

**MCH PRIVATE EQUITY
INVESTMENTS SGEIC, S.A.**

**RESPONSIBLE INVESTMENT
POLICY**

Date: March 2021

Date	Version	Concept	Modification made
MARCH 2021	1	Creation	

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1. INTRODUCTION

MCH PRIVATE EQUITY INVESTMENTS S.G.E.I.C., S.A. ("MCH") is a Madrid-based management company of several private equity investment vehicles focused on medium-sized companies, mainly located in Spain and, to a lesser extent, Portugal.

As a signatory of the United Nations Principles for Responsible Investment ("PRI") since 2011, MCH sees the responsible investment as increasingly relevant in the private equity sector. While Environmental, Social, and Governance ("ESG") was originally viewed as a niche issue purely related to reputational risks, today it is shaping the way institutional and private investors are making decisions. With growing awareness of environmental and social issues such as climate change and the understanding of the human rights spectrum, many are interested in reflecting their view and lifestyle through the way they invest.

As a managing company of several investment vehicles, MCH considers part of its fiduciary duty to act in the best long-term interests of its investors by managing ESG risks and opportunities. MCH firmly believes that taking well informed and responsible decisions, that take a wider societal impact into account, can positively affect the financial performance of their investments, maximizing long-term returns and reducing risks, while aligning MCH's investors with broader objectives of the society.

Through the definition and approval by the Board of Directors of the present MCH's Responsible Investment Policy (the "Policy"), MCH wants to formalize its commitment to responsible investment practices. This Policy is aimed at adopting a more structured approach to managing ESG risks and opportunities through MCH's investment decision process as well as the management of its portfolio companies.

This Policy is considered as a general reference framework for MCH's internal management, as well as the management of its portfolio companies, and it is aimed to apply to all phases of the investment process, from the pre-investment phase, through to the holding period and the exit phase, and will be, when possible, actively promoted to its portfolio companies, in a way to align their principles to those of MCH.

In essence, the main objective of this Policy is to establish a reference of action to facilitate that MCH structurally and systematically integrates and promotes international best practices regarding environmental, social and governance issues into the management of the portfolio companies in which it invests, as well as MCH's activities.

MCH's intention is to assimilate this Policy to MCH's entire investment universe, including all investment vehicles and portfolio companies. However, its application for current investment vehicles will depend on the investment phase in which the investment vehicle is at the moment of the Policy's approval, leading to a greater development of its requirements in future investment vehicles. MCH's practice may vary across investment vehicles and portfolio companies depending on each investor or Limited Partner's ("LP") requirements, the nature of the company such as size, industry, or the geographical scope, the MCH's ownership rights and the terms and liquidity expectations. This Policy may also be further developed in specific management regulations or policies at the investment vehicle level.

2. CORPORATE GOVERNANCE

MCH has appointed an ESG manager who will liaise ESG related responsibilities with investment activities, including internal and external implementation, monitoring, and reporting of these aspects. Other responsibilities carried out by this role include the communication of ESG aspects to MCH's LPs, as well as the development of ESG action plans for each portfolio company together with the relevant MCH's investment team.

In addition, the ESG manager will count on three supporting ESG members (ESG Supporting Team), who will assist in the implementation of ESG aspects when needed. Ultimately, MCH's Board of Directors will be responsible for the approval, update and oversight of the Policy.

3. RESPONSIBLE INVESTMENT GUIDELINES

MCH's responsible investment guidelines reflect existing internal commitments that govern the conduct and practices of all employees and activities of MCH, including those established by MCH's Internal Code of Conduct, the Manual for Prevention of Money Laundering, Risk Management Manual of the Risk Unit, Investment Procedures Manual and the Management Regulations of each investment vehicle managed by MCH. These guidelines ensure honest and ethical conduct among all decisions taken and actions of MCH's professionals.

Furthermore, the framework of this Policy is established based on MCH's commitment to the United Nations Principles for Responsible Investment, of which it is a signatory since 2011, being MCH one of the first Spanish private equity firms in doing so. As a Signatory of these principles, MCH recognizes the importance of incorporating non-financial aspects such as environmental, social and governance in all its investment decisions and agrees to comply with all six principles:

- **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes;
- **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices;
- **Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest;
- **Principle 4:** We will promote acceptance and implementation of the principles within the investment industry;
- **Principle 5:** We will work together to enhance our effectiveness in implementing the principles;
- **Principle 6:** We will report on our activities and progress towards implementing the principles.

The Sustainable Development Goals ("SDGs"), adopted by the United Nations in 2015, also act as guidelines for MCH's activities helping to align its activities with the global environmental, social and governance roadmap.

4. RESPONSIBLE INVESTMENT STRATEGY

A defined strategy can significantly support ESG-related decision-making during the investment life cycle but can also give support during fundraising activities by providing a framework for meaningful responses to LP enquiries, and by helping to demonstrate a proven responsible investment track record. To achieve its ESG objectives, MCH bases its strategy on five fundamental pillars:

- I. **Encourage the incorporation of ESG issues in all phases of the investment process.** MCH is inspired to develop its investment process in a manner that it foresees an ESG analysis carried out during the pre-investment phase, just after investing in the asset, during the holding period and finally at the exit.
- II. **Promote the implementation of ESG principles in MCH's portfolio companies.** As part of MCH's firm conviction that ESG principles create value and reduce risks in investments, one solid lever to increase the value of our investments is the promotion and implementation of these principles throughout the portfolio companies in which the investment vehicles managed by MCH invest and on which MCH has influence.
- III. **Track improvements on investment's ESG performance.** ESG principles should be considered as one more piece to be managed and monitored within the complex structure of a company. Therefore, as with any other financial ratio or marketing campaign, ESG performance should be tracked and measured to make correct and critical decisions on future ESG actions in the portfolio companies in which the investment vehicles managed by MCH invest and on which MCH has influence.
- IV. **Inform of this ESG policy and provide information on our approach to ESG issues.** Within an exercise of transparency, commitment and responsibility, MCH believes that communication of ESG actions should be a fundamental part of its strategy regarding ESG, by providing adequate information to investors, companies and society in a broad sense.
- V. **Assure internal knowledge of ESG issues.** To ensure proper integration of ESG matters into the daily activities of all MCH's professionals, they must become familiarized with the aspects and procedures established by this Policy. Hence, MCH Policy is internally implemented through:
 - a. **Training:** raise awareness of the ESG issues to all MCH team and staff. This is carried out at least once annually and whenever needed by the ESG manager and ESG Supporting Team.
 - b. **Awareness:** best practices for responsible investing are communicated to all MCH's employees by the ESG manager and ESG Supporting Team.
 - c. **Objective-setting:** investment team is asked to meet individual and group responsible investment objectives by the ESG manager and ESG Supporting Team.
 - d. **Internal implementation:** MCH, as a company, internally supports and implements the same ESG best practices as the ones expected from MCH portfolio companies.

Therefore, each of the members of the Investment Committee and the investment managers at MCH are made aware of the content of this Policy, given appropriate training, when needed, to ensure that all have the skills necessary to implement this Policy in their investment decisions as well as in-house. The ESG manager will periodically send information related to ESG Policy and any updates to it to all team members when needed.

MCH believes that ESG factors can have a material impact on the portfolio companies, enhance revenues and reduce costs by reducing risks and identifying opportunities while striving to have a positive outcome for society and the environment. Depending on the special characteristics of every portfolio company, ESG issues may have a material impact on its performance and future development, hence MCH will strive to apply them the best possible way:

A. Environmental issues

MCH is aware of potential environmental risks and how these can have significant negative financial impacts on the performance of its portfolio companies. At the same time, it understands that by monitoring and managing them, MCH can, not only, create new financial opportunities, but also mitigate risks and improve corporate performance through cost reductions and increased profitability through, for example, energy efficiency.

While inaction can make companies vulnerable to significant risks, MCH seeks to apply an environmentally friendly approach to the management of the portfolio companies in which the investment vehicles managed by MCH invest and on which MCH has influence, focusing on material environmental issues, and its own activities. Accordingly, MCH will look to promote the implementation of responsible practices to fight against climate change, water scarcity or land degradation, such as the efficient use of resources, responsible management of waste, prevention of pollution and reduction of emissions in the companies in which the investment vehicles managed by MCH invest and on which MCH has influence.

B. Social issues

MCH sees social issues as those that can have a negative impact on society and are related to the rights, well-being and interests of people, both within MCH and from the greater society. MCH believes that tackling these issues lead to social positive outcomes such as increased productivity and morale, reduced turnover and absenteeism, as well as improved brand loyalty and reputation.

In this context, MCH seeks to align the portfolio companies in which the investment vehicles managed by MCH invest and on which MCH has influence, with the best practices in this field and promote them through all the investment processes. Some of these practices include workplace health and safety, diversity, labor standards, protection of human rights, as well as other practices focused on the company's external stakeholders such as community relations and product quality.

C. Governance issues

The governance component is related to the way a business is run, tackling aspects such as board structure, diversity and accountability, corporate risk management, brand independence, transparency and business ethics.

In this context, given the relevance of these aspects, MCH ensures the application of the best governance standards within its management and seeks to promote the same values to the portfolio companies in which the investment vehicles managed by MCH invest and on which MCH has influence. By managing governance issues, MCH is able to align the interests of the investment

vehicles' Limited Partners with those of the management, ensure a proper alignment with business regulations and requirements, and avoid corporate risks.

5. IMPLEMENTATION OF OUR POLICY THROUGHOUT THE INVESTMENT CYCLE

MCH is committed to integrating ESG factors throughout its investment decision-making process in an effort to implement its ESG strategy. Together with the portfolio company in which the investment vehicles managed by MCH invest and on which MCH has influence, MCH will encourage the portfolio company, if necessary, to develop an ESG strategy implementation plan and to establish adequate monitoring measures. Nearing the end of the investment, MCH should review and value the ESG performance during the ownership phase and evaluate if a successful ESG performance during the ownership phase may be reflected on the exit value.

In particular, MCH will apply the following actions in each of the investment phases of its investment vehicles managed:

A. Pre-Investment phase

MCH aims at investing in companies with sustainable business models, with an ESG commitment and a long-term vision. As such, aligned with its management regulation among others, MCH has compiled an exclusion list with companies that do not meet the company's investment standards given their activity. Each investment vehicle managed by MCH has its own regulation and exclusion list with details such as investment restrictions and exclusions. This list may be reviewed and updated periodically by MCH.

Additionally, the list of excluded activities can be extended in the internal regulations of each investment vehicle managed by MCH in accordance with the requirements of the LPs or MCH ESG team.

In addition, at an initial stage of the pre-investment phase, MCH will carry out a formal evaluation to identify the level of ESG exposure of the prospective target portfolio company, taking into consideration the nature of the investment (direct or indirect presence in the Board of Directors, investment exposure and nature of ownership rights, term of the investment, etc.). This initial evaluation will also help to determine ESG risks and capitalize on future opportunities.

Also, MCH will incorporate an ESG Due Diligence ("DD") in the pre-investment phase, depending on the risk profile identified, and the nature of the activity the target company carries out. The scope of the DD is determined by an external advisor but should consider, among others, the following aspects:

- Legal compliance liabilities and other non-regulatory issues that may impact the whole value chain at the targets' level.
- Current status of ESG matters implementation within the company, and commitment of senior management with regards to ESG policies.

- Assessment of opportunities and risks in the application of ESG policies to the target portfolio company and in particular, assessment of new markets or development of products designed to respond to climate change or to change of consumer preferences, application of eco-efficiencies in the value chain with the potential to reduce costs, and identification of potential synergies with other companies in the portfolio from an industrial ecological perspective. MCH may ask for information regarding the adoption of/adherence to relevant norms, standards, and codes of conduct or international initiatives (such as the UN Global Compact). To arrive at a valid and valuable conclusion about the target portfolio company's ESG risks and opportunities profile, MCH should rely on external advisory.
- Identification of the steps necessary to be taken to improve post-acquisition ESG performance and the alignment of the target company with MCH's ESG related objectives.

Once the evaluation is completed, the main conclusions will be presented to MCH Investment Committee who will consider all ESG factors prior to making a decision. The Investment Committee will decide if the issues identified in the DD is a no-go for the investment. In some cases, having identified the main ESG issues in the due diligence, the deal team with support from the ESG manager will define an implementation plan together with the management of the portfolio company on which MCH has influence, that will be carried out immediately after the entry of the investment vehicles managed by MCH in the ownership of the portfolio company. In cases where MCH has a limited capacity of influencing the management of the portfolio company, MCH will make its best efforts to implement positive changes concerning ESG matters.

For the sake of clarity, the Investment Committee will not exclude a company if it doesn't meet ESG requirements during the DD. If the company presents a clear vision regarding material ESG considerations and exhibits the willingness and capacity to implement the necessary steps for further improvement, MCH will still consider investing.

B. Ownership phase

Through the ownership phase, MCH is committed to strengthening the ESG performance of the portfolio companies, in which the investment vehicles managed by MCH invest and on which MCH has influence, by promoting an active inclusion of relevant ESG issues into their activities and monitoring its improvements periodically.

Together with the Board of Directors of the portfolio company, when possible, a more detailed ESG performance review will be performed to determine ESG issues, management and procedures, as well as existing areas of unmanaged risk and areas of unrealized opportunities. To the extent possible, MCH and the Board of Directors of the portfolio company will define and implement an ESG action plan and will appoint a member of staff in charge of managing, monitoring and reporting on its progress.

The degree to which each portfolio company will be required to manage ESG issues will vary depending on MCH's Board of Directors representation (the higher percentage of representation the more influence in the management and the higher degree of requirement) and the date of investment. In new investments, the investment Policy will mark the beginning of the ESG strategy of the new portfolio companies, while past investments will need to be reviewed to define an ESG strategy since the investments previously done have not been properly evaluated under this Policy.

MCH will regularly monitor the ESG performance of its portfolio companies. In this context, MCH has developed a datasheet that will be sent out to each portfolio company annually in order to collect each portfolio company's ESG KPIs (Key Performance Indicators) performance with the aim to reflect ESG performance and cover material issues that could adversely affect the company. This annual data collection will be carried out by the deal team of each portfolio company with the coordination and supervision of the ESG manager.

Portfolio companies are required to notify MCH immediately of any fines or penalties, complaints or litigations related to ESG matters such as accidents and incidents which have or are likely to have a significant adverse effect on the environment, health or safety, including any remedial action planned or taken by the company in response to such event. This requirement will be incorporated in the Shareholders' Agreement or a similar document at the moment of investment in a company whenever possible.

C. Exit phase

MCH believes that the impact of implementing and maintaining an ESG strategy during the investment and ownership phases should be reflected in the divestment stage with improved ESG performance contributing to enhanced company value.

In this context, if requested, MCH will communicate to the new future buyers the actions developed and implemented regarding ESG, including the advantages and positive impacts these have had on the company's performance. While some level of ESG vendor Due Diligence (in-house or via third party experts) may be necessary to capture value creation from ESG management efforts, the ESG reports prepared during the life of the investment may also be a source of evidence of sound ESG issue management.

Additionally, MCH is committed to explaining, when required, the new future buyers every action carried out to promote the future continuation of its implementation and development on ESG matters.

6. REPORTING

Aligned with the company's commitment to transparency and responsibility, MCH believes that communication of ESG actions should be a fundamental part of its strategy, by providing adequate information to investors, companies and society in a broad sense.

In this context, MCH will communicate to its investors the progress made in ESG related activities, both about itself and its portfolio companies, through the publication of an annual ESG Report. This report will be approved by the Board of Directors of MCH and will be sent together with the annual report of the management company to its investors. Additionally, MCH will continue answering specific investors' ESG reporting questionnaires when requested. Aligned with its commitment to UN PRI, MCH will complete a Transparency Report on an annual basis.

7. EU SUSTAINABLE FINANCE DISCLOSURE REGULATION (“SFDR”)

This section sets out sustainability-related disclosures regulated under the European Union Sustainable Finance Disclosure Regulation (EU regulation 2019/2088 of the European Parliament and of the Council of 27 November 2019).

MCH integrates sustainability risks throughout its investment decision-making process. To this end, MCH analyses ESG factors of both potential target portfolio companies and current portfolio companies. The objective of the analyses is to enable MCH investment teams to assess sustainability risks in their investment decisions and to enable them to manage these risks.

If ESG contingencies are identified during the pre-investment phase as a result of the due diligence or analyses performed, these contingencies will be considered before the investment is made and some form of mitigation commitment will be sought.

MCH periodically reviews and assesses the performance of the ESG plan. MCH believes that the impact of the proper implementation and maintenance of an ESG strategy during the investment and ownership phases should be reflected at the divestment stage in an improved ESG performance, which contributes to enhancing the value of the portfolio company.

As mentioned above, MCH's investment process considers sustainability risks and for this purpose is based on both proprietary and third-party analysis. To this end, MCH will use its own methodology and will use data and analysis provided by the portfolio companies themselves, as well as by external providers hired to provide ESG advice.

Regarding the adoption of the principal adverse impacts (“PAIs”) regime within the SFDR, MCH has carefully assessed the provisions relating to the PAIs on the sustainability factors of investment decisions. Although MCH is strongly committed to ESG issues and supports any financial market regulation whose policy objective is to improve transparency on such issues, currently MCH is not in a position to adopt the PAIs regime within the SFDR due to the lack of precision with respect to its technical rules. MCH does not exclude doing so in the future once the European Union discloses the final technical standards accompanying the SFDR Regulation, the moment at which MCH will formally reassess its decision. MCH will periodically review the disclosure of these standards, as well as verify the consideration of adverse impacts on sustainability factors in its investment process. For more information, please contact <https://mchprivateequity.mch.es/es>

8. REMUNERATION POLICY

The involvement in ESG issues of MCH professionals is recognized and evaluated as part of their performance and influences the determination of their annual variable compensation if applicable. The concepts evaluated include the introduction of ESG considerations in daily work.