



Our ESG Philosophy

Developing sustainable and profitable businesses is at the heart of Borromin’s philosophy. One measure contributing to this objective is the enhancement of long-term value of Borromin’s portfolio companies by considering ESG aspects. Borromin is convinced that this approach leads to improved risk management and to better identification of value creation potential linked to investments made.

The term ESG stands for Environmental, Social and Governance. In Borromin’s understanding consideration of ESG translates into covering subjects such as:



Environmental

pollution, waste management, consumption of natural resources.



Social

child labour, fair trade, health and safety in the work environment, and equal opportunities.



Governance

anti-bribery / corruption, business ethics, risk management and control systems.

At Borromin, ESG is approached in a participatory manner and managing partners as well as investment associates are equally exposed to the subject within the daily work. Borromin will not invest in unethical businesses.

Integration of ESG in investment activities

ESG aspects are considered at the different phases of the investment activities.

Pre-Investment

The ESG subjects most relevant to a target company will be investigated by Borromin, or an external ESG advisor engaged by Borromin, as part of the transaction process and results will be recorded in investment decisions.

Borromin puts a strong emphasis on governance aspects, which are always considered to be material. For this reason, an in-depth compliance questionnaire has been developed and installed as integral part of due diligence in the pre-investment phase. Environmental and social aspects and materiality thereof might vary depending on the industry and the specific target company itself.

Potential ESG issues that have been identified during due diligence will not necessarily stop Borromin from investing in a company, but instead will be included as



Exclusion List

Certain sectors and economic activities can not be aligned with Borromin’s values and philosophy and are principally excluded in the investment universe. Current exclusions amongst others include:

- production of & trade in tobacco and cannabis
- distilled alcoholic beverages and related products
- financing of the production of & trade in weapons and ammunition of any kind
- casinos and equivalent enterprises
- pornography

topics of improvement requiring action during the holding period.

Depending on the specific nature of a transaction, Borromin may perform a more comprehensive ESG assessment subsequent to the closing of the transaction.

Post-investment

Borromin invests in a diverse range of SMEs which may have limited resources for engaging in ESG aspects. However, Borromin will strive to utilise capacities in the best interest of investors and portfolio companies. During the holding period Borromin will take action to manage and / or encourage portfolio companies to manage identified ESG risks and value creation opportunities. Measures and actions are subject to Borromin's determination of what is reasonable and appropriate for each investment, but might include:

- **Monitoring:** Where there are material issues identified during the diligence process these issues will be monitored throughout the life of the investment. Where management of, or performance on, a material issue is considered by Borromin to require improvement, Borromin will work with company management to support the development of a corrective action plan.
- **Engagement:** Borromin will encourage the management teams of portfolio companies to identify and raise material ESG issues to the relevant decision makers, including, where appropriate, board-level individuals.
- **Reporting:** Borromin will urge management teams of portfolio companies to report ESG incidents and progresses to Borromin on a regular basis. Where appropriate, throughout the investment cycle, Borromin will seek to actively engage relevant stakeholders in an effort to make informed decisions that may affect these stakeholders.