

AURICA

Responsible Investment Policy

Reviewed on July 2022

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2. Introduction and objectives

Aurica Capital is a Private Equity firm specialised in investing in minority equity stakes (20-49%) in leading companies with competitive advantages with a high growth potential in the Spanish middle market.

Aurica Capital is committed to integrating ESG criteria into its business activity and its portfolio, considering the sustainability risks to the business and the positive impact contribution on sustainability aspects. We are aware of the importance of incorporating environmental, social, and corporate governance factors in the investment decision-making process, aligning ourselves with the interests of our investors, the society and in general of our stakeholders.

A sustainable and responsible management is an essential part of our identity, our value creation strategy, and our long-term success. The objective of this Responsible Investment Policy is to formally establish a general framework of action for the integration of responsible investment practices throughout our investment process.

3. Scope of application

This Policy will apply to Aurica Capital, its managed Funds, and its Investees after the date of approval. It is applicable for all the activities and will be actively promoted throughout the portfolio, seeking to align investees' principles to those of Aurica Capital.

It is particularly important to note the different terminology used in this Policy:

- Management Company: relates to Aurica Capital Desarrollo, S.G.E.I.C., S.A. or its abbreviated version, Aurica Capital
- Funds: relates to the funds managed by the Management Company
- Investees: relates to the companies within the Management Company's portfolio, which can be found in the corporate website (<https://www.auricacapital.com/en/portfolio/>)

Finally, Aurica Capital considers that its management activities are embedded into this Policy, since this document is used as a guideline to roll out the overall approach towards responsible investment within the Management Company and its investees.

4. Commitment to Responsible Investment

Management approach and governance

Our responsible investment strategy is integrated into our organisational structure, governance, and culture. Its implementation is handled at the highest management level, including the Investment Committee, Executive Committee, and the ESG & Climate Committee, which ensure the escalation of critical topics is done when necessary.

The ESG & Climate Committee is responsible for the implementation and supervision of ESG and climate-related practices, which basis are established in this Policy. The ESG & Climate Committee is composed by senior management of Aurica Capital and other professionals with proven experience in ESG and Climate-related matters.

The ESG & Climate Committee oversees the implementation and monitoring of Aurica Capital's Responsible Investment Policy through the Executive Committee who executes the agreed ESG objectives set in every investee and fixed between Aurica Capital and every management team. Once described and agreed these objectives form part of the Investment Memorandums approved by the Investment Committee. The ESG & Climate Committee has the responsibility to partner up with investees, gather ESG and Climate-related data from them and report it back to the ESG & Climate Committee. The ESG & Climate Committee will report the progress on the matter to Aurica Capital's Board of Directors, which remains owner of the overall Aurica Capital's business strategy as well as the vision and purpose of the firm.

Aurica Capital has a Remuneration Policy aligned with the long-term strategic objectives, which include ESG and climate-related aspects. Team members responsible for the implementation and monitoring of ESG and climate-related criteria in the investees have 15% of their variable remuneration subject to the compliance of certain applicable ESG factors. The alignment of different stakeholders' interests through a solid Remuneration Policy is essential for Aurica Capital, to mitigate potential conflicts of interest when decisions are made.

Finally, we regularly assess the responsible investment capabilities and training needs among the investment professionals' team.

Adherence to the United Nations Principles for Responsible Investment (PRI)

Aurica Capital is a signatory of the Principles for Responsible Investment of the United Nations (UN-PRI) since February of 2016. These Principles will remain throughout the life of investments and divestments, in order to promote the implementation of the Principles in the day-to-day management of the portfolio. We ensure the implementation of UN-PRI, through this Policy which includes, among others, the commitment to incorporate ESG criteria throughout the investment process.

Following the adhesion of Aurica Capital to the UN-PRI, we have established a commitment to the six principles:

1. To incorporate ESG issues in every step of our investment process
2. To be active managers and incorporate ESG issues into our ownership policies and practices
3. To seek appropriate disclosure on ESG issues by our investees
4. To promote acceptance and implementation of the Principles within the investment industry
5. To work together to enhance our effectiveness in implementing these Principles
6. To report on our activities and progress towards implementing these Principles

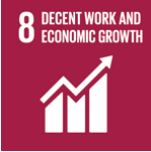











Additionally, thanks to this Policy, we ensure that our political influence as an organisation is aligned with our commitment to the 6 Principles of the UN-PRI.

Commitment to other international frameworks

We acknowledge that the integration of responsible investment practices in the Private Equity industry can create an outstanding positive impact on the society and maximise the overall value of our beneficiaries and clients. Therefore, Aurica Capital is a member of Invest Europe and Spaincap (formerly known as ASCRI), two associations representing the private equity sector in Europe and Spain.

Aurica Capital supports the 2015 Paris Agreement global framework, the UN Guiding Principles on Business and Human Rights, the Task Force on Climate-Related Financial Disclosures (TCFD), the Sustainable Development Goals (SDGs) and the United Nations 2030 Agenda.

For us, it is important to assess our own contribution to the SDGs, ensuring its embedment into our business model. We actively contribute to the following SDGs through our business activity:

			
<p>Aurica Capital's Contribution to the SDGs</p>	<p>We promote sustained economic growth, higher levels of productivity and technological innovation. We encourage employment creation in Aurica Capital and in our investees, ensuring decent work across the different activities.</p>	<p>We invest in innovation as a crucial driver of economic growth and development. We promote sustainable industries, and investing in innovation, which are important ways to facilitate sustainable development.</p>	<p>We believe that the SDGs can only be fulfilled with strong global partnerships and cooperation. Partnerships and cooperation with our investees are key to the development of our business.</p>
<p>Aurica Capital's commitment to the SDG's Targets</p>	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="display: flex; align-items: center; margin-bottom: 10px;">  </div> <p>Target 8.1: To sustain per capita economic growth.</p> <div style="display: flex; align-items: center; margin-bottom: 10px;">  </div> <p>Target 8.2: To achieve higher levels of economic productivity through diversification.</p> <div style="display: flex; align-items: center; margin-bottom: 10px;">  </div> <p>Target 8.8: To protect labour rights and promote safe and secure working environments for all workers.</p> </div>	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="display: flex; align-items: center; margin-bottom: 10px;">  </div> <p>Target 9.1: To develop quality, reliable, sustainable, and resilient infrastructure to support economic development and human well-being.</p> <div style="display: flex; align-items: center; margin-bottom: 10px;">  </div> <p>Target 9.2: To promote inclusive and sustainable industrialization.</p> <div style="display: flex; align-items: center; margin-bottom: 10px;">  </div> <p>Target 9.3: To increase the access of small-scale industrial and other enterprises, to financial services.</p> </div>	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="display: flex; align-items: center; margin-bottom: 10px;">  </div> <p>Target 17.1: To strengthen domestic resource mobilization, to improve domestic capacity for revenue collection.</p> <div style="display: flex; align-items: center; margin-bottom: 10px;">  </div> <p>Target 17.14: To enhance policy coherence for sustainable development.</p> <div style="display: flex; align-items: center; margin-bottom: 10px;">  </div> <p>Target 17.16: Multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology, and financial resources.</p> </div>

Additionally, Aurica Capital is progressively developing specific actions and initiatives that contribute to several SDGs and the United Nations 2030 Agenda.

Finally, an essential aspect of our contribution to the SDGs is the contribution of our investees, which is regularly reviewed, monitored, and supervised by Aurica Capital.

5. Our ethics and business integrity

Fiduciary duty

We recognize that integrating ESG aspects falls within the scope of an investor's fiduciary duty to its beneficiaries.

Financial materiality

We recognize the financial materiality of ESG aspects for companies, the market as a whole and society.

Long-term rationale

We recognize that companies with robust governance bodies and policies are well positioned to achieve a sustainable growth in the long term. Considering our long-term investment objectives, ESG embedment into the business is crucial since it translates into potential sustainable returns for investors and maximises the overall value of our beneficiaries and clients.

Ethical considerations

We recognize our role and impact on our stakeholders and society in general. We believe that genuine accomplishment should be the result of a double bottom-line; economical achievement and, ESG integration into the business. Consequently, core to our investment philosophy is the belief that the integration of ESG issues into our investment process creates long-term sustainable returns maximizing positive effects and minimizing negative effects.

Sector exclusions

Investments in real estate, financial and defence sectors and those other sectors that are legally prohibited from investment by private equity entities are explicitly excluded. Additionally, Aurica Capital does not invest in companies linked to the following activities:

- Exploitative or harmful forms of child labour or forced labour
- Activity linked to pornography and / or prostitution
- Production or trade of any product or development of any activity considered illegal according to the laws and regulations of the country where the project is located
- Production and trade of substances that are prohibited or in the process of being phased out
- Trade with wild fauna and flora regulated by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)
- Use of drift nets of more than 2.5 km. of length
- Manufacture or trade in products containing loose asbestos fibres
- Cross-border trade of products or waste, unless it complies with the provisions of the Basel Convention and the regulations related to this Convention
- Power generation using nuclear fuel and / or production, storage, treatment, and trade of radioactive products, including radioactive waste
- Production or trade in arms and ammunition
- Destruction of areas considered of High Conservation Value

6. Integration of Responsible Investment in the business

Aurica Capital is aware of the impact that the investment decisions may have on society and dedicates a strong effort to act responsibly. We aim to leverage ESG integration to identify material risks and opportunities associated to the short and long term as well as the impact on sustainability aspects. For this, we rely on the definitions proposed by the International Integrated Reporting Council (IIRC) and the Global Reporting Initiative (GRI) to develop our materiality analysis to evaluate ESG factors.

The analysis and prioritization of ESG factors is integrated throughout all investment stages through the Responsible Investment Procedure. This Procedure establishes specific guidelines distributed through all the investment phases to comply with the commitments acquired in this Responsible Investment Policy.

The key phases of the Responsible Investment Procedure, and how ESG is integrated in each of them, are described below.

Origination and screening of potential investments

In the origination and screening of potential investments phase, it is fundamental for Aurica Capital to generate a constant and abundant deal-flow that ideally integrates ESG criteria. Therefore, when screening potential companies to invest in, we consider ESG factors in three different levels:

- When analysing companies based on their sector; companies are selected based on sectors with high potential growth
- When analysing companies based on their recognized performance from independent associations, relevant entities, newspapers...
- When reviewing companies from our existing pipeline (a fluid relationship is regularly maintained with them)

At this stage, it is of course considered that the target company does not fall into the excluded sectors highlighted previously in this Policy.

Once, a company has been identified as potential investment, we aim to evaluate the ESG overall performance of the target company through a systematic ESG performance analysis including a preliminary identification of potential ESG risks.

Investment analysis

In the investment analysis phase, a non-disclosure agreement is signed between Aurica Capital and the target company to allow the Asset Manager to analyse comprehensively the different aspects of the company, both financial and non-financial (ESG).

In the case of non-financial aspects (ESG), the assessment of potential ESG risks consists of, firstly, conducting a materiality assessment based on SASB methodology, which provides an overview of the ESG related risks linked to the sector and industry. In addition to that, the assessment becomes more comprehensive as it conducts a deep-dive regarding climate-related risks according to TCFD recommendations, starting to differentiate between applicable transition and physical climate-related risks.

Based on the results of the ESG materiality and climate assessments, we draw upon the ESG checklist. It is important to mention that this checklist can be customized according to the investee's business nature and context to map and identify the current ESG and climate-related level of development at the new potential investee. Subsequently, we will aim to reduce exposure to those risks mapped earlier by applying our method, the "15 days plan", through which we will understand the capabilities and motivation of potential new investees to meet our ESG demands. Eventually, all these steps will remain formalized in the investment memorandum and agreed upon both parts, the management company, and the portfolio.

ESG material information is analysed, identifying potential factors associated to ESG risks. The environmental, social and governance dimensions of the ESG checklist used for this phase have been designed in line with the European Private Equity and Venture Capital Association (EVCA). As a result, if any ESG material risks are identified during this process, these will be included in the investment memorandum to ensure that the decision-making bodies are properly informed, and actions are taken to seize the opportunities and minimize potential risks.

Due Diligence

Our current Due Diligence process is developed according to material factors to be analysed, which were identified in the previous phase. When evaluating our investments, aspects related to governance, social, technical, and legal compliance, among others, are included in the Due Diligence carried out in our usual process of asset evaluation. Thus, environmental, and specifically, climate-related aspects, are included in a tailored Due Diligence aiming to encompass those investments in which this matter may be applicable and/or subject of significant impact.

Additionally, the environmental aspects are included in a specific Due Diligence related to those investments in which it is considered that the company may have a significant impact. Findings and additional risks identified in the Due Diligence are part of the investment decision. ESG performance assessment in the Due Diligence form basis for action plan in ownership phase.

Investment execution

In the investment execution phase, the deal is properly structured according to the Committees approvals to be finally negotiated and closed. During this phase, we agree with the investee the Sales and Purchase Agreement (SPA) and the Shareholder Agreement (SHA) regulating the Governance of the company, minority protection rights, and our future exit clauses.

Investment monitoring

Aurica Capital develops a very proactive monitoring of its investees to ensure the integration of ESG risks and the impact contribution on sustainability aspects. Concerning ESG our monitoring approach with the investees starts with an annual kick-off meeting with each investee in our portfolio, in which ESG objectives are settled and agreed upon together. Based on these ESG objectives, all the companies in the portfolio report on a monthly basis a set of relevant business, financial, and ESG indicators to our Executive Committee in case that there are relevant updates. This allows us to be involved in the day-to-day management and to maintain a high level of engagement with them. These reports are reviewed in detail in the Investee's Management Committees, including ESG and climate-related factors such as transition and physical climate aspects as per TCFD recommendation whenever is applicable. Thus, the frequency of the monitoring occurs once every month in case of the Management Committee and every tertial in the case of the Board of Directors.

As mentioned previously, the annual reporting of the investees includes a dedicated section of ESG objectives as well as ESG and climate related KPIs. Likewise, the monthly reporting is anchored in the yearly follow-up which allows Aurica Capital to understand how each of the companies is evolving towards a more sustainable management and their impact on ESG aspects. Our commitment to our investees is to identify the opportunities and risks under the ESG universe and to provide them with all the support and guidance they may need to progressively improve in terms of ESG integration and development.

Exclusively for ESG indicators, investees count with a specific ESG KPIs assessment tool and an ESG reporting and consolidation system.

Based on the current ESG reporting embedded in our investees, Aurica Capital builds a holistic ESG assessment scorecard (including all investees) to strengthen the assessment and monitoring of ESG topics and understand the intended and unintended sustainability outcomes.

Finally, after the investment execution phase, Aurica Capital develops the "100 days plan" for each investee to address the critical topics identified in the previous phases, including ESG potential risks.

Divestments

Our objective in the mid and long term is to capture potential investors that value the ESG criteria integration in the business model of our investees, thus increasing the value for society.

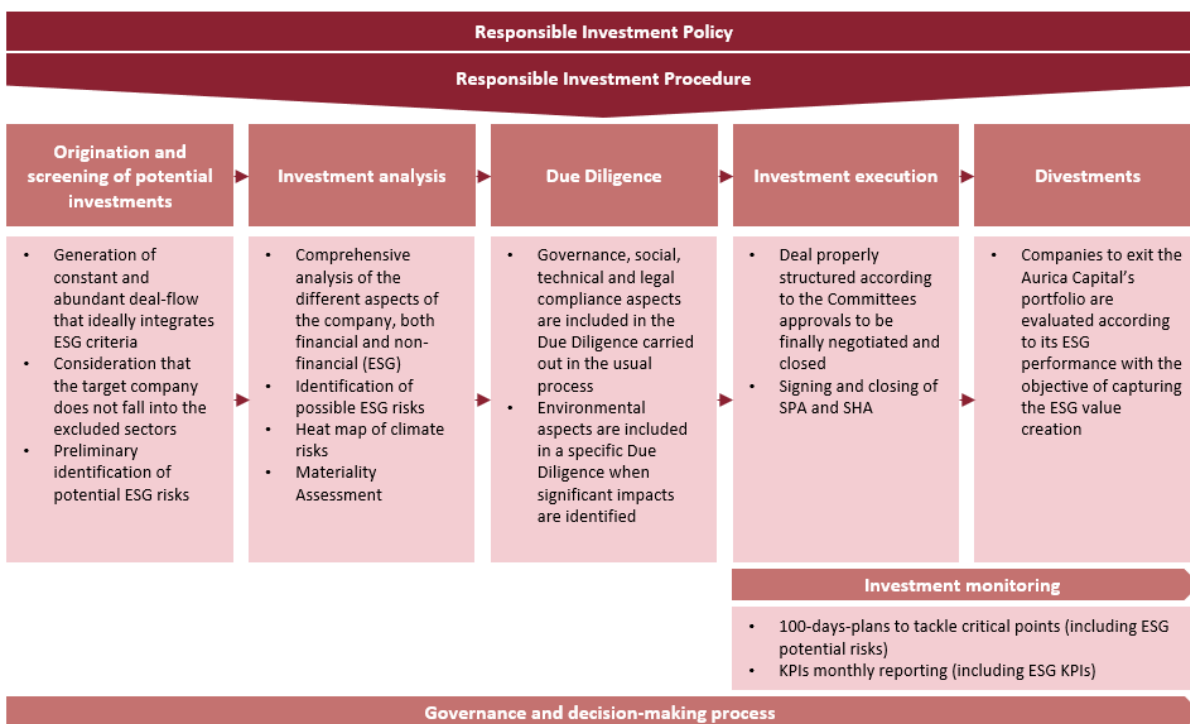
Therefore, Aurica Capital considers a profitable and ESG aligned divestment from the beginning of the investment phase. At the time companies exit the Aurica Capital's portfolio, they are evaluated according to its ESG performance, which is assessed through the monitoring mechanisms and the governance set with the objective of capturing the ESG value creation. Its purpose is to construct knowledge, to develop the capabilities, and to highlight the efforts and potential achievements related to ESG and climate matters throughout the journey with our investees. When doing this, we keep a continuous improvement mindset and lead the positive change we want to see in society, supporting our stakeholders and society at large to thrive.

Governance and decision-making process

Governance and decision-making process aspects are integrated across the different phases of the Responsible Investment Procedure. Specifically, we have established an ESG and Climate Committee, which supports the Executive Committee in the integration of ESG and Climate aspects at the investees and oversees the implementation of the ESG and Climate strategy at the Management Company. This committee is responsible for maintaining the ESG and Climate strategy updated, performing the regular reporting to the Investment Committee.

Since Aurica Capital's constitution, it has maintained an investment strategy in the equity of Spanish companies through significant minority equity stakes (between 20% and 49%), with a hands-on approach in managing the assets of the portfolio. As previously stated, Aurica Capital has presence on the Board of Directors and on the Management Committee of its investees to execute the agreed growth Business Plans and to monitor the investees. In this sense, there is a common model of Shareholder Agreement (SHA) across all investees where, among others, it is stated how the shareholders's relationship will be in the upcoming future, different instruments to align interests are designed and a set of reserved matters are agreed at the General Shareholders' Meeting and at the Board of Directors, where Aurica Capital has the right of veto. It finally draws how the exit will be performed.

Find below a diagram summarizing the different phases to integrate Responsible Investment in the business:



7. Reporting and transparency

We fulfil our commitment to transparency as a signatory of the UN-PRI, and we make a commitment to our investors and stakeholders to regularly inform them of the progress made in ESG related matters.

We are committed to periodically elaborate an ESG report to disclose ESG progress and its integration into the business for the Management Company and its portfolio. We continue to disclose the progress on climate-related aspects as per TCFD recommendations.

Finally, as a signatory to the UN-PRI, we commit to publicly report our progress on responsible investment matters in an annual UN-PRI Transparency Report.

8. Approval, version control and responsible

The Responsible Investment Policy and the respective Responsible Investment Procedure will be periodically reviewed with the objective of maintaining its utility and accuracy.

Approval Date	Version	Responsible	Comments
12/2017	1	Ferran Alcacer Vilamau	na
05/2021	2	Ferran Alcacer Vilamau	Responsible Investment Policy revision approved by Ferran Alcacer Vilamau
07/2022	3	Ferran Alcacer Vilamau	Responsible Investment Policy revision approved by Ferran Alcacer Vilamau

