

ABAC CAPITAL RESPONSIBLE INVESTMENT POLICY

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PART I: PURPOSE & THEORY OF CHANGE

Responsible investment approach

At Abac, we acknowledge Private Equity Asset Managers taking controlling stakes are in a unique position to lead sustainability transitions in their portfolio companies. Our investment decisions impact the life of the Funds' portfolio companies, their employees and communities, thus, since inception, Sustainability and a strong culture of citizenship underpin the way we conduct business, with the aim of generating impact through the companies in which Abac's Funds invest.

As investors with impact, we improve the sustainability performance of our portfolio companies during the investment period transforming them into future-ready organisations and contributing to the European sustainability transition.

- Abac' Theory of Change aims to address the sustainability gap small and medium sized businesses are experiencing with regards to knowledge, access to market, and sustainability integration.
- As Art.8 Funds under EU SFDR, the Abac Funds promote the improvement of sustainability performance across the portfolio and the transformation of investees for future-readiness.

Our active ownership strategy implemented through control positions is a key lever to ensure the attainment of sustainability improvements in the following key areas:

- Impact areas across the Funds:
 - Climate
 - Good employment
 - Diversity
 - Governance
- Impact areas at each portfolio company

Abac's strategic objectives materialize in a curated Responsible Investment Strategy that is built on the firm's corporate values and the commitment to positively impact the United Nations Sustainable Development Goals (SDGs).

- Integrity, Directness, Excellence, Entrepreneurship, Accountability, Respect, Team-work and Social Conscience are the corporate values guiding Abac's decision-making and constitute the basis of Abac's Sustainability Golden Rules (Integrity, Stewardship and Citizenship).
- Abac is fully committed to advance the United Nations' 2030 Agenda by positively impacting Sustainable Development Goals (SDGs) through its business activity. As a matter of fact, Abac stewards portfolio companies in designing a sustainable strategy integrating the United Nations Sustainable Development Goals (SDGs).

PART II: OUR GUIDING PRINCIPLES

Responsible investment guidelines

Abac's Responsible Investment Policy and Strategy are guided by the most rigorous international standards, reporting tools and certifications to ensure the consideration of principal adverse impacts of investment decisions on sustainability factors and the attainment of the sustainability characteristics promoted by the Funds.

Purpose and Transparency

- **Certified B Corporation and B Impact Assessment:** Since February 2021, we are a Certified B Corporation and follow the highest verified standards of social and environmental performance, transparency, and accountability.
- **UN Principles for Responsible Investment:** Since 2015, we are Signatories of the United Nations Principles for Responsible Investment (PRI) and we are committed to its six Principles.
- **EU Sustainable Finance Disclosure Regulation:** We are an Art.8 Fund under Regulation (EU) 2019/2088 of 27 November 2019 on sustainability disclosures in the financial services sector. Further information regarding our Art.8 positioning can be accessed in our Fund Prospectus.

Global Sustainability Agenda:

- **UN Global Compact:** We support the United Nations Global Compact Initiative as Signatory Participants, and we are committed to implementing its ten principles regarding human rights, labour, environment, and anti-corruption.

Climate

- **Task Force on Climate-related Financial Disclosures:** Since March 2020, we are supporters of the Task Force for Climate-related Financial Disclosures which was established by the Financial Stability Board to include disclosure on climate-related risks and opportunities.

Our Sustainability undertakings are also informed by the following guidelines:

- The European Venture Capital Association recommendations
- The Commission du Surveillance du Secteur Financier rules
- The Comisión Nacional del Mercado de Valores rules
- The United Nations Sustainable Development Goals
- The Global Reporting Initiative Standards (GRI)
- The Sustainability Accounting Standards Board (SASB)
- The OECD Anti-Bribery Convention
- The Paris Agreement

Abac abides by the following Sustainability Golden Rules:

- **Integrity**

- Abac has an uncompromising commitment to always do the right thing.
- Abac reports any conflict of interest in accordance with its Internal Conduct Regulations.
- Abac keeps strict policies that prohibit bribery and other improper payments to public officials, consistent with the OECD Anti-Bribery Convention.
- Abac abides to its Internal Conduct Regulations on confidential, reserved and inside information.

- **Stewardship**

- Abac has a fiduciary duty to the Funds' investors and is committed to the utmost ethical behaviour.
- Abac is aligned with the long-term interests of the Funds' portfolio companies.
- Abac monitors ESG factors during the investment process and reports them to its Approval, Investment and Portfolio Review Committees.

- **Citizenship**

- Abac is committed to community service and non-profit organizations. Sharing time, knowledge, and money with those who need it is an integral part of Abac's ethos.

PART III: INVESTMENT STRATEGY

Responsible investment processes

Abac's Theory of Change and sustainability improvement objectives materialise in a curated investment process designed to ensure measurable impact and value are created. Sustainability is contemplated at all stages of the investment and divestment process.

1. Deal sourcing *Screening criteria*

Abac will not make any investment in a company a primary activity of which is:

- an illegal economic activity
- the production of and trade in tobacco, distilled alcoholic beverages, and related products
- the business of pornography or vice;
- the financing of the manufacture and trade of weapons and ammunition;
- the operation of gambling facilities and equivalent enterprises;
- the engagement in harmful practices to the environment;
- the engagement in discriminatory practices against any minority group; or
- the employment of child labour

Abac will reject any business of which we have **evidence of Human Rights, labour, environmental or corruption issues** (as defined by the UN Global Compact) *that cannot be easily resolved by a change of ownership.*

In the event of a **co-investment opportunity**, Abac will reject co-investing with any organisation of which we have evidence of Human Rights, labour, environmental or corruption issues (as defined by the UN Global Compact) or which refuses to implement the ownership policies and practices outlined in this document.

2. Due diligence *Investment analysis*

The focus on Sustainability begins ahead of the deal being executed whereby Abac conducts specialist due diligence on the target company to understand its sustainability implications, identify sustainability risks and the principal adverse impacts of the potential investment on sustainability factors. This process includes:

- the commission of specialist sustainability Due Diligence
- the identification of financially material issues
- the identification of impact levers
- the discussion and evaluation of potential sustainability targets
- the discussion at our Approval and Investment internal committees
- the definition of a 100-Day Plan and definition of sustainability targets

A Sustainability red flag is often enough to reject a potential deal at the approval stage.

3. Investment period *Active ownership and material value creation*

Active ownership *Across the portfolio*

During the investment period, Abac improves the sustainability performance of investees in four key transversal areas: Climate, good employment, diversity, and governance. To achieve this target, Abac implements key processes ensuring sustainability management is integrated by all investees. These include:

- **Governance:**
 - **Sustainability Champion & Committee:** During the first 100 days after the investment, portfolio companies appoint a Sustainability Champion and a cross-functional Sustainability Committee who are responsible for fostering sustainability progress in each of the portfolio companies.
 - **Governance & Compliance Programme:** Abac implements a best-in-class Governance and Compliance Programme during the investment period.
 - **Co-investment criteria:** In the event of a co-investment opportunity, Abac considers the co-investor's treatment and history of ESG matters and ensures the implementation of Abac's ownership policies and practices during the investment period.

- **Monitoring and disclosure:** Abac periodically monitors ESG KPIs, policy implementation and actions to be developed throughout the investment period to ensure objectives are met and impact is generated. Monitoring includes quarterly reporting on performance and status to portfolio companies' BoD and Abac, biannual discussions at Portfolio Reviews and Risk Management Committees, biannual performance of ESG and Climate Change risk assessment, as well as the implementation of the B Impact Assessment tool at the portfolio companies.
 - **Consideration of principal adverse impacts:** Quarterly monitoring of ESG KPIs, outlines the principal adverse impacts on sustainability factors of the underlying portfolio companies and informs the initiatives taken to address them.
 - **ESG KPIs:** ESG KPIs monitor, among others, energy consumption and emissions, water consumption, fossil fuel consumption, packaging and waste management, supply chain ESG management, social and employee matters, and the implementation of governance policies.
 - **Investor Reports:** Sustainability matters are periodically covered in quarterly reports, investor communications at the Annual Investors Meeting (AIM), the Supervisory Board and the Annual Sustainability Report.

- **Alignment with the global Sustainability Agenda and standards:** Abac promotes the pursuit of climate, good employment, diversity, and governance targets, the support as Signatories of international organisations such as UN Global Compact, and the implementation of the B Impact Assessment and pursuit of B Corp Certification

Material value creation ***Company-specific***

Abac guides portfolio companies in their journey to manage their material externalities and to align their strategy with a purpose that positively impacts each company's stakeholders.

To achieve this, Abac works with companies to understand the materiality of their business and their potential contribution to SDGs while co-creating a Sustainability Plan for the investment period.

- **100 Day Plan:** A 100-day plan at the beginning of the investment period includes a Sustainability section on ESG and Compliance, defining the policies, monitoring systems, and initiatives to be implemented.
- **Purpose definition and identification of material issues:** Abac's team accompanies portfolio companies in the process of redefining its strategic purpose, as well as aligning their corporate strategy to address material issues and principal adverse impacts on sustainability factors and contribute to strategic Sustainable Development Goals (SDGs).
- **Sustainability Plan:** Abac's team guides portfolio companies in the process of defining a Sustainability Plan to address material issues, reach transversal Fund targets, and create value through sustainability improvements during the investment period. The plan includes specific short-term and mid-term outcomes as well as initiatives to achieve targets.

4. Divestment period ***Accountability and abidance***

At exit, sustainability improvements help Abac capitalise the value created during the investment period. Abac prioritises the continuity of the Sustainability strategy implemented during the investment period as well as partnering with successors that will preserve the impact model of the company.

- Abac provides the potential bidders with detailed information regarding the sustainability initiatives, milestones and impact achieved during the investment period.
- Abac considers the potential bidder's treatment of Sustainability and the willingness to perpetuate the Sustainability strategy implemented during Abac's holding period.

- Abac's Compliance team performs the relevant know your customer (KYC) checks in accordance with the anti-money laundering and the prevention of terrorist financing rules on potential bidders.

PART IV: ACTIVE OWNERSHIP AND STEWARDSHIP

Governance and reviews

1. Approach to active ownership and stewardship

Abac's investment strategy allows the firm to exercise active ownership and promote ESG progress at the underlying portfolio companies. The objective of the firm's stewardship approach is to guide the interactions between Abac and the portfolio to ensure progress is achieved and sustainable value is created.

- **Stewardship tools and prioritisation**
 - Abac engages with all investees to systematically implement structures and targets that ensure sustainability is recurrently addressed in decision-making forums: These include: i) the appointment of a Sustainability Champion at the portfolio (and a Sustainability Committee) to ensure sustainability policies are implemented; ii) quarterly reports and meetings to discuss sustainability progress with Abac's sustainability analyst; iii) quarterly updates to the companies' BoD where portfolio managers, Directors and the investment team discuss ESG progress; iv) training sessions where Abac's business operations, investment, sustainability and compliance teams engage with the portfolio companies' Sustainability Champions and third parties delivering trainings ; v) the implementation of governance structures; vi) the completion of a Compliance Programme; and vii) the processes outlined in PART III of this policy.
 - Additionally, portfolio companies set ESG targets that are specific to each company's industry and organisational characteristics. These efforts are generally guided by the SASB standards and the B Impact Assessment, which are the main criteria used to prioritise specific actions.
- **Approach to climate change**
 - Abac actively engages with portfolio companies to align their performance with the TCFD guidelines, and the goals established in the Paris Agreement. Abac coordinates carbon footprint measurement across the portfolio, conducts a specific risk assessment, and supports companies to define an action plan and reduction targets.

2. Sustainability governance structure

A sound governance structure embeds ESG and Compliance responsibilities across Abac and portfolio companies. Such structure comprises the involvement of: (i) Abac's CEO and portfolio companies' BoDs in ESG reviews and strategy; (ii) the appointment of a Compliance Officer at Abac and all portfolio companies; (iii) the appointment of a Compliance Director at Abac; and (iv) the appointment of Sustainability Champions at Abac and all portfolio companies monitoring and executing ESG strategy.

3. Sustainability reviews and processes

Abac's Sustainability strategy materialises in a series of formal reviews and processes reflecting our embedded ESG governance structure. Sustainability matters are discussed periodically at portfolio's BoD and risk committees, as well as at quarterly meetings between Abac and portfolio Sustainability Champions. Additionally, Sustainability is addressed at Abac's Portfolio Review Committees, the LP Supervisory Board, Abac's Board of Directors, Abac's Strategy Offsite and at the Annual Investors Meeting. Finally, an annual Sustainability Day summons all Sustainability Champions.

PART V: TRANSPARENCY AND REPORTING

Disclosure

Abac proactively shares its Sustainability endeavours with all its stakeholders:

1. With the general public:

- Abac's website outlines our Sustainable Investment policy, our B Corp status, and our commitment to the UN Principles of Responsible Investment, the UN Global Compact, and the Taskforce on Climate-related Financial Disclosures (TCFD).
- Abac's website publishes the latest report submitted to and the results achieved from the UN PRI.
- Abac's website publishes the annual Sustainability Reports

2. With our investors:

- The sustainability performance of portfolio companies is reported to investors on a quarterly basis. A biannual report includes the evolution of the metrics monitored during the investment period, as well as the main initiatives put forward by the portfolio.
- The annual Sustainability Report gives detailed account of Abac's Sustainability endeavours in the last year.

- Sustainability is an agenda point in our Annual Investors Meeting and our bi-annual Supervisory Board.
- All investors have direct line with Abac to discuss any ESG matter they might want to access or address.
- In the event of a serious ESG issue arising at Abac or a portfolio company, our internal protocol foresees our Sustainability Officer, who spearheads our sustainability efforts, will communicate it to our investors and its Supervisory Board as soon as practicable.

3. Internally:

- Sustainability documents (including policies and trackers) are accessible at all times to our investment team, CFO, Compliance Director and Administration team.
- The sustainability analyst provides a quarterly update of the status of ESG initiatives to the entire office, summarized in our Quarterly Sustainability Report.
- The Compliance Director reports Abac's compliance status to BoD and portfolio's compliance status to the investment team on a biannual basis.
- Abac Solutions Manager quarterly Board of Directors discusses, amongst other points, portfolio companies' Sustainability progress.