident rates, it can create value with through cost savings associated with turnover.



Del Real has created a culture that champions accountability, safety, and the well-being of all personnel.

In Numbers

0
significant workplace injuries in 2022

20+
EHS policies and procedures

4.04
TRIR compared to 7.2 industry average*

3.56
DART compared to 4.8 industry average*

*Industry average for NAICS: 311991: Perishable prepared food manufacturing

Integrity and Accountability

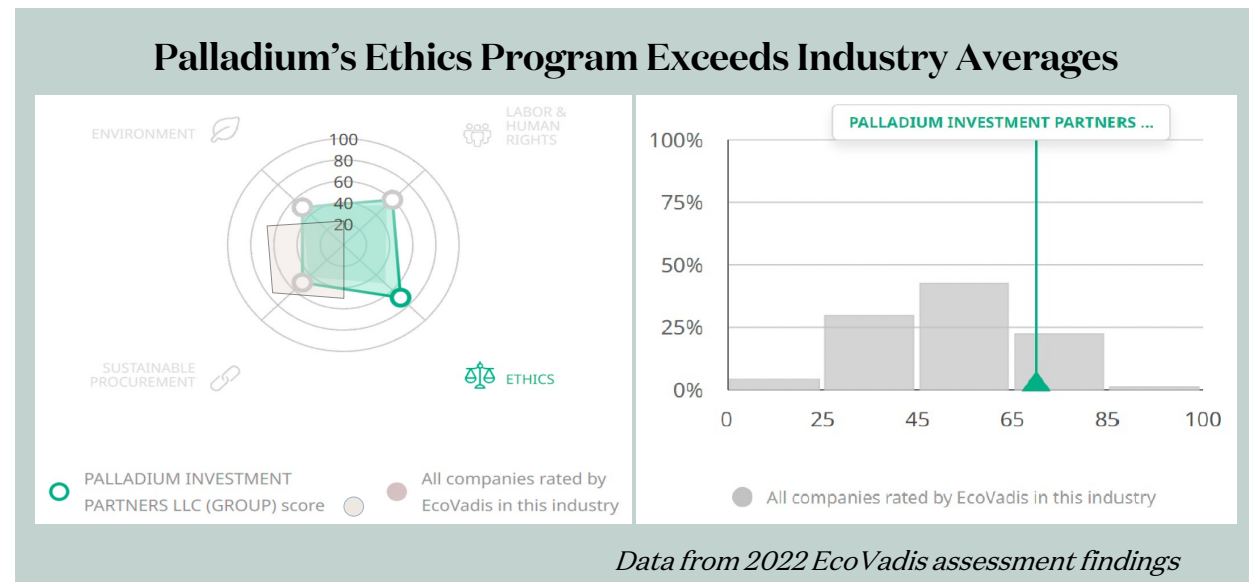
Integrity and Accountability: *Firm Level*

Our commitment is reflected in our strong data privacy and security, ethics and compliance programs.

Ethics and Compliance

We understand that ethical and compliant business practices are critical to operational excellence. In 2022, we bolstered our legal and compliance team by hiring two Assistant General Counsel and Compliance Officers. We maintain a robust Compliance Manual and Code of Ethics and regularly provide compliance training to employees on a variety of topics, including Outside Business Activities, Conflicts of Interest, Code of Ethics/Personal Trading, and Political Contributions, among others. We engage ACA Aponix to review our compliance program; while we have not yet received a draft report, ACA has suggested it has not identified red flags associated with our compliance program.

In 2022, EcoVadis scored our Ethics program an “Outstanding” 70/100, which far exceeds the industry average of 51 and was our assessment’s highest mark



“*During our 2022 cyber assessment, ACA Aponix was not able to gain access to Palladium's systems.*”

Data Privacy and Security

We maintain the highest data privacy and security standards to secure valuable data, ensure business continuity, and build trust across our stakeholders. New employees complete mandatory cyber training upon onboarding and in 2022, all employees underwent security refresher trainings. On an annual basis, we work with ACA Aponix, a third-party regulatory compliance consultant, to perform an independent cybersecurity assessment, including penetration testing and phishing campaigns. During our 2022 cyber assessment, ACA Aponix was not able to gain access to Palladium's systems. Notably, we did not experience a material security incident in 2022.

Integrity and Accountability: *Portfolio Level*

We support our portfolio companies in recruiting, training and retaining strong management teams and boards of directors.

Across our portfolio, our boards are 30% female and 30% diverse. We also play an active role in developing best in class practices within our portfolio companies. To establish best practices, we maintain an onboarding guide that helps portfolio companies create a suite of guidance that covers bribery, corruption, ethics and environmental topics.

Portfolio Ethics KPIs

	% of Portfolio Companies
Actions on Information Security	85%
Active Whistleblowing Procedure in Place	69%
Policy on Corruption	69%
Avg. Overall Ethics Score	50*

*Data from 2022 and 2023 EcoVadis assessment findings- note that Ethics score is above the EcoVadis average of 47.3

Portfolio Company	Initiatives
	Established formal measures to gain consent for the processing of data. Envoy performed regular information security assessments and audited its data controls. Strong data protections helps attract new customers in a market with heightened sensitivity.
	Created an information security due diligence program for third parties, as well as regular data awareness training. EverDriven also delineated an approval process for all sensitive financial transactions, helping prevent costly breaches and fraud attempts.
	Established whistleblower procedures to report security, corruption, and/or bribery concerns. Also maintains a fraud policy to inform stakeholders and employees of their responsibilities for fraud prevention. Given its handling of sensitive information, these governance measures mitigate costly incidents and public scrutiny
	Formalized policy guidance regarding anti-money laundering and conflicts of interest. Uses regular information security awareness training and risk assessments to ensure strong data posture. In enhancing practices, Kymera mitigates risks for all stakeholders.
	Conducted regular, internal audits of data control procedures to protect all sensitive data contained in its systems. Trachte is revamping its ethics and compliance policies to align with industry best practices in 2023, which it will highlight to potential customers.

Integrity and Accountability: *Trachte Case Study*



Description: Leading provider of engineered buildings, hardware, and related solutions.

Date of Investment: September 2020

Region: U.S.

Sector: Construction

Initiative: Policies, Procedures, and Processes



Trachte has been a leader in steel building construction since 1919. Thorough tracking of internal metrics helps to ensure continuity in business operations and manufacturing processes, resulting in standards of quality that help retain existing customers and attract new ones.

Trachte communicates clear operational guidance to employees across departments through policies, trainings and audits. It understands that tracking the success of its processes is crucial and has implemented mechanisms to measure and monitor KPIs that indicate organizational well-being, including TRIR, DART, and employee turnover. Metrics are tracked by facility, role, and across variable timelines, as relevant, which enables Trachte to solve organizational problems with efficiency and attentiveness.

To promote accountability in decision-making, Management conducts quarterly town halls to review current events and holds department meetings regularly. Having established strong practices, enhancements will be made by leveraging insights from EcoVadis to improve ethics and governance performance. Trachte has already made progress; it is currently codifying ethics and compliance guidance in a Code of Conduct and plans to roll out a revamped employee handbook.

“To promote accountability in decision-making, Management conducts quarterly town halls to review current events and holds department meetings regularly”

In Numbers

16+
labor-related metrics tracked

4
quarterly town halls on current events

2
cybersecurity trainings on phishing threats

55th
Percentile for overall Ecovadis assessment

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

Important Information

This Stewardship Report (the “Report”) is provided by Palladium Equity Partners, LLC (together with its affiliates, “Palladium”) for informational purposes only and is solely intended to provide an overview of the sustainability processes and initiatives of Palladium and certain of its portfolio companies; it is not intended to describe the performance of any investment or company. This Report should not be relied upon for any other purpose.

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Endnotes

Endnote 1, page 5 - B Lab is a third party that certified Palladium as a B Corp on March 8, 2022 based on an assessment of Palladium that evaluated both the investment adviser and its portfolio companies. There was no set time period for which this evaluation covered. Palladium pays B Lab an annual fee to maintain its B Corp certification.

Endnote 2, page 5 - Mergers & Acquisitions recognized Palladium as an M&A Leader in DEI in September 2022. The award was based on their assessment of reviewing a nomination form that asks about the Firm’s approach to DEI at the firm level and portfolio company level. There was no set time period for which this evaluation covered. Palladium did not pay Mergers & Acquisitions a fee to receive the award. More information regarding how the review process was conducted can be found here: <https://www.themiddlemarket.com/news-analysis/call-for-nominations-ma-leaders-in-diversity-equity-and-inclusion>

Endnote 3, page 5 - Pensions & Investments is a third party that worked with Best Companies Group to certify Palladium as a Best Place to Work in Money Management in September 2022 based on an assessment by Best Companies Group that evaluated a questionnaire completed by the employer regarding its policies, practices, benefits and demographics and a survey completed by employees regarding engagement and satisfaction. There was no set time period for which this evaluation covered. Palladium paid Pensions & Investment a fee to receive the award. More information regarding how the survey was conducted can be found here: <https://www.pionline.com/best-places-work/how-2022-survey-was-conducted>

Endnote 4, page 5 - EcoVadis is a third party assessment platform that focused on 21 sustainability criteria measuring the quality of Palladium’s sustainability management system through its policies, actions and results. Their assessment occurred in the 2022 calendar year and Palladium received a silver medal for scoring a 60 (silver was for scores between 56 and 66 in 2022). Percentile rank is calculated across all companies in all industries. Palladium paid Ecovadis a fee to do the assessment and pays an annual fee for usage of the Ecovadis platform. Please visit this link to find out more about EcoVadis’ methodology: <https://resources.ecovadis.com/ecovadis-solution-materials/ecovadis-ratings-methodology-overview-and-principles-2022-neutral>

