

RESPONSIBLE INVESTMENT POLICY OF FORMENTOR

INTRODUCTION

Formentor Capital Partners (herein Formentor Capital, Formentor or FCP) is a Spanish private equity firm based in Madrid. Convinced of the value that responsible investment has both for the business world and society as a whole, Formentor has aligned its activity by accomplishing significant partnerships and alignment with relevant industry bodies such as:



Formentor Capital has become a signatory to the United Nations-backed Principles for Responsible Investment Initiative (UN PRI). As signatory, Formentor has established some principles and guidelines to serve as a framework to formalize the integration of environmental, social and governance criteria in all investment activities and decisions.

ESG INTEGRATION IN OUR GOVERNANCE

Formentor believes in the correct implementation of ESG practices to ensure an adequate composition and decision-making process at all levels throughout the whole organization:

- Investment team: the vehicles managed by the firm have the highest professional and ethical standards. Investment policies are characterized by their independence, excellence, transparency and alignment. The main objective of the investment team is to implement and monitor responsible investment policies and procedures in order to achieve a positive impact on the economy by helping companies and investors to exceed their objectives. FCP provides its staff with specific training.
- Portfolio companies: Formentor is committed to work with management teams of all portfolio companies to support improvements in their ESG practices. The investment team works hand to hand with the management teams to ensure that all risks and opportunities are properly assessed and monitored and that every opportunity is taken to enhance the performance of each company. Each portfolio company has a designated member who is responsible for overseeing and monitoring the correct implementation and development of the responsible investment policies and procedures.

RESPONSIBLE INVESTMENT APPROACH ALONG THE INVESTMENT CYCLE

Formentor Capital integrates ESG considerations as a core value-creation strategy from the initial companies screening stages, to the end of its investment life.

1. Pre investment:

- 1.1. Responsibilities: To convert responsible investment into a driver of improvement for our portfolio, it is key that our team becomes familiarized with the process and requirements to integrate ESG standards into their daily investment decisions.

- 1.2. Expelled industries and companies: The first step before starting an investment decision will be filtering potential investees from a list of companies and sectors on which we shall consider investing in:
 - Companies that manufacture or commercialize weapons, arms or ammunition for military purposes.
 - Companies that produce or sale pornography or prostitution.
 - Companies that manufacture or sale tobacco.
 - Companies which deliberated violate laws and regulations.
 - Companies involved in cloning processes.
 - 1.3. Due diligence: Before taking investment decisions, Formentor is committed to perform a deep analysis of the ESG main factors of the potential investments. This assessment will include the risks and opportunities that could arise in the different companies during the investment period.
2. **Post investment:**
- 2.1. After investment agreement: If it is concluded that urgent action is needed to solve any potential issue, Formentor will support the company in the design of specific ESG measures to correct the potential risk as soon as possible.
 - 2.2. Commitment during investment period: Formentor has long term view as a Private Equity firm, which allows us to engage our portfolio companies in the management of ESG principles. Formentor is working to successfully transmit our responsible investment philosophy, and therefore get common value from our engagement. Monitoring of portfolio companies includes an ESG section in order to promote the companies to include ESG in their day-to-day activity. To this end, the following measures have been implemented to integrate ESG criteria in its investment activities and to effectively and homogeneously articulate ESG aspects in portfolio companies:
 - Analysis of the starting point of portfolio companies in ESG matters through a detailed diagnosis, considering a three-dimensional evaluation: materiality, risk exposure and management capacity.
 - Development of a suited Action Plan, prioritizing recommendations to each portfolio company, based on previous ESG diagnosis and materiality aspects. This Action Plan is already being implemented by portfolio companies, starting their journey to ESG integration in their business philosophy and practices.
 - ESG indicator system and indicator compilation tool to monitor the ESG performance of the portfolio companies. To this extent, Formentor has designed a framework to evaluate year to year ESG performance on portfolio companies. In designing this ESG framework, Formentor has considered the main ESG indicators and topics considered by key regulatory frameworks, initiatives directed to investors and public reports issued by other investors in its response to UNPRI requirements, as well as main ESG topics identified in portfolio companies through specific interviews with top management within such companies.

- Accountability through a periodic ESG performance report that incorporates the consolidated results on the performance of main ESG indicators of all portfolio companies.

Throughout this process, Formentor Capital is advised by independent external parties who rely on recognized international frameworks.

2.3. Reporting: Formentor has established an annual ESG reporting of the portfolio companies to inform investors, stakeholders, and ourselves about their development and evolution on these matters. This report is disclosed annually and includes the improvements accomplished by each portfolio company.

3. **Divestment**:

3.1. Exit: At exit, Formentor Capital systematically considers ESG issues and analyzes the performance of its portfolio companies since their entry into the portfolio, identifying the performance improvement.