



Praesidium

ESG POLICY



PRAESIDIUM

March 2021

Roles and Responsibilities

PRAESIDIUM ESG POLICY

Praesidium's investment professionals are primarily responsible for ensuring that ESG matters are integrated into investment decisions. This is done with the support of the ESG Team.

Under the oversight of Praesidium's CEO, the ESG Team is comprised of the CFO & COO, CIO, Investment Team members and the Office Manager.

The ESG Team is in charge of coordinating ESG-related expertise, facilitating the implementation of the ESG policy into each workstream and ensuring its update and relevance.

Environmental Factors

PRAESIDIUM ESG POLICY

As a company, Praesidium has decided to focus its efforts on the use of natural resources, comprising energy and water consumption, waste production and waste management, the use of hazardous material during production processes and any pollution caused by production processes.

Contributing to the reduction of the global environmental footprint by introducing initiatives that support:

- Efficient use of natural resources
- Reduction of energy usage
- Effective waste management and minimal land contamination
- Reduction of pollution and appropriate handling of hazardous waste
- Compliance with local environmental regulations

Praesidium will target one goal per year in this respect.

Social Factors

PRAESIDIUM ESG POLICY

Praesidium acknowledges the importance of sound employment policies, including health & safety measures, product safety, and workplace diversity and inclusion, including talent management. This will focus on ensuring that the firm's culture ensures that all directors, investment committee members, advisory board members, employees, consultants, service providers and contractors are treated with fairness and respect for their personal dignity and physical and mental wellbeing.

Praesidium's Team acts in accordance with a code of conduct & ethics promoting a socially sound corporate behaviour.

Praesidium will also consider policies to promote the wellbeing of all members of its staff, in each of its offices.

Governance

PRAESIDIUM ESG POLICY

Praesidium acknowledges the importance of the highest standards of corporate governance in its policies and structures, paying attention to:

- Complying with all relevant anti-corruption laws and regulations
- Prohibiting corruption in all its forms, including extortion and bribery
- Supporting positive engagement with key stakeholders.
- Ensuring data protection and security
- Implementing independent compliance and internal audit functions
- Promoting Board independence including composition and renewal.

Our Approach to Responsible Investment

PRAESIDIUM ESG POLICY

As well as in its own corporate culture, Praesidium promotes responsible investment principles in its investment process.

FUND OF FUNDS

Screening and Asset Selection

Praesidium will conduct ESG screening and analysis of the targeted investments and their teams. This is done by using Praesidium's investment exclusion checklist and scoring GPs positioning and practices with available data.

For each Fund investment considered to be a high-priority target, Praesidium will assess whether the most recent fund placement documents (private placement memorandum ("PPM") and related documents) refer to responsible investment, and more specifically, whether the organization has made formal commitments to responsible investment in the Limited Partnership Agreement ("LPA") of their most recent fund(s), or through side letters when requested by investors.

Our Approach to Responsible Investment

PRAESIDIUM ESG POLICY

FUND OF FUNDS

Due Diligence Phase

ESG considerations will be addressed in the advanced stages of due diligence.

- Praesidium will assess whether the manager has a formal ESG Policy and/or focuses on sustainability risk issues and ESG factors when selecting private equity investments, and whether ESG factors are consistent with Praesidium's areas of focus. If no formal policy exists, one will need to determine the actual risks and the Managers intent and change implementation policy.
- If the Manager has not formally adopted an ESG Policy, Praesidium will assess the risk strategies in terms of potential economic impact or relative to future valuation. If a minority percentage of capital is exposed to these risks, Praesidium would need further comfort on how ESG compliance and impacts would be monitored by the GP and reported to LPs.
- At the time of each investment, the Team will assess the General Partner's process of integrating ESG-related considerations into specific investment documentation or the post investment action plan. This will be reviewed along with the impact of ESG considerations on the investment selection process during the reporting year.
- Post investment, the team will assess how each Manager monitors ESG issues in portfolio companies, in particular, whether the General Partner tracks the types of actions taken by its portfolio companies to incorporate ESG issues into operations including the type and frequency of reports the Manager receives from portfolio companies covering ESG issues.
- Lastly, the Team will review the content and frequency of ESG reports to its Limited Partners.

Our Approach to Responsible Investment

PRAESIDIUM ESG POLICY

The Investment Team will incorporate the findings from the advanced due diligence into the Final Investment Recommendation.

- A section on ESG is added to the standard Praesidium Investment Recommendation template to include specific details on the target Manager's ESG policy, impact, monitoring and reporting.
- The Investment Team will then rate each Manager's ESG policy and potential impact on the investment portfolio relative to other Managers in the target space and subject to minimum criteria that will be established.
- A score for ESG will be added to the Final Investment Recommendation document using the rating of 1 to 10 with a base rating for an "average" ESG rating.

The overall fund score will be weighted equally among five rating factors. The Investment Team does not typically recommend managers with a rating of less than 1 grade above base. A poor ESG rating will not alone justify withholding a recommendation, but it could cause the overall score to be materially lower and result in withholding an unqualified recommendation. More specific guidelines for rating ensure consistency across various verticals.

Co-investments will refer to the underwriting score of the fund at the time of the original commitment with further work applied in situations where no ESG guidance was ascribed.

Ownership phase

Praesidium will monitor each Manager's compliance with their own policies as well as monitor the ESG impacts across the portfolio of funds, with an ongoing screening and regular interviews and questionnaires to GPs.

Our AgriFoodTech Approach to RI

PRAESIDIUM ESG POLICY



Praesidium AgriFood Tech approach aims to promote ESG and contributions to the **17 UN Sustainable Development Goals**.

Portfolio companies:

- will demonstrate **at least neutral impact** across all 17 SDGs.
- will meet UN Global Compact standards : Human Rights, Labour, environment, Anti Corruption
- will meet governance standards (Accounting, Audit, Board, Diversity Policy)
- must have a **positive effect on at least one of the following major challenges** and apply concrete measures and KPIs:
 - Climate Change
 - Global Resource Constraints
 - Human Health
 - Animal Welfare



Our AgriFoodTech Approach to RI

PRAESIDIUM ESG POLICY

Due Diligence Phase

ESG considerations will be addressed in the early stages of due diligence.

- Praesidium will assess whether the target company has a formal ESG Policy and/or focuses on sustainability risk issues and ESG factors, and whether ESG factors are consistent with Praesidium's goals. If no formal policy exists, a schedule for its implementation and a firm commitment from management are considered mandatory.
- Praesidium will establish an ESG Scorecard in which the criteria defined in our ESG policy will be analyzed and measured for each potential investment before an investment decision is made. This tool will later accompany each portfolio company until the exit.
- Due diligence findings, recommendations and action plan set out in this phase are discussed with the management and clear deliverables with specific KPIs and timeframe is drawn.
- Praesidium will assess the risk strategies in terms of potential economic impact or relative to future valuation. A strict risk management policy and procedures will be assessed.

Our AgriFoodTech Approach to RI

PRAESIDIUM ESG POLICY

Ownership Phase

- Praesidium will request portfolio companies to systematically provide a progress report on the ESG action plan and provide support and guidance on the strategic development of the plan.
- Praesidium engages its portfolio companies on ESG matters by conducting ESG reviews in order to identify opportunities for improvement and ensure value creation.
- Praesidium establishes a monitoring system to annually collect and report the relevant ESG KPIs for each portfolio company. The progress of each portfolio company towards the ESG action plan is monitored at least once a year in a board meeting, where ESG topics are discussed and presented.
- It is also expected that the portfolio companies' management teams and Board members also actively monitor the ESG performance of their companies as the ultimate responsibility for ensuring that ESG policies are implemented resides with each portfolio company's board of directors.

Exclusions

PRAESIDIUM ESG POLICY

The Fund will not invest into companies that do not fulfill the governance and sustainability standards defined in our ESG policy or do not commit to a clear path to fulfilling them after our investment.

Praesidium furthermore believes that some business practices are incompatible with sustainable investment strategies and detrimental to society. Therefore, in addition to not investing in entities involved in the production, promotion, trade or use of illegal activities, Praesidium will not directly invest in entities involved in the production, promotion, trade or use of tobacco, prostitution, pornography, gambling, controversial weapons or munitions.

Additionally, Praesidium insists the Funds it invests in and its portfolio companies do not engage in activities in geographies or with entities or persons under EU or other comparable applicable sanction lists.