



*Platinum Equity*

# Responsible Investment Policy

Effective Date: 1 January 2022



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# Introduction

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This document sets out Platinum Equity’s (“Platinum Equity” or “Firm”) approach to investing responsibly and to the consideration and management of environmental, social, and governance (ESG) issues. In particular, this Responsible Investment Policy (“RI Policy” or “Policy”) covers all of Platinum Equity’s buyout investment funds and all direct investment activities across the deal cycle, as well as the Firm’s own operations.<sup>1</sup>

The Policy sets out the Firm’s investment objectives, including the framework for the responsible management of investments in portfolio companies, so that the Firm, its investors, employees, portfolio companies themselves, and all other stakeholders clearly understand Platinum Equity’s approach. All Platinum Equity personnel are expected to adhere to the RI Policy.

This Policy is subject to change and will be reviewed at least annually.



<sup>1</sup> Please refer to the disclaimer at page 9 for further information as to the scope and purpose of this Policy.

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# Overview

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The underlying principles of ESG and responsible investing have been paramount to Platinum Equity since the Firm was founded in 1995.

The Firm's duty to the investors in its funds (the "Limited Partners") is to make sound investments that deliver strong returns. Platinum Equity believes that responsible investing supports this duty and that proper and relevant consideration of ESG issues contributes to improved portfolio company performance and investment results.

We also believe that companies that carefully consider and manage ESG risks and opportunities now, should be better positioned in the future, as issues such as the impacts of climate change, diminishing resources, changing stakeholder expectations and developing regulation affect how businesses are valued and operate.

During the development of this Policy, Platinum Equity consulted with external advisors and internal and external stakeholders, including Limited Partners, in order to determine frameworks under which the Firm assesses ESG risks and opportunities, reports on progress, and drives improvement across the Firm and supports its portfolio companies. Platinum Equity has been supportive of the principles outlined under the Principles for Responsible Investment (PRI), and the Firm officially became a signatory to the PRI in November 2021. Our investment professionals apply the relevant aspects of the principles outlined under the PRI during both the pre-acquisition due diligence process and the portfolio ownership phase. We also may consult external frameworks such as the Sustainability Accounting Standards Board (SASB) materiality map and the UN Sustainable Development Goals (SDGs) to underpin our ESG risk assessment and monitoring efforts.





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# What ESG Means to Platinum Equity

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As an operationally-focused firm, ESG considerations are important in both our investment decision-making and in our value-creation efforts within our portfolio companies. In recent years, as ESG matters have become more prominent, we have developed our approach to consider such concerns during our investment selection, again believing that responsible investment goes hand-in-hand with good investment outcomes. Specifically, in each aspect of ESG, we seek to:

- **Environment:** Ensure that environmental considerations such as climate change, waste reduction and impacts to biodiversity are a part of our investment decision-making. This is a central theme in helping our portfolio companies develop environmental improvement programs, including evolving and

adapting environmental compliance, emissions intensity reductions and innovative ways to manage climate risk.

- **Social:** Ensure that we follow, and set expectations for our portfolio companies to follow, a high standard for social practices and maintain labor and employment standards, raise safety standards, respect human rights, promote diversity, equity, and inclusion, and monitor company impacts on wider society.
- **Governance:** Implement and maintain strong governance policies and practices in the Firm that promote integrity, transparency, business ethics, risk management, and controls and encourage our portfolio companies to do the same.



# ESG Governance

Platinum Equity's commitment to ESG starts at the top with CEO Tom Gores and the Firm's leadership team, who are collectively responsible for the management of all aspects of the Firm's investment activity, from sourcing and diligence to transformation and exit.

The leadership team is advised by our ESG Working Group, which is responsible for Platinum Equity's ESG strategy, integration, and reporting initiatives at the Firm and for coordinating at the portfolio level. This ESG Working Group is central to the delivery of our ESG program and comprises a broad, cross-functional team of subject matter experts.

Led by Partner Stephanie Barter, who is Global Head of M&A Operations and a Platinum Equity veteran of more than 25 years, the ESG Working Group includes representatives from all areas of the Firm: M&A Execution, M&A Operations, Portfolio Operations, HR, Legal, and Investor Relations. Members of the ESG Working Group

are responsible for coordinating and implementing Firm-level ESG initiatives and taking the lead on ESG issues within their respective functions.

The ESG Working Group also works closely with the Investment Committee to integrate the review of relevant ESG risks and opportunities when evaluating an investment using our M&A&O® strategy.

The ESG Working Group ensures ESG matters are included, when appropriate, on the Firm's Executive Committee agendas and serve as subject matter experts on ESG issues throughout the Firm.

The Firm expects that relevant ESG topics are reviewed and discussed during operating and audit committee meetings of each portfolio company and are also included at annual portfolio company conferences, and annual internal Platinum Equity Operations conferences.



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# Approach

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## *Investment*

- ESG due diligence
- ESG scorecard preparation
- IC review and approval



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## *Stewardship*

- Transition from deal team
- Operational improvement
- Internal/external ESG reporting



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## *Exit*

- Review of progress by Portfolio Ops team
  - Reporting on exit as appropriate
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## Investment

Platinum Equity believes the concepts of ESG go hand-in-hand with sound investing and operating principles and have been embedded within our investment and management approach for more than two decades. During that period, we have continued to formalize, evolve, and expand our approach. Our investment strategy considers ESG issues up front, and we have always focused on long-term value creation.

ESG due diligence is an integral part of our direct investment activities and is a key work stream for our investment teams. We actively assess risk and preserve value, but also look at ESG as a driver of value creation.

Platinum Equity considers various factors across the ESG spectrum to provide a bespoke and comprehensive view of a target company's ESG profile, considering target-specific and industry-inherent ESG risks and opportunities, as well as the context of the investment itself.

Example ESG factors reviewed include, but are not limited to, the following items in each category:

- **Environmental:** resource usage and waste generation, climate change, greenhouse gas emissions, and environmental incidents;
- **Social:** employee safety, diversity, equity, and inclusion, data security and privacy, and supply chain responsibility;
- **Governance:** anti-corruption, fair competition, and corporate governance and compliance.

Our initial view on relevant factors for our target may be informed by SASB, other external frameworks, and third-party services.

As an important part of our due diligence process, we prepare an ESG assessment using a standardized framework with input from the core investment team (including our relevant advisors) and subject matter experts on target-specific and industry-inherent ESG risks and opportunities. Issues identified during the ESG due diligence process are embedded in our investment considerations and flagged to the Investment Committee using standardized communication tools, such as the risk assessment framework discussed later in this section.



The Firm's Investment Committee reviews relevant factors when evaluating whether to invest, including ESG risks and opportunities and related economic impacts. This approach helps to pull together all parties involved in diligence and covers magnitude versus likelihood of risk, deal risk versus Platinum Equity / investor issues, and target-specific versus industry-inherent risk. Our approach also raises awareness of 'stranded' industries where lender funding and/or exit may be a challenge.

The results of our due diligence process are also captured in a pre-acquisition ESG scorecard that informs the Firm's Portfolio Operations team of the ESG factors that need focus at a particular target, should Platinum Equity move forward with ownership. Each scorecard is aligned to the portfolio company to ensure relevance to the company's industry and ESG maturity level.

## Stewardship

The Firm's trademark strategy, M&A&O®, which integrates traditional M&A with operational expertise and embeds a core belief that proper stewardship of ESG matters leads to good investment results over the long run. It has been an important tenet of our investing philosophy that we make significant efforts to support our portfolio companies in improving ESG issues during our period of stewardship, which will also improve a portfolio company's operating efficiencies, and thereby increase Platinum Equity's ability to generate sustainable, long-term returns.

At the beginning of the portfolio ownership phase, we leverage the due diligence assessments and ESG scorecards completed by Platinum Equity's deal teams and share these with our portfolio companies as a baselining exercise. Those findings culminate, for the vast majority of our direct investments, in the development by our portfolio companies of a bespoke ESG action plan, which includes an ESG playbook, roadmap, and dashboard.

Platinum Equity's operational professionals on-board portfolio companies to Platinum Equity's ESG program and monitor and evaluate relevant ESG issues using internal resources, portfolio company management and, when necessary, specialized third-party resources. ESG-oriented operational improvement focuses on helping our portfolio companies to implement the prioritized initiatives defined in the ESG roadmap, with quarterly, semi-annual, and annual targets in place. Our operations team and portfolio companies track progress using ESG Dashboards and review results quarterly. There are prioritized "core" key performance indicators to measure and track semi-annually and report annually for all Platinum Equity portfolio companies.

## Exit

Prior to exiting a portfolio company, the portfolio company's Operating Council will assess the progress made on ESG during the life of the investment and will prepare relevant materials to support the exit process based upon the nature of the proposed exit.



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# Reporting

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Platinum Equity recognizes the importance of transparency in responsible investment.

In 2021, the Firm became a signatory to the PRI and will report under the “PRI Reporting Framework” annually. In addition, we report internally and externally through several initiatives:

- Reporting at least annually on specific outcomes within our portfolio.
- Reviewing and discussing relevant ESG topics during regular operating and audit committee meetings of the portfolio company, portfolio company CFO conferences and annual internal Platinum Equity Operations conferences.
- Providing updates to investors via regular portfolio update reports, annual investor meetings and the Limited Partner Advisory Committee.





## Disclaimer

This Policy is intended to be applied for internal purposes only and is solely intended to provide Platinum Equity's personnel with an overview of Platinum Equity's ESG-related investment objectives and management framework with respect to Platinum's direct buyout investments. This Policy should not be used by any other person or relied upon for any other purpose and does not reflect all investments nor ESG initiatives made or expected to be made by Platinum Equity. This Policy applies to all investments where we have direct operational control (such as our controlled buyout investments); with other investments such as those in credit, minority equity or public equity stakes, we aim to apply our policy wherever possible but create bespoke applications where necessary. This Policy does not constitute an offer or solicitation with respect to the purchase or sale of any security in any investment fund managed or advised by Platinum Equity, including successor funds or co-investment funds that Platinum Equity may raise in the future. Any reference or determination herein regarding whether an investment approach will, or is expected to, achieve a positive ESG outcome is made in Platinum Equity's sole discretion. In connection with such determination, Platinum Equity has and expects to rely to a large extent upon, among other factors, the due diligence, reporting and other materials provided by consultants, accounting firms, portfolio companies and other third parties. There can be no assurance that Platinum Equity or these third parties will accurately evaluate the potential or actual ESG outcomes of investments or investment approaches, or that the investments will achieve the ESG outcomes as intended. The determination about what constitutes a positive ESG outcome or approach is inherently subjective; what Platinum Equity considers to be socially or environmentally beneficial may not necessarily reflect the views of all investors, and further, a focus on one or more ESG characteristics may come at the expense of others. Which ESG issues or considerations are relevant and material (to the extent any are) will necessarily vary between investment decisions. There are significant differences in interpretations of what positive ESG characteristics mean by region, industry and issue, and these interpretations are rapidly evolving over time. While Platinum Equity integrates certain ESG factors into its investment process in accordance with this Policy and subject to any applicable legal, regulatory or contractual requirements, there is no guarantee that this Policy will be successful or that it will create a positive ESG impact.





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