



Palladium Equity Partners, LLC 2023 Annual Stewardship Report

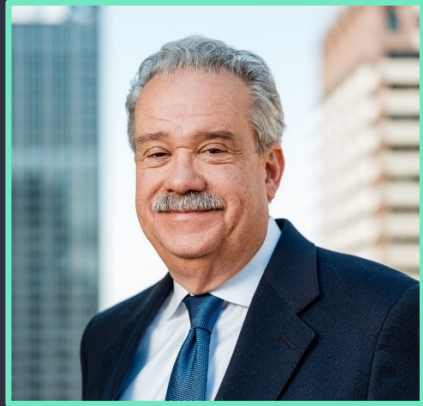
APRIL 2024



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CEO Statement



“
We have a passion for building great businesses and delivering superior, sustainable returns by investing in the continued long-term growth of the U.S. Hispanic market.
”

In 2023, Palladium accelerated value creation building founder and family-owned businesses while continuing our historic focus on delivering superior returns in the U.S. Hispanic market. Since the firm’s founding in 1997, we have invested in over 210 businesses rolled up into 40 platforms. Most of our investments are founder/family-backed, consolidation opportunities or focused on the U.S. Hispanic market.

Last year, the population of U.S Hispanics exceeded 63 million Americans and have accounted for a third of the growth in the U.S. over the last 20 years. U.S. Latinos would represent the 5th largest economy in the world and be among the fastest growing, in large part, due to its youth and vibrance.



We take pride in presenting our Annual Stewardship Report, a testament to the tangible outcomes of our investment approach. This report showcases our achievements and underscores the competitive edge resulting from our long-term commitment.

Stewardship is hardwired into our DNA, our name and vision. Everything we do is focused on delivering long-term returns for our investors, consistent with your and our high standards and values.

Looking ahead to 2024, we plan to continue working to accelerate value for our investors and forging new partnerships with family and founder-owned businesses, delivering sustainable long-term returns investing in the growing U.S. Hispanic market.

Marcos A. Rodriguez
Chairman and CEO
April 2024

Note: Palladium engaged EcoVadis, a leading assessment platform that has screened greater than 1.6M companies across 175 countries and over 200 industries, to conduct an assessment based on EcoVadis’ objective criteria.

2023 Review



2023 Review

In 2023, Palladium accelerated Firm and portfolio-wide stewardship programs to drive investor value.

Palladium focused its stewardship efforts in 2023 on accelerating the analysis of data from our portfolio companies and improving the outcomes at the Firm and in the portfolio through targeted actions, building off the strong foundation laid in 2022. Palladium continues to work to drive year-over-year improvements across key stewardship pillars to deliver value. Our efforts this year included gathering baseline information regarding greenhouse gas emissions tracking, conducting due diligence assessments, and performing independent sustainability assessments across our portfolio.

A core part of our stewardship program remains our partnerships. In 2023, we participated in key industry-wide initiatives to foster standardization of sustainability metrics, including the ESG Data Convergence Initiative (EDCI), the ILPA Diversity in Action Initiative (DIA), the Global Impact Investing Network (GIIN), and the UN Principles for Responsible Investment (PRI). Palladium also sits on the EcoVadis PE Client Advisory Council and the Milken Institute Diversity Council.

As a certified B Corp*, our business meets the highest standards of verified performance and transparency through social and environmental programs, as well as accountability within internal corporate governance structures.

**B Lab is a third-party that was retained by Palladium to provide an assessment of Palladium based on B Lab's independent criteria and information provided by Palladium.*



Carlos Reyes
*Managing Director &
Head of Sustainability*

“ Given our emphasis on transparency and stewardship, in 2023, Palladium is aligned with the Article 8 Sustainable Finance Disclosure Regulation (SFDR) designation for its upcoming Fund VI European-Lux Vehicle. This designation was an obvious fit for Palladium as the promotion of social and financial well-being are part of our core investment thesis. ”



2023 Objectives & Key Results

Palladium’s determination to ensure strong stewardship programming across its portfolio is rooted in data-driven insights.

Palladium’s methodology to achieve progress across the Firm is Objectives and Key Results (“OKRs”)*. OKRs provide a goal-setting framework aimed at driving focus, alignment, and measurable outcomes within organizations. Objectives are clear, ambitious goals that define what needs to be achieved, while Key Results are specific, measurable milestones that indicate progress toward those objectives. This methodology encourages transparency, accountability, and regular check-ins to ensure teams across the entire Palladium organization are aligned and working towards common goals.

During 2023, Palladium prioritized improving qualitative and quantitative data tracking capabilities for the purpose of identifying key insights and executing on areas for improvement. In response to data insights from Green Project Technologies, EcoVadis, Malk Partners, and EDCI, Palladium has developed targeted plans meant to support each of our portfolio companies in achieving their stewardship objectives and creating measurable value for our LPs.

Measurement Framework

Resource Efficiency

- **Green House Gas (“GHG”) Emissions:** Each portfolio company partners with Green Project Technologies to calculate GHG emissions and identify potential reduction opportunities

People & Community

- **PXF:** On a bi-annual basis, a Palladium X-Cellence Factor (“PxP”) score is calculated to evaluate reductions in income and benefits gaps
- **Employee Satisfaction:** When relevant, portfolio companies measure worker satisfaction through an Employee Net Promoter Score (ENPS)

Integrity & Accountability

- **Board Composition:** Palladium reviews portfolio companies’ board composition against its DEI goals
- **Ethics:** Portfolio companies each receive a EcoVadis ‘Ethics’ score (0-100) on topics such as business ethics policies and procedures, as well as data privacy and security

Acceleration: By The Numbers



64%

Portfolio company EcoVadis score percentiles at/above 50th



100%

of Palladium’s portfolio companies achieved stewardship improvements year-on-year



+18%

Portfolio companies’ average year-over-year improvement in overall EcoVadis scores**



4%

PxP*** Improvement YoY

*<https://www.whatmatters.com/articles/the-origin-story>

** Palladium retained EcoVadis, which conducted assessments of 14 of Palladium’s portfolio companies based on EcoVadis’ objective criteria.

***Palladium Excellence Factor (PxP) is our proprietary internal calculation to help measure income equality; PxP is based on the Gini Coefficient (see Page 23 for detail)

Program & Operations



Program & Operations: *Stewardship is a part of the firm DNA*

Integrating Stewardship across our investment process is a core element of our thesis.

At Palladium, we pride ourselves on our track record of achieving stewardship and asset growth. We have prioritized accountability, transparency, and deep sector-specific expertise, while continuing to integrate responsible investment practices across our investment processes.

Palladium by the Numbers

3

Offices

40

platform investments

50

Employees

170+

add-on acquisitions

\$3.5B

AUM

\$1.5B

invested in Hispanic market

18 years

average tenure of senior team partners

21

Investments out of 40 in our portfolio are companies serving the U.S. Hispanic market

Key Milestones

2013

- First sustainability policy developed

2020

- Signed ILPA DIA Statement
- GIIN Membership

2021

- Signed onto UNPRI
- Launched PxP
- Established stewardship working group

2022

- B-Corp Certification
- EDCI Founding Membership

2023

- SFDR Article 8 for Fund VI Lux Vehicle

Our investment thesis closely aligns to the following UN SDGs:

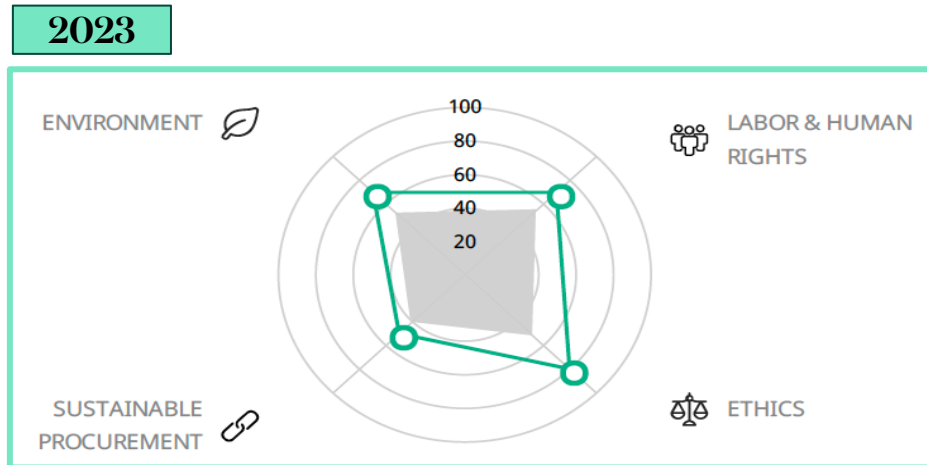


Program & Operations: *Firm Level*

Our internal focus on stewardship initiatives continues to differentiate us from peers.

Our Sustainability Squad continues to raise the bar by implementing internal processes, trainings, and playbooks (e.g., corporate governance, cybersecurity) to help the Firm continue as a thought leader in the US middle market Buyout space on sustainability.

Our stewardship score results show the acceleration of our progress. After engaging EcoVadis in 2022 to conduct an initial review of Palladium across four dimensions of stewardship (see table on the right), we took a number of steps toward improving those dimensions in 2023. Our total score improved by over 18% year-over-year; we are proud to share that our overall 2023 score (71/100) ranked in the 94th percentile which qualified the Firm to receive an EcoVadis Gold Medal.*



Key

○ PALLADIUM INVESTMENT PARTNERS LLC (GROUP) score

● All companies rated by EcoVadis in this industry

YoY Stewardship* Score Improvements



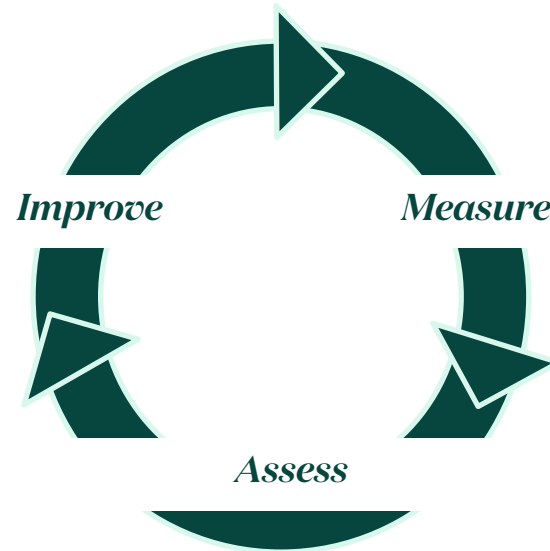
	Environment	Labor & Human Rights	Ethics	Sustainable Procurement
2023 Score	70	70	80	50
YoY Increase	40%	17%	14%	0%

*Palladium engaged EcoVadis, a leading assessment platform that has screened greater than 1.6M companies across 175 countries and over 200 industries, to conduct an assessment based on EcoVadis' objective criteria.

Program & Operations: *Portfolio Management*

We leverage proprietary practices with best-in-class frameworks to evaluate and manage our investments.

At the core of our stewardship vision lies a straightforward yet powerful three-step process: measure, assess, and improve. This approach forms a virtuous circle, guiding our actions year over year. We diligently measure our impact, assess the outcomes, and then embark on a journey of continuous improvement. Through this cyclical process, we ensure that our stewardship efforts evolve, adapt, and consistently deliver positive results, embodying our stewardship commitment.



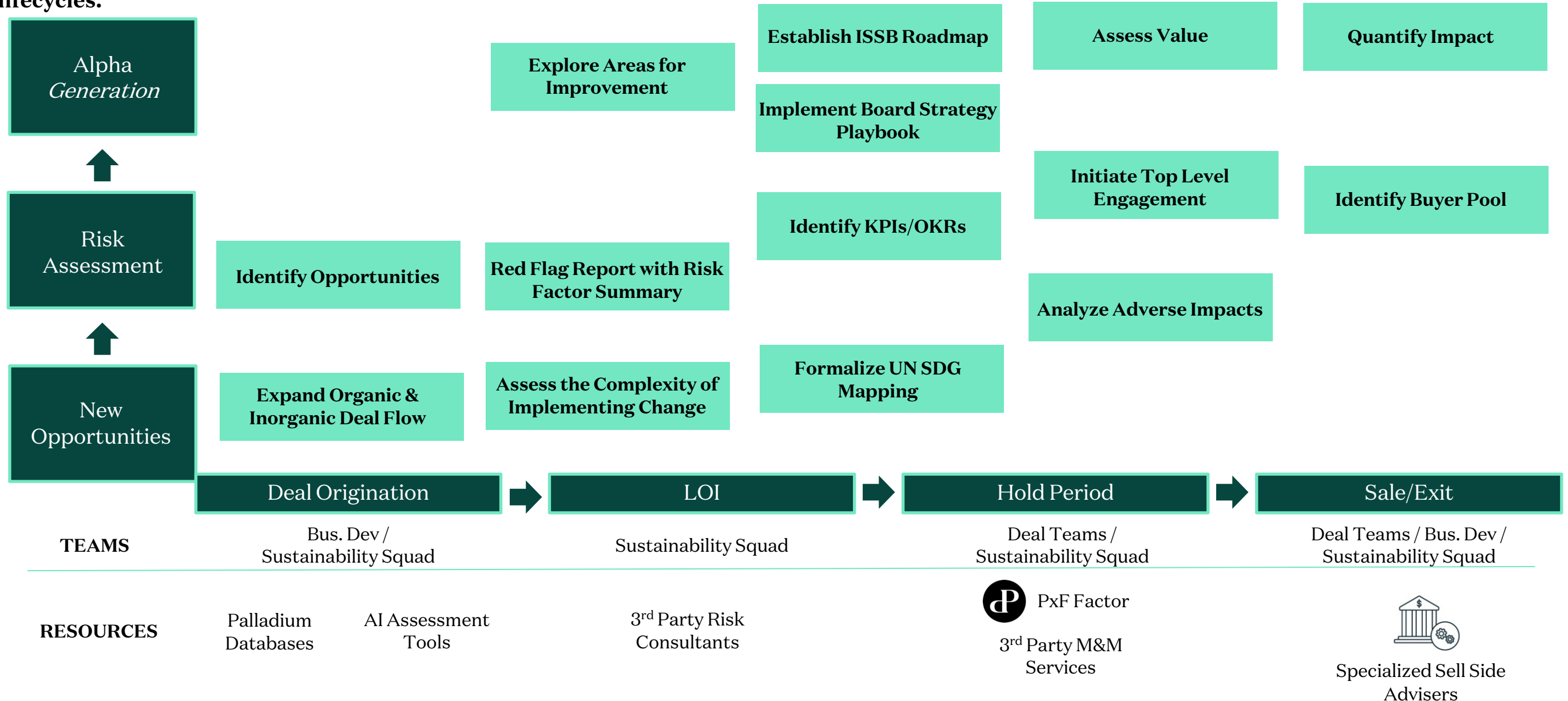
Our approach from origination to exit continues to represent a competitive advantage. With communication channels codified by our 100-day sustainability plans and our engagement with relevant third-parties, Palladium is able to propel forward our related initiatives at the portfolio level in a timely manner.

Spotlight: Palladium's 100-Day Sustainability Plans

- 1 Palladium onboards new investments **using its bespoke 100-day framework** to support alignment across its portfolio's stewardship programs.
- 2 Palladium and management teams identify a **representative** within each company and agree on a protocol to establish internal processes, such as a dedicated Committee of the Board that advances stewardship initiatives.
- 3 Palladium initiates the ESG reporting **onboarding process**, inclusive of carbon accounting, PxF score calculations, EDCI-aligned data collection, and preparing for the yearly EcoVadis assessment.
- 4 Palladium supports ongoing stewardship improvement through bespoke plans, which help **align any new investments with the firms' OKRs** and **drive accountability for YoY growth**.

Program & Operations: *Stewardship Integration*

Our investment teams continue work to to build and maintain meaningful value through the integration of stewardship across our investments' lifecycles.



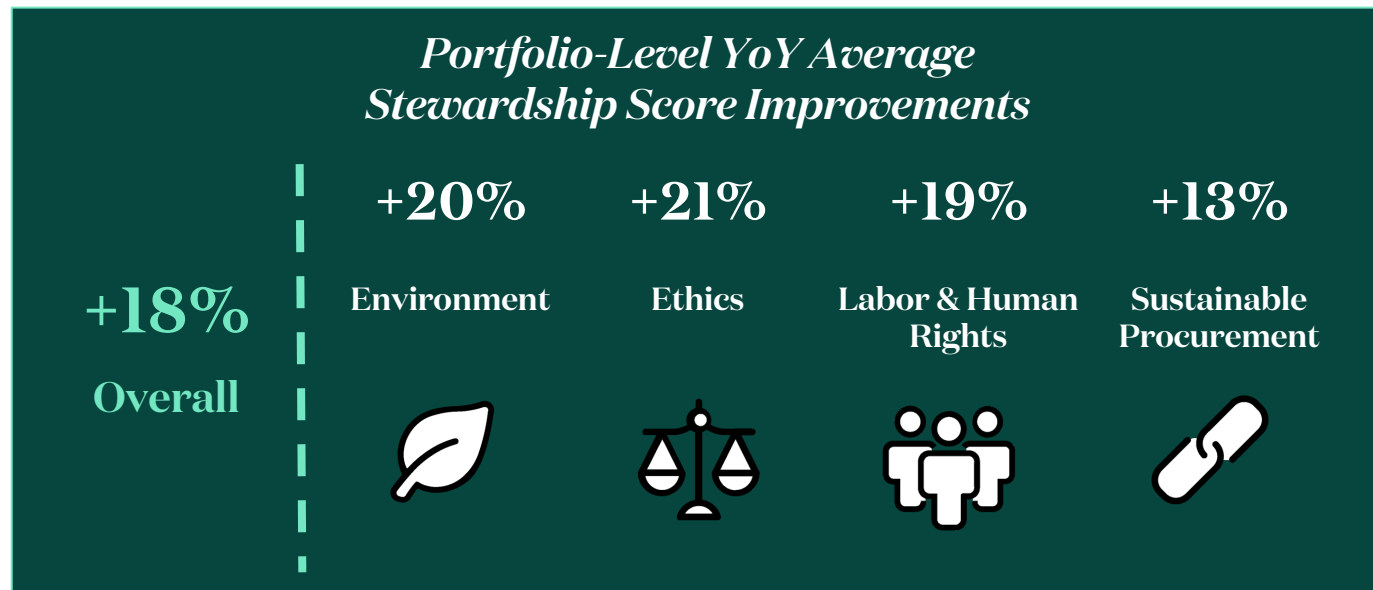
Program & Operations: *Quantifiable Progress*

In 2023, Palladium’s portfolio-wide EcoVadis scores improved across the board, demonstrating our prioritization of stewardship.








Palladium saw a significant improvement in its portfolio companies’ stewardship scores over 2023 with 100% of qualified portfolio companies achieving improvements compared to the prior year.* Such improvements validate the Firm’s portfolio-wide interventions.

To achieve such results, in 2023 Palladium streamlined its portfolio data collection, benchmarked each company against their peers in the market, and offered customized support to establish improvement goals that ultimately fit each portfolio company.

For this coming year, we anticipate continue acceleration of our programs by focusing on areas for further growth through updated portfolio-level action plans, particularly sustainable procurement as the next frontier for improvement.



Portfolio-Level YoY Stewardship Score Improvement Standouts

Fund IV 16% Overall Avg. Improvement		Fund V 19% Overall Avg. Improvement	
SKY ZONE TRAMPOLINE PARK +29%		 +39%	
 +22%		 +26%	
 +19%		 +22%	
 +16%		 +18%	

Palladium retained EcoVadis, which conducted assessments of 14 of Palladium’s portfolio companies based on EcoVadis’ objective criteria.

Program & Operations: *Focus on Hispanic Market*

Palladium continues to focus on the Hispanic market, supporting businesses and capitalizing on our competitive advantage.

Since 2000, Palladium has been the leader in terms of investment into the U.S. Hispanic market with a focus on founder and family-owned businesses. Our long tenure in this market, our extensive Hispanic network, and our strong reputation have given the Firm a unique position to partner with Hispanic founders and family-owned businesses across several vintage Funds.

Palladium not only works with U.S. Hispanic businesses to expand the range of goods and services available to the rapidly growing U.S. Hispanic community, but also partners with companies providing Hispanic goods and services to the broader U.S. Consumer base.

Investments By The Numbers

~\$1.5B

Invested in the U.S. Hispanic market since Palladium was founded

21

Investments with a Hispanic-market focus

~\$3.2T

Size of the U.S. Hispanic market



Portfolio Spotlights



Del Real Foods provides traditionally-inspired Hispanic cuisine products and is the largest producer of fresh tamales in the country. Under Palladium, it experienced significant growth since 2016; today, it is #2 in retail sales growth and #1 in velocity relative to its competitive set, and one of the only independent Hispanic food brands of its scale.

Fund IV



Quirch is one of the largest distributors of food products in the U.S., Latin America, and the Caribbean. Under Palladium, the company has expanded through M&A and the organic trends of U.S. Hispanic and Southwestern market growth. Quirch also supports local communities by prioritizing ties to independent grocers.

Fund V



Acquired in 2023, Source Logistics provides third-party logistics services to the consumer goods sector, focusing on Hispanic food and beverage brands. Already, the brand has been working with Palladium to increase its presence in the U.S. Hispanic food and beverage market, through M&A and increased customer volume.

Fund VI

Program & Operations: *SFDR Flagship Strategy*

We aspire to move beyond compliance with relevant regulations to achieve differentiated performance.

Palladium believes its Flagship strategy is consistent with Article 8 of the European Sustainable Finance Disclosure Regulations. We expect that future European flagship efforts will meet the rigorous disclosure obligations under the Sustainable Finance Disclosure Regulation (SFDR).

SFDR Article 8

Article 8 funds promote environmental and social characteristics in their investment strategy but do not have a specific sustainable investment objective.

As Article 8 is a distinguishment that promotes certain stewardship characteristics as part of the financial vehicle thesis. Palladium’s approach to value creation and investment is a natural fit for this designation.

Our PxP methodology and other processes to measure, assess, and improve portfolio-level stewardship allow us to promote intentional and measurable benefits to society. Specifically, as a continued practice that aligns with the SFDR’s “Reduction of Income and Benefits Gap Characteristic,” we seek to reduce the income and benefits gap among the workforce at our portfolio companies.

Importantly, however, we not only seek to achieve compliance with European regulation, but we also strive to be best in class. Namely, through targeted initiatives to support economic equity, the Firm will move beyond compliance expectations and work to ensure that workers have access to greater levels of financial security and stability.

We believe that this can be achieved through various initiatives at the portfolio company level, including direct financial assistance, job training, professional development and educational opportunities, and similar resources for workers in need.

We also aim to be thought leaders in creating positive change for our workers. To that end, we have provided many of our limited partners with an explanation of the methodology behind the Palladium X-Factor (PxP) so any company can adapt and use it to create positive change.



Program & Operations: *Heritage Strategy*

In 2023, we took steps to expand our thought leadership into the lower middle-market with an eye towards our history.

As a Firm, we wanted to expand our leadership in the lower middle market in late 2022, and to accomplish that goal, we launched our Heritage strategy.

Palladium Heritage Management, LLC seeks to make investments in “complex” transactions, which for us include entrepreneur-backed companies, carveouts, multi-seller transactions, and other non-traditional situations in need of significant guidance to achieve scale or adapt to change. By embracing companies that require assistance to grow, we believe that we can invest in unique businesses with significant upside potential.

Importantly, the name “Heritage” derives from Palladium’s history, as we have historically prided ourselves in our investments into founder- and family-owned businesses without institutional investors or infrastructure. While the average size of the deals we consider has increased substantially over time, we consider these types of small investments part our heritage, and we want to continue prioritizing them while creating value for our investors via the Heritage strategy.

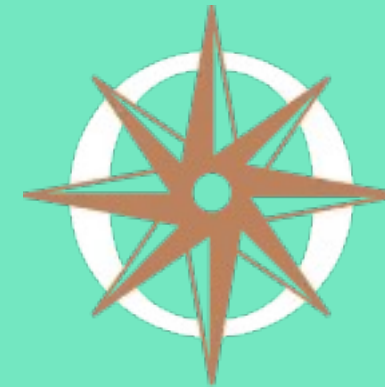


Katherine Lehman leads our Heritage team.

“

Incorporating sustainability into the lower mid-market buyout space is an effective tool for long-term value creation and resilience in a rapidly evolving space.

”



Initial Investments Spotlight

Southwest Strategies (SWS) is a public outreach, public relations, and communications firm based in Southern California. Over the last 22 years, with their outreach and affairs capabilities, SWS has reached out to more than 30 million Californians in local communities while working on more than \$10 billion of infrastructure projects.

Collision Auto Parts is a leading West Coast distributor of aftermarket car parts to the collision repair market. COL was formed as a consolidation of three companies and serves over 3,000 customers across the U.S., primarily regional body shops, national body shops, and local repair and walk-in facilities. COL demonstrates our focus on “complex” deal sourcing; our team deftly navigated a multiple entity sell-side investment bank process to close.



Resource Efficiency



Resource Efficiency: *Firm Level*

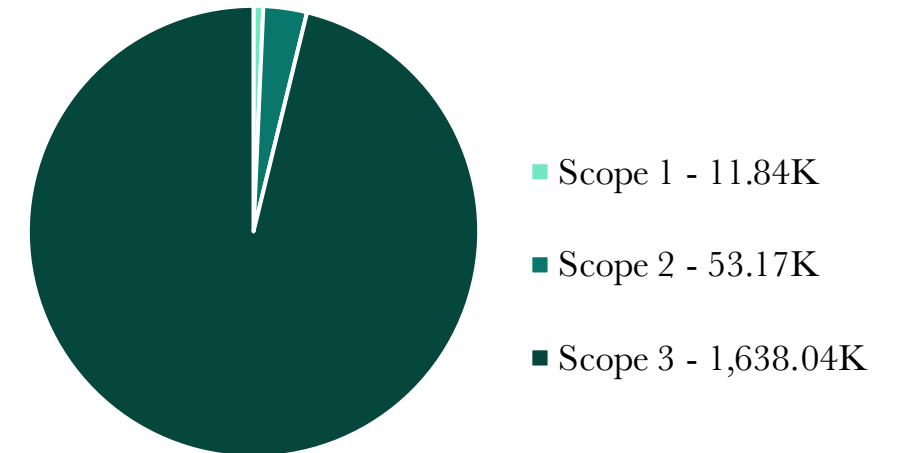
Palladium prioritizes the efficient use of resources in our own Firm-level operations, leading by example for our portfolio.

At Palladium, we diligently monitor our greenhouse gas (GHG) emissions at the Firm level. This annual tracking not only keeps us keenly aware of our environmental impact but also enables us to analyze emission patterns over time, pinpointing trends and areas where enhancements can be made.

Moreover, our commitment to environmental excellence is underscored by a remarkable 40% enhancement in our EcoVadis score, outshining our industry peers and showcasing our distinct value proposition. Additionally, Palladium boasts a plethora of strengths within our resource efficiency initiatives. These include robust environmental and climate change policies, concerted efforts to curtail energy consumption by optimizing lighting systems across our three office locations, and rigorous GHG tracking and reporting practices.



Firm-Level 2023 GHG Emissions (mtCO₂e)



**Palladium retained Green Project Technologies to measure our GHG emissions based on their objective criteria.*

*Stewardship Score Improvements: Environment**



**Black dashes within the visual score meters denote industry averages*

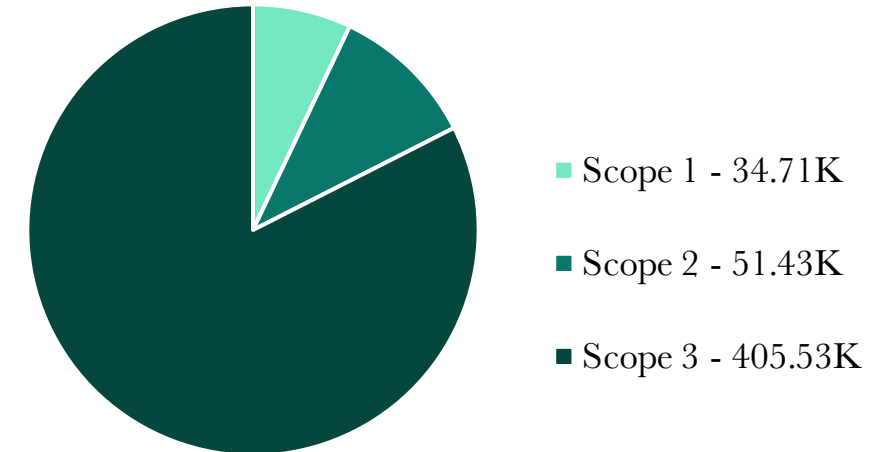
Resource Efficiency: *Portfolio Level*

Palladium’s portfolio companies continued to increase efforts to combat their environmental impacts through resource efficiency.

Palladium integrates resource efficiency considerations throughout the investment lifecycle. Prior to close, we consider portfolio companies’ environmental management and climate change-related risks and opportunities, including GHG emissions tracking and reduction efforts, waste disposal, and energy consumption. To ensure monitoring of resource efficiency, Palladium works with portfolio companies to consider revenue and footprint growth while driving improvement by supporting GHG emissions tracking. In response to findings identified during this initial assessment, portfolio companies have started to complete action items to reduce their footprint.

In the coming year, we plan to continue tracking portfolio-level emissions and year-over-year trends with Green Project Technologies. Using such data, Palladium seeks to create additional value across our portfolio through resource efficiency initiatives, such as expanding energy efficiency efforts.

*Portfolio-Level 2023 GHG Emissions (mtCO_{2e})**



* Palladium is in the process of collecting and evaluating greenhouse gas emissions data for its portfolio companies for 2023, which will be updated when this report is published in the Palladium Equity Partners website.



Kymera prioritizes sustainability through renewable energy investments. Its Global Sustainability Challenge for employees drives worldwide creativity. Additionally, Kymera aims to reduce total carbon emissions by 10,000 metric tons by 2025.

Kymera uses 100% renewable energy at four out of 18 its production facilities globally.



SkyZone’s inaugural emissions tracking initiative provided insight into emissions drivers, including electricity and natural gas consumption across its 102 company-operated locations. The inventory has motivated leadership to consider setting targeted reduction goals in the future to capture and ensure the impact of related reduction initiatives.

SkyZone’s baseline Scope 1 and 2 emissions were 2,614 tCO_{2e} and 12,534 tCO_{2e}, respectively.



To reduce emissions, Accupac installed solar panels at its PA facility. Accupac plans to develop an emissions reduction roadmap and climate and water risk analyses, leading practices to address climate risks. In addition, Accupac’s recycling program is best-in-class.

Accupac recycles 180K gallons of ethanol, 1K tons of cardboard, and 80 tons of steel annually. Together with its strategic vendor partnerships Accupac recycled over 3100 Tons of materials in 2023.

Resource Efficiency: *Superior Environmental Solutions (SES)*



Description: Industrial cleaning, waste management, and facility environmental services

Region: Midwestern U.S.

Sector: Services

Initiative: Waste reduction

As a provider of industrial cleaning, waste and recycling, product destruction, and emergency response services for private industrial customers, SES prioritizes resource efficiency and environmental stewardship across all lines of business.

Within its industrial cleaning and waste and recycling services, which account for approximately 90% of SES's overall revenue, the company takes an active approach in ensuring resource efficiency and environmental best practices. For example, SES's waste and recycling services focus on safe, compliant, and environmentally-friendly disposal of customer debris, and SES aligns to the U.S. Environmental Protection Agency's (EPA) guiding waste management hierarchy to increase customers' resource efficiency from generation to disposal. SES also offers green technology solutions for unique and hard-to-recycle waste products; SES generates ~10% of revenue supporting customers in maintaining a Zero Waste to Landfill status. At each year's completion, SES reviews customer progress and benchmarks metrics year-over-year, such as total pounds of waste recycled, treatment method breakdowns, and costs, to identify improvements and ensure customers are tracking towards increased resource efficiency and supporting a landfill-free waste program, as feasible.

Further, SES embodies a minimal consumption mindset through the provision of their services. For example, SES utilizes unique pressure washer tips to minimize water consumption during customer cleaning sessions; such technology also enables SES to perform its work 40% faster than through manual cleanings, resulting in less down time for its customers. Additionally, SES monitors vehicle fuel usage to cut unnecessary idling times and subsequent fuel waste / emissions when traveling to and from customer sites.

SES In Numbers

0

Tons of water used in sponge blasting operations

24M

Lbs of total waste managed for customers in 2023

13.7M

Lbs of waste diverted from landfill for customers in 2023

ISO 14001

Certification for waste-to-energy programs

“

At SES, we are committed to optimizing resource efficiency across all operations, driving sustainable practices that minimize waste and maximize productivity for a greener, more efficient future. – Mike James (V.P. of Waste and Recycling)

”



Resource Efficiency: *Southwest Strategies*

SOUTHWEST STRATEGIES



Description: Southwest Strategies is a communications firm with a specialized niche in public outreach and infrastructure.

Region: Southern California

Sector: Communications

Initiative: Water recycling

As one of the nation's premier firms focusing on communications and public outreach on infrastructure projects, Southwest Strategies is proud to work on projects that have a positive impact on the environment and within communities.

One of Southwest's most important projects is Pure Water San Diego, a phased, multi-year initiative of the City of San Diego that will result in half of San Diego's water supply coming from local, recycled sources. The challenge facing Southwest's client—the City of San Diego—is that many residents are skeptical of water recycling techniques. To help San Diego address this challenge, Southwest has implemented a comprehensive communications and public outreach campaign to educate the public and generate support for the Pure Water initiative.

Pure Water San Diego will benefit the environment by reducing the pressure on California's limited groundwater supplies, and the project is expected to benefit the local community by providing water for California residents at a lower cost. With the help of Southwest Strategies, the City of San Diego plans to provide nearly half of San Diego's water supply locally by the end of 2035, resulting in a commendable investment in sustainability, reliability, and consistency.



Southwest Strategies in Numbers

83M

Gallons of purified water supplied daily, by project completion

20K+

Community members have seen the Southwest-prepared presentation on Pure Water

300+

Pure Water community events planned and executed by the SWS team to support the project

“

With Southwest helping to build support within the community, it is expected that by 2035 nearly half of San Diego's drinking water could come from the Pure Water project. – Chris Wall (CEO)

”

People & Community



People & Community: *Firm Level*

Ensuring operational excellence through robust human capital management and diversity of thought is critical to Palladium’s value creation

We understand that strong human capital management is foundational to creating operational success, collective well-being, and financial results. By embracing a spectrum of perspectives, backgrounds, and experiences, we not only cultivate a more inclusive and innovative work environment but also enhance our ability to connect with clients, understand diverse market segments, and deliver solutions that resonate with our stakeholders. This commitment to diversity not only enriches our corporate culture but also drives our success in an ever-evolving world.

Ultimately, we are committed to equal employment opportunity and inclusion across the employee lifecycle, from hiring and compensation to development and retention.

\$650K+

Contributed to date by Palladium’s partners to diverse industry organizations

5

Palladium employees serve on the Boards of esteemed diversity organizations

Palladium’s Diverse Organization Connections

SEO

New America Alliance

WAVE
Women’s Association of Venture & Equity

naic
National Association of Investment Companies

IDAC
INVESTMENT DIVERSITY ADVISORY COUNCIL

aaaim

Board Affiliations

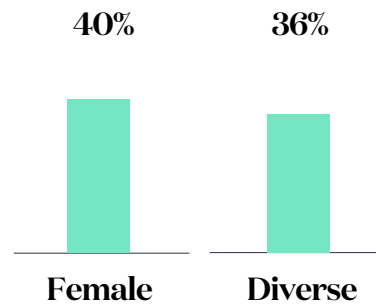
We maintain tenured relationships with organizations that further our mission, and several Palladium leaders serve on such organizations’ boards:

- Marcos Rodriguez: *Toigo Foundation and the New America Alliance Institute (NAA)*
- Suzanne Wong: *Association of Asian American Investment Managers (AAIM)*
- Chris Allen: *National Association of Investment Companies (NAIC)*
- Kevin Reymond: *Palisades Park Conservancy*
- Matt Strabone: *Ample Harvest*

2023 Firm-Wide Culture

64%

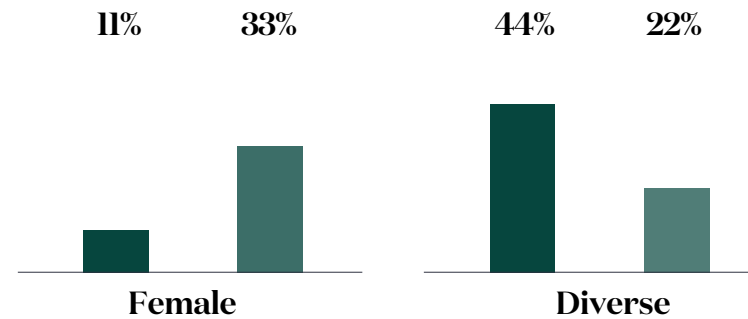
of employees are Female and/or Diverse



As of Dec. 31st, 2023

2023 Management and Board Culture

- Palladium (Partners & C-Suite)
- Palladium (Senior Investment Professionals)



As of Dec. 31st, 2023

People & Community: *Portfolio Level*

At Palladium, we create processes to hold our portfolio companies accountable for human capital improvements.

We believe that an active approach to the management of our people and the communities our investments impact creates value in the companies we manage. In 2023, we created customized approaches to help each of our investments improve in short order, including across worker health and safety and labor management programming.

Our portfolio companies benefited greatly from these approaches and exhibited score improvements across labor-related topics. Specifically, from 2022 to 2023, Palladium portfolio companies improved their EcoVadis “Labor and Human Rights” scores by 19% on average.

Portfolio-Wide Culture

Our portfolio-level board diversity surpasses peers, showing our commitment to diversity and inclusion*:

+29pp 

Portfolio-level overperformance
vs. peers in **diverse Board
representation**

+18pp 

Portfolio-level overperformance
vs. peers in **female Board
representation**

**Based on an assessment of Palladium’s portfolio-level diversity conducted by Boston Consulting Group (BCG)*



Social Spotlight: Trachte’s Find & Fix Program

In 2023, Trachte implemented a ‘Find and Fix’ program to positively address workplace safety. The Find and Fix program was developed by senior management to reduce incidents through proactive hazard recognition and employee involvement. The program supports employees in identifying, correcting, and recording hazards. Further, to incentivise hazard reporting and, remediation, Trachte maintains prize drawing for employees submitting hazard and correction records. During 2023, 500 reports were made under this novel program.



Safety Spotlight: SkyZone

SkyZone maintains strong safety programming for employees and customers to ensure a secure and fun environment. Key initiatives include clear safety signs, trained Team Members, routine safety inspections, and regularly cleaned surfaces. SkyZone’s initiatives produce strong safety performance; its 2023 Total Recordable Incident Rate (TRIR) and Days Away, Restricted, or Transferred (DART) Rate were 1.72 and 0.77, respectively, both of which were below 2022 U.S. “Amusement, Gambling, and Recreation” industry averages.



People & Community: *Health Connect America*



Description: Mental and behavioral health services for children, families, and adults

Region: Southern U.S.

Sector: Healthcare

Initiative: Enhanced community engagement



Health Connect America (HCA) provides affordable mental and behavioral health services to children, adults, and families, with a focus on positive personal growth, healthy coping skills, the preservation of relationships, and natural support systems. HCA’s goal is to develop long-term stability and improve lives. To achieve this goal, HCA maintains robust quality of care standards and fosters an inclusive environment to retain and grow its staff.

To ensure best-in-class support, the company evaluates its services through extensive feedback from clients and their families before, during, and after the administration of care and support services. HCA analyzes survey responses alongside treatment plans, complaint logs, and clinical outcomes to promote the best care possible. Further, the team has top-down clinical experience, and each member is trained to ensure robust quality of care for clients.

To maintain such high standards of care, HCA understands that prioritizing employee well-being is critical. Accordingly, the company hired an employee engagement director and implemented an employee-focused app to boost communication and culture in the company’s primarily remote workforce. HCA also offers subsidies for higher education, an EAP program, floating holidays, and free in-house training courses (i.e., a Leadership Academy) to upskill employees and ensure they are empowered to provide the best possible care to clients. Such efforts are recognized by third parties; HCA’s accreditation status via the Council on Accreditation (COA) recognizes the company’s ability to appropriately support its staff.

Health Connect America In Numbers

99%

Of surveyed clients believe HCA staff really listens to what they have to say

3.4%

YoY decrease in employee voluntary turnover

+25%

EcoVadis “Labor & Human Rights” YoY score change

~23.3K

Clients served monthly

“

We spend our careers taking care of people, so it only makes sense that we prioritize taking care of our most valuable resource, the people who do this job. – Kristi Shain (CEO & President)

”

People & Community: *TransForce*



Description: TransForce is the nation's largest, most reliable provider of CDL driver jobs.

Region: U.S. (29 States)

Sector: Transportation

Initiative: Driver safety initiatives

As one of the largest active truck driver communities in the U.S., TransForce understands the importance of keeping drivers safe from workplace hazards, including vehicular accidents and unsafe driving. TransForce's driver safety initiatives protect drivers and their communities with robust qualification checks and guidance for employees.

TransForce's driver vetting process is rigorous. Prospective drivers must satisfy all requirements of a Driver Qualification File (DQF) checklist during onboarding, including a driving record review, a medical exam, former workplace inquiries, and more. Personnel from TransForce's recruitment and compliance departments handle the process and utilize online applicant tracking systems for efficiency; by vetting drivers before they drive, TransForce prioritizes safety upfront.

On the job, TransForce has a robust driver handbook, uses online safety forums (i.e., safety listserv), and sends texts with trend-specific guidance (e.g., seasonal weather, best-practices) directly to drivers throughout the year. In the event of an accident, TransForce conducts root cause analyses (RCAs) and applies corrective measures (i.e., trainings), as necessary. TransForce also escalates accident and trend data to the Board level – trends in DOT reportable accidents are discussed on a quarterly basis alongside incidents per hours worked and injury claims. With these measures, TransForce is well positioned to continue improving employee and community safety over time.

TransForce In Numbers

15

DQF qualification items, including a road exam

216M

Total miles travelled by TransForce drivers in 2023

0.4

DOT recordable incident rate for 2023

17%

Decrease in YTD incident rate from 2022 to 2023

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Safety is a top priority at TransForce. We are committed to the safety of our employees, drivers, partners, and the traveling public by prioritizing the safety and well-being of everyone we work with. – Rafael Diaz-Granados (Chairman & CEO)

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Integrity & Accountability

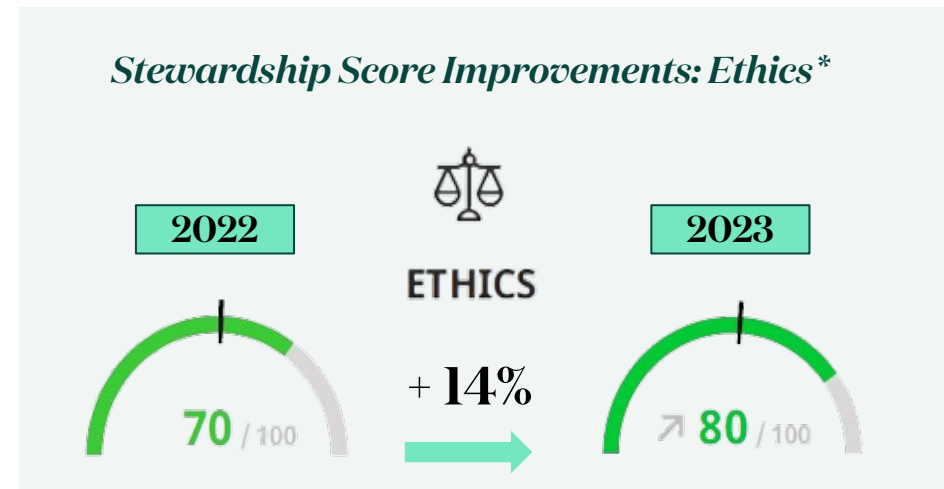


Integrity & Accountability: *Firm Level*

As a Firm, we continue to prioritize our best-practice governance programs through robust oversight and guidance.

Palladium maintains strong stewardship governance structures, including the Sustainability Squad and dedicated corporate oversight to ensure the promotion of robust policies and the execution of related programs. This centralized approach is key to administering standardized Firm-level programming and equipping staff for the implementation of stewardship provisions across portfolio companies.

Importantly, in 2023, Palladium received no complaints of ethical misconduct. The EcoVadis Ethics module continues to be our highest-scoring section; though our program already achieved an above-average score in 2022, as seen below, we continued to improve in the past year.



*Black dashes within the visual score meters denote industry averages

Program Strengths

- Extensive policy suite:** We maintain policies on fraud, money laundering, conflicts of interest, disciplinary sanctions for violations, information security, corruption, and more
- Audits:** We conduct internal risk assessments on information security and audits of control procedures to prevent breaches and corruption
- Training:** All employees complete awareness trainings on breaches and corruption
- Third-party due diligence:** We complete reviews of our third-party partners' information security and anti-corruption programs to strengthen our overall Firm-level security and programming, and we work collaboratively with our suppliers to foster a stewardship agenda

Palladium conducted a policy inventory of 15 of its top suppliers, representing about 60% of the total supplier expenses in 2023, to affirm that programs are in place and foster best practices across its value chain:



Integrity & Accountability: *Portfolio Level*

We support our portfolio companies in recruiting, training, and retaining strong leadership teams to drive integrity and accountability.

At Palladium, we pride ourselves on continuous growth and improvement, which has been clear through our commitment to enhancing governance processes across our portfolio. After identifying foundational policies requiring improvement across our portfolio, including those related to stewardship, diversity, and community engagement, we worked to close gaps throughout 2023. Specifically, we coordinated with external counsel to produce a new corporate governance playbook with policies to be distributed across the portfolio. As a supplement to the playbook, our external counsel helped develop standardized guidance around high-leverage human rights issues, including anti-slavery and child labor, for efficient implementation across investments. Companies are expected to maintain policies outlining governance expectations across material issues, developing two comprehensive policies addressing compliance and the environment, inclusive of related sub-issues.

Further, we monitor the progress of these and other governance initiatives using touchpoints established by our 100-day sustainability plans. Further, onboarded portfolio companies maintain stewardship committees or similar governing bodies that report regularly on progress.

*Corporate Governance KPIs Portfolio Programming By the Numbers**



100%
have conflict
of interest policies



85%
have policies on fraud



62%
have a policy
on information security



62%
have a policy on
corruption



54%
have supplemental
policies to those at the
Federal/State level on
child labor, forced labor,
and human trafficking



38%
have policies on anti-
competitive behavior

Stewardship Score Improvements: Ethics

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*Palladium portfolio
companies' individual ethics
scores rose on average 21%
year-over-year.*

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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.

This Report does not constitute an offer to sell or a solicitation of an offer of any kind to purchase an interest in any investment vehicle sponsored by Palladium (a “Palladium Vehicle”). Any such offer or solicitation shall only be made pursuant to a final confidential private placement memorandum and the applicable fund’s subscription Documents.