

PALATINE IMPACT FUND II LP

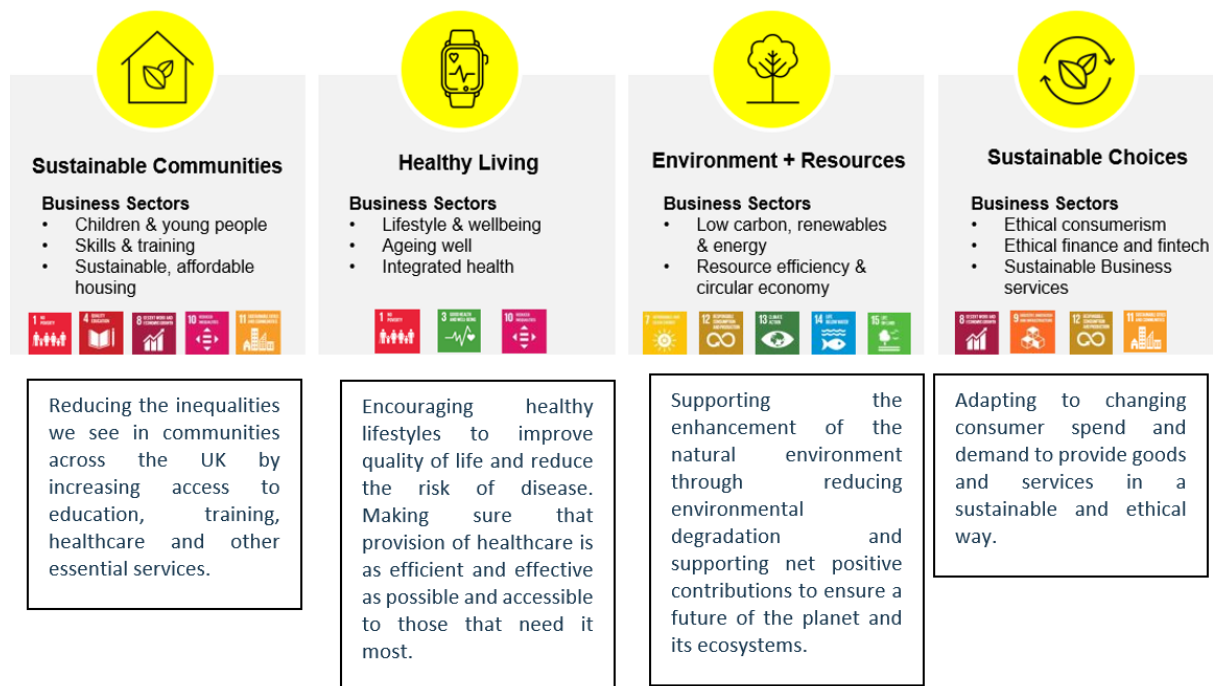
ARTICLE 10 SFDR

Summary

The following information relates to the Palatine Impact Fund II LP (the "Partnership") and is provided in accordance with Article 10(1)(a) to (c) of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "SFDR"). The information required pursuant to Article 10(1)(d) of SFDR, being the periodic reports to be provided in accordance with Article 11 of the SFDR, will be published together with the following information.

The Partnership has been classified as Article 9 fund pursuant to the SFDR as it has a primary focus of making sustainable investments while delivering a market rate return. Palatine is demonstrating that social and environmental change can go hand in hand with returns and that scaling a sustainable business means scaling positive outcomes in the environment and society. We invest in companies that are tackling some of the biggest issues we face in society today such as inequalities in access to education, jobs and healthcare and climate change.

To help ensure the sustainable investment objectives of the Partnership are met, Palatine has identified four main investment themes informed by the trends and drivers we are seeing as a result of the environmental and social challenges we face. These themes provide an investment focus and strategic direction to maximise the positive impact from investments made by the Fund. We have also mapped the Sustainable Development Goals (SDGs) that each sector contributes to.



On a deal by deal basis, Palatine establishes what the impact is and who or what it will affect. And using our five dimensions of impact (quality, scalability, durability, innovation and inclusivity), we assess the sustainability of that impact and quantify this through bespoke KPIs. The KPIs reflect the purpose of the company and are instrumental in tracking and communicating the impact of each investment and will measure the attainability of the sustainability investment objective described above, which will vary depending on the nature of the investment. KPIs are collected on a quarterly basis and reporting to investors. Palatine also sets three year targets to continually drive positive impact.

No significant harm to the sustainable investment objective

Palatine has developed a rigorous impact assessment and measurement strategy that has been developed over the last six years investing Impact Fund I and this same methodology will be used for investments in Fund II. Each investment goes through a sequence of assessment involving consultation with management, understanding of ambition, and context research to justify and frame the rationale for an investment that will scale the impact.

Whilst Palatine is confident that all the investments in the impact fund will make a positive contribution to society or the environment, it is equally important to us that our investment avoid, to the extent possible, significant harm to other social and environmental objectives and we do so through the application of our rigorous ESG framework. This well-developed framework is applied consistently to all of our investments and is based on our proprietary 6 pillars of ESG. This is applied across all our ESG integration processes throughout the investment lifecycle. Each pillar has a series of sub-themes that mean we can focus on material matters particular to any company or sector.



Climate
Strategies for climate resilience and the transition to Net Zero



People
Creating positive workplaces that promote safety and wellbeing, and nurture progression and inclusion to allow employees to flourish



One Planet
Reducing the impact of business inputs and outputs through redesign, re-use and recycling



Customers + Community
Meeting customers' needs in the best, most responsible way possible and putting something back through purposeful community engagement



Supply Chain
Building ethics, sustainability and resilience into business supply chains



Leadership
Steering companies towards robust management of business ethics, risk and compliance and commitment to sustainable business practices

In addition to the above, the Fund will report annually on all mandatory Principal Adverse Indicators along with one additional climate and other environment-related indicator and one indicator for social and employee, respect for human rights, anti-corruption and anti-bribery matters.

Palatine adopts strong internal governance practices, which have recently been assessed through obtaining B Corp status. This demonstrates a strong position with regards to the consideration of worker's rights, supply chain engagement and business ethics. The established ESG framework is used as a mechanism to assess the way in which our investments manage business ethics and engages with management teams to ensure that there are robust policies and systems in place to managed human rights, anti-slavery, anti-bribery and corruption and good business conduct.

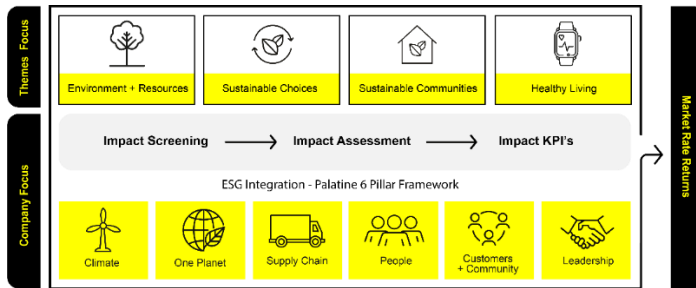
Sustainable Investment Objective of the Financial Product

We invest in companies that make a difference to issues in society and the environment while delivering a market rate return. Palatine's approach to sustainable investment and ESG management is designed to help ambitious businesses grow sustainably and resiliently, while scaling positive outcomes for people and the planet.

Investment Strategy

We invest in companies that make a measurable difference to issues in society and the environment while delivering a private equity return. We do this by combining our returns focused active management with our proprietary impact assessment strategy both of which are underpinned by our award winning ESG framework.

Our fund strategy and model aligns with The Impact Principles and the Operating Principles of Impact Management that provide a framework to ensure that impact considerations are integrated throughout the investment life cycle. Our aligned and application of these Principles has been assured by a third-party.



Robust ESG monitoring is completed on an annual basis through the issue of ESG information requests. This, alongside monthly Board meeting attendance by Palatine employees, assesses for and ensures good governance practices.

Proportion of Investments

All assets held by Impact Fund II will meet the requirements of sustainable investments that benefit either society or the environment. All assets will be subject to the Impact due diligence process and have KPIs that will track the impact over the investment period. In addition exit reviews of all companies will demonstrate the impact delivered.

Monitoring of the Sustainable Investment Objectives

For each company we define a bespoke set of KPIs that are reported to investors on a quarterly and annual basis. We frame impact KPIs around impact sustainability metrics that have been developed by drawing on our team's combined experience in growing businesses sustainably and on the ground solutions to social and environmental issues.

Alongside this, we have a robust approach to ESG management. An ESG policy is in place that outlines Palatine's commitment to ESG investing, minimising and mitigating adverse impacts and enhancing the positives.

The Sustainability Director is responsible for maintenance and implementation of the ESG policy and framework. The Sustainability team is involved throughout the deal process from due diligence to ongoing monitoring of each portfolio company post investment. Where required, external advisors are engaged to support in the evaluation and monitoring of principal adverse sustainability impact.

Methodologies

On a deal by deal basis, Palatine establishes what the impact is and who or what it will affect. And using our five dimensions of impact (quality, scalability, durability, innovation and inclusivity), we assess the sustainability of that impact and quantify this through bespoke KPIs. The KPIs reflect the purpose of the company and are instrumental in tracking and communicating the impact of each investment and will measure the attainable of the sustainability investment objective described above, these will vary depending on the nature of the investment. KPIs are collected on a quarterly basis and reported to investors. Palatine also sets three year targets to continually drive positive impact.

Alongside reporting the PAI metrics and the bespoke impact KPIs that are agreed on each deal, ESG metrics will also be reported on an annual basis to monitor the progress against our ESG objectives.

Data Sources and Processing

The data sources used to ascertain the environmental/social characteristics of the product will be taken directly from the Portfolio Companies in which the Partnership is invested into and has a board seat on. Where possible, the PAI data will be gathered using Palatine's ESG data collection portal. The data will be assessed by the Sustainability and Investment teams to assess for any anomalies or errors. The Partnership does not expect there to be a high level of estimation but if that is to occur it will be highlighted in the Partnership's reporting.

Limitations to Methodologies and Data

We view the data limitations to be relatively minor but if they are to occur the Partnership will highlight it and adapt its methodology to manage it.

Due Diligence

Impact Due Diligence paper: Our impact assessment on each company is captured in a pre-deal due diligence paper and presented at Investment Committee. The paper sets out:

- **Impact drivers for change:** this builds an analysis of why there is a need for intervention in the company's sector and who the stakeholders are, e.g. to address unmet or growing need or respond to current and upcoming events, trends, legislation and social and environmental issues. The analysis is based on careful research, seeking verification from a range of relevant sources. References may include national Government statistics, trends and issues researched by expert or industry bodies and articles and papers in reputable journals, publications and media. This analysis enables us to create a robust Impact Investment Rationale.
- **The way the company makes a difference:** this analyses how the company is addressing the identified drivers to create tangible positive change, how well placed it is to maintain that position and, where applicable, become a leader in its field. This leads us to describe a meaningful Company Purpose.
- **The sustainability of the impact** – analyses how the company delivers impact and how strong and consistent it is.

Engagement Policies

The Partnership will have an active management strategy through the holding of direct investments in portfolio companies to ensure that the environmental and social objectives of the Partnership are adhered to and met. Alongside this, we have a robust approach to ESG management. Our ESG policy outlines Palatine's commitment to ESG investing, minimising and mitigating adverse impacts and enhancing the positives. The Sustainability Director is responsible for maintenance and implementation of the ESG policy and framework. The Sustainability team is involved throughout the deal process from due diligence to ongoing monitoring of each portfolio company. Where required, external advisors are engaged to support in the evaluation and monitoring of principal adverse sustainability impact.

Attainment of the Sustainable Investment Objective

The Partnership is not utilising a broader reference benchmark to track the attainment of sustainable investment objectives. This is due to the nature of the Partnership's investment strategy where there are no benchmarks that are readily available to use in order to track the performance in attaining its sustainable investment objectives.

For each company we define a bespoke set of KPIs that are reported to investors on a quarterly and annual basis. We frame impact KPIs around impact sustainability metrics that have been developed by drawing on our team's combined experience in growing businesses sustainably and on the ground solutions to social and environmental issues.