



KOHLBERG & COMPANY - ESG POLICY

January 2021

PURPOSE

Kohlberg & Company (“Kohlberg”) believes that effectively assessing and managing environmental, social and governance (ESG) factors aligns with our long-term, partnership-based approach to investment. Our objective is to make investment decisions based on a full set of risk-reward factors, and we view ESG considerations and risk factors as important inputs into our investment process. We also believe that ESG considerations can help to mitigate potential risks and realize value creation opportunities, both of which contribute toward top-performing investments with consistent returns. We are committed to executing this policy diligently and improving it thoughtfully over time.

INVESTMENT APPROACH

Exclusions / Screening

Kohlberg conducts a process to mitigate potentially material ESG risks by evaluating new investment opportunities against our investment guidelines. Our investment guidelines incorporate negative screens that are intended to exclude from consideration those prospects whose businesses involve harmful products or services or pose reputational risks. Some examples of these excluded companies are those that generate a significant portion of their revenues from: tobacco and related products; and oil, natural gas or other natural resource exploration or mining. In addition, if investors raise ESG concerns that are not covered by our exclusion list, we will work to address those on a case-by-case basis.

Due Diligence

Kohlberg evaluates ESG considerations as part of our due diligence process for all potential new investments. We employ a proprietary tool, built by our team based on industry frameworks, to evaluate material ESG risks and opportunities based on the specific sector and geographic operations of each prospective company. Once we have determined our initial findings, we engage third-party ESG consultants and subject matter experts to strengthen our analysis as we advance into the final phases of diligence. The findings from these experts, combined with our own assessments, form the basis of our Investment Committee recommendation. This includes an ESG score that reflects both the materiality of each issue and the company’s ability to manage it.

Ownership

After Kohlberg has acquired a company, we move to the next phase taking a number of ESG-related actions as part of our Onboarding Plan:

- We engage a third-party sustainability rating company to conduct an independent, evidence-based assessment of the company’s ESG performance.
- We use this assessment to benchmark the company’s ESG performance against other companies competing in the same sector and geographies.
- Identified performance gaps and potential opportunities are used to create an ESG Improvement Roadmap, which includes KPIs that will be tracked over the lifecycle of Kohlberg’s investment.
- Included in this Roadmap are any improvements necessary to ensure that the company adheres to the UN Global Compact principles.

REPORTING

ESG-related information is shared with investors upon request. In addition, beginning in 2021, Kohlberg will publish an annual sustainability report that will provide updates on our progress in driving ESG initiatives at both the Kohlberg and portfolio company levels.

GOVERNANCE

Oversight

Each of Kohlberg’s portfolio companies has an ESG sub-committee that reports to its Board. The committee is responsible for establishing ESG-related KPIs and setting the ESG strategy for the company. On a semi-annual basis, the ESG sub-committee reviews performance against the KPIs, quantifies areas with the potential to create value, and generates a progress report.

Training

Kohlberg provides ESG training to its team members each year, and also delivers training – and hosts best-practices events – for members of the ESG sub-committees of our portfolio companies.