

ESG annual review

2019



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01

Foreword

Message from Talde President and General Manager



“We believe that responsible investment not only help us to maximize our return on investment and mitigate our risks, but is also a responsibility for our future generation. Our commitment is to managing environmental, social and governance (ESG) risks and opportunities in our portfolio companies as well as in our own business operation.”

José María Zalbidegoitia

President



“We believe that strong corporate governance is paramount for the effective management of ESG and that ESG should be fully embedded within a company operations to ensure a robust and sustainable growth.”

Idoia Bengoa

General Manager

About this ESG report

*Dear Investor,
We would like to share with you our first
annual ESG Portfolio review report*

Talde Private Equity considers that good environmental, social and governance (ESG) practices must be an integral component of our business and therefore, we have initiated the commitment to ESG management through a review of how our Portfolio companies manage ESG risks and opportunities. The Review relates to the 2019 calendar year.

We consider that this review also provides investors and stakeholders an open and transparent indication of our ESG approach, and our goal for coming years is to ensure that ESG is fully embedded within the business we own, in those we have invested and in those in we wish invest.



It is our hope that this first ESG Portfolio review offers a window into our Portfolio company's achievements to date as well as our forward-looking vision for further improvement.

***We thank you
for your ongoing support as we continue to invest consciously and create
value in companies moving towards ESG excellence***



02

Overview of Talde

About Talde



44 years existence

Talde is a pioneer in the private equity market in Spain, founded in 1976 through its “evergreen” vehicle **Talde Promoción y Desarrollo SCR, SA**, which continues operations.

Talde

private equity

Talde Private Equity is mainly focused on providing capital to Small and Medium Enterprises (SMEs) to boost their growth and in-sector consolidation. Our main objective is to create value in the companies in which we participate, for which we associate with solid and committed entrepreneurs and management teams, investing both through the acquisition of relevant stakes and/or capital increases and supporting them in the design and execution of their strategic plans.



About Talde



TalDe
private equity

P4Q

PROFESSIONALS
FOR
QUALITY

- EUR 170 M
- Established in 1976
- 7 Portfolio Companies
- Small and Medium Enterprises
- Value of companies: €M15 and €M70



10 Investment professionals

We are a team with extensive experience in the sector, specialized in the execution of corporate transactions and very focused on the management of our portfolio companies. We collaborate closely with the management teams, supporting them in the design and implementation of strategies by providing knowledge, relationships and financial resources, thus contributing to the improvement of their positioning.



03

**Our approach to
responsible investment**

Talde's ESG Policy

Talde's values and fundamentals for Responsible Investment

Talde's ESG Policy reflects our approach to environmental, social and governance (ESG) issues management throughout our investment horizon spinning from initial due diligence and investment decision, through the holding period with ongoing support, and our exit strategy, aiming to generate sustainability and socially responsible value in the companies in which we invest. Talde's ESG Policy sets out our responsible investment fundamentals and ESG commitments.

Talde considers that global megatrends such as



climate change, demographic development, technology advances, resources scarcity, and social inequality will influence markets, business and society in general, and will have implications in terms of risks and opportunities for business that should be evaluated and taking into account.

Talde's commitments

The Responsible Investment Strategy and considerations of ESG issues are integrated within the organizational structure of Talde, as well as in its culture and activities, which is materialized in the commitments described below



Talde's ESG Policy

Talde's commitments

ESG engaging at Talde level

Talde has set up an internal committee to deal with ESG issues and assigned specific duties to Board members who will be responsible for engaging with investee companies and communication with investors. This committee will also be in charge of formulating ESG training plan for Talde staff and investee companies.

Talde ESG internal committee

Responsibility	Representative	Name
Chairman	General Manager	Idoia Bengoa
Governance, regulatory systems and compliance	Head of Legal and Compliance???	Xxxx Yyyy
KPI reporting and performance monitoring	Investment Director	Jon Arosa Marc Biaiget
LP coordination and reporting	Head/Director of Investors relations or Financial Director???	Xxxx Yyyy

The ESG committee will be responsible for addressing and centralizing the ESG issues as well as promoting the exchange of knowledge and best practices among the investee companies. Talde will count on its investee managers to actively monitor the ESG KPIs. In addition, in the event that expertise is required for a particular issue, external support will be made available if necessary.

Sectorial exclusion

We actively refrain from investment in companies that derive from the following sectors:

Financial sector



Weapons



Reputational risk



Talde's ESG Policy

Talde's commitments

Communication with investors



Implementation of the ESG Policy

The Board of Talde will review and, where necessary, update Talde's ESG Policy annually to reflect ongoing efforts to improve its ESG approach, as well as emerging requirements from stakeholders and evolving good practices. The Company will continue to work on additional initiatives and projects. Talde will actively communicate its ESG Policy.

Talde's ESG Policy

ESG management throughout the deal cycle

Pre-acquisition

Talde commits to assess ESG issues and management standards in target companies during the evaluation of investment opportunities as well as to document any material finding in the investment papers. During due diligence process, Talde includes a formal evaluation of material findings related to ESG and inform the Investment Committee.

Post-investment

Portfolio companies will acknowledge Talde's ESG Policy. Talde has started to support portfolio companies on improving their ESG performance and meeting ESG's principles. A more detailed assessment of ESG management practices will be conducted when the a potential opportunity for value creation or risk reduction is identified, if needed, involving external experts.

Ownership period

To ensure continuous improvement, Talde will engage and monitor its portfolio companies on a regular basis:

- A number of ESG Key Performance Indicators (KPIs) and goals will be defined and evaluated in the portfolio companies.
- Discussion to identify ESG issues that could significantly impact the company or create a potential opportunity and will encourage them to address them at a corporate level.
- Development of a process to enable companies to report ESG incidents and
- Support in developing ESG action plans and sharing best practices among portfolio companies.



Talde seeks to improve its sustainable performance and include ESG considerations in all its activities. Talde's investment make emphasis and care in the following topics:



Human rights and social issues:

Talde will respect human rights and will ensure it does not invest in companies hiring child or forced labor.

Talde will guarantee equal opportunities and will respect and support diversity among its employees.



Labour right:

Talde will ensure portfolio companies commit to comply with applicable labor laws in the countries in which they operate, to support the payment of competitive salaries, to provide a safe and healthy workplace and to respect the rights of employees to decide whether or not to join a union, as well as to participate in collective bargaining.



Bribery and corruption:

Talde will prohibit any type of bribery and corruption and will support ethical behaviours within the company and portfolio companies.



Environmental performance:

Talde will put stress on portfolio companies' commitment with the environment and will encourage them to assess their environmental impacts, reducing their footprint and creating sustainable value.



04

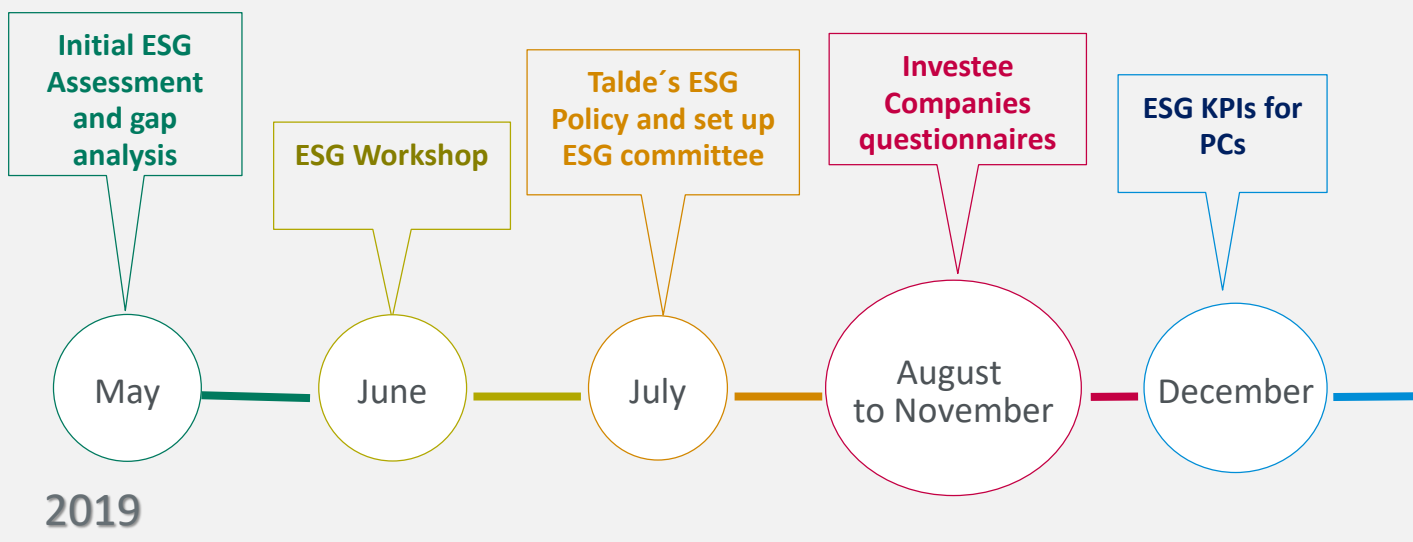
**An evolving responsible
investment approach**

Towards integration of ESG factors

Drawing up a roadmap

Talde recognises that the path to a quality and solid ESG performance is a long-term process, in which we would like to work alongside our investee companies in order to improve day by day and to be able to aspire to increasingly ambitious goals.

In the course of this year, we have evaluated our practices in terms of environmental, social and governance aspects and with the support of an external specialized consultancy firm, we have developed a roadmap for starting integrating ESG issues within the system and the culture of the company.



In practice: *ESG workshop*

In June, the investee team of Talde attended an ESG workshop focus on the identification and management of ESG issues throughout the investment cycle.

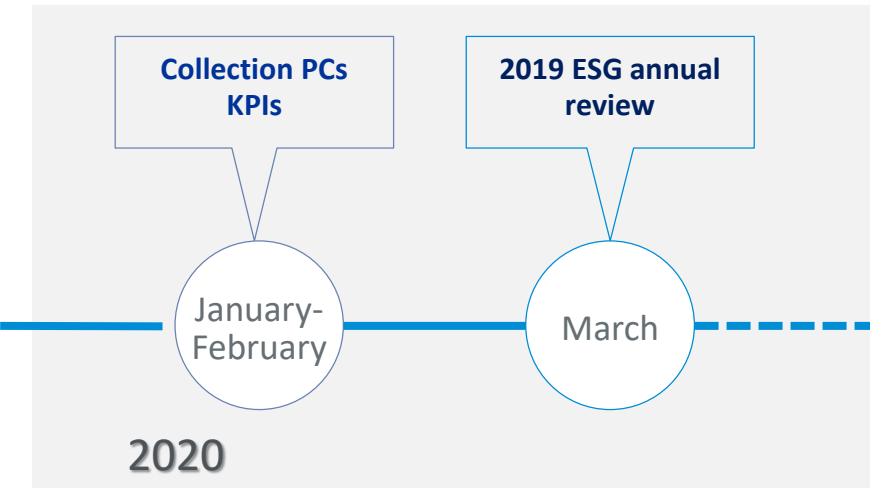
After the workshop, we were able to outline a roadmap and implement the next steps.

In 2019 we have taken important steps towards consolidating our ESG approach and engaging with Portfolio companies.

We have provided Talde's team with comprehensive ESG updated information to ensure they fully understand and apply evolving responsible investment approach and our Policy commitments.

Towards integration of ESG factors

Engaging portfolio companies



During this year, Talde has worked together with its investee companies in the development of ESG questionnaires, gathering current data and establishing the basis of work towards continuous improvement.

These first contacts between Talde and its investee companies regarding ESG issues has served as starting point to understand which ESG principles are currently being addressed by each company, the degree of ESG integration and the maturity of the system.

In practice: *Portfolio companies questionnaires*

We have identified the policies developed by each company, the topics they are already addressing and their stakeholder engagement.

We now have a better understanding of the companies' strengths and their possibilities for improvement.

Through this engagement, Talde team has also learnt about

- Key ESG aspects of each company and ESG issues of potential interest for its stakeholders,
- the company's perception of its performance with respect to the sector average; and
- the main risks considered by each company and how to identify the opportunities for improvement.

Towards integration of ESG factors

ESG monitoring



At Talde, we believe that collecting and monitoring ESG KPIs will help us to track the improvement in ESG performance from one year to the next and, in turn, we will help our investee companies to enhance their efficiency in ESG matters.

We have selected a set of cross-portfolio key performance indicators (KPIs) covering environmental, social and governance aspects, being 2019 the first year in which our investee companies have reported on the selected ESG KPIs, which from now on will be reported on an annual basis. In doing so, we will be able to develop statistics on our portfolio's ESG footprint and both investors and companies themselves will be able to track and analyse their data over time.

In practice: ESG KPIs

We have selected a set of cross-portfolio ESG KPIs to be reported by the investee companies





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**ESG portfolio
monitoring and 2019
consolidated figures**

Portfolio ESG monitoring

Selected ESG KPIs

This year, as part of Talde's endeavour to raise awareness and monitor portfolio companies, we have selected a set of cross-portfolio key performance indicators (KPIs) covering environmental, social and governance aspects.



Environmental

Electricity consumption
(Kwh/€K turnover)

Gas consumption
(Kwh/€K turnover)

Water consumption
(Litres/€K turnover)

Waste produced
(Kg/€K turnover)



Governance

Amount donate to charity/local organizations
(K€/year)

Response of claims resolution time
(average days for claim response)

Customer claims
(number of total claims / M€)

LTIR
(Lost time incident frequency rate)

LTA & NLTA
(Number of lost time and non lost time accidents)



Social

H&S training
(hours of health and safety training/Full time employees)

% Women
(Percentage of women compared to total employee number)

% Employee turnover rate
(Percentage of employees leaving the company compared to the total employees number)

Consolidated 2019 ESG figures

2019 consolidated portfolio sustainability figures



7

Portfolio companies



900

Employees in aggregated working for our portfolio companies



201

Millions of turnover in aggregated total portfolio companies

Governance



29%

of portfolio companies have a sustainability policy in place



43%

of portfolio companies hold ISO 9001 certificate



57%

of portfolio companies have an ethical code in place



29%

of portfolio companies include ESG criteria in suppliers' selection and evaluation procedure



57%

of portfolio companies have identified an increase in ESG interest from stakeholders



71%

of portfolio companies have identified opportunities for improvement in ESG



100%

of portfolio companies track customer claims



86%

of portfolio companies track response of claims resolution time



86%

of portfolio companies track donations to charity or local organisations

Consolidated 2019 ESG figures

2019 consolidated portfolio sustainability figures

Environmental



29%

of portfolio companies have an environmental policy in place



43%

of portfolio companies hold ISO 14001 certificate



100%

of portfolio companies track electrical and or gas consumption



100%

of portfolio companies track waste production



86%

of portfolio companies track water consumption



14%

of portfolio companies reuse water

Social



71%

of portfolio companies have a non discrimination policy



14%

of portfolio companies hold ISO 45001 certificate



100%

of portfolio companies track lost time and non-lost time accidents



100%

of portfolio companies track health and safety training hours



86%

of portfolio companies track lost time incidence frequency and employee turnover rates



100%

of portfolio companies track percentage of women



06

**Portfolio review:
Continuous ESG
improvement**

Continuous ESG improvement

Ñaming



Founded in 1990, Ñaming is the Spanish leader in the production of sandwiches

Key Figures 2019



Zaragoza
Headquarters



87
Employees



2014
Year of investment



20M€
Turnover (M€)



Suppliers' selection and evaluation procedure

Ñaming requests, among others, a certificate of ethics and social responsibility and holding environmental management certification is positively valued. Suppliers are informed on Ñaming's quality policy and environmental requirements.

Continuous ESG improvement

Ñaming



Social engagement

- **Sustainable Development Policy:** transparency, collaboration within the production chain, reducing product waste, use of biodegradable containers, collaboration with food banks and support local entities.
- **Non-discriminatory Policy:** respect of the equality principle and against any form of discrimination.
- **Ethical Policy :** ethical principles and human resources matters as well as professional development, work-life balance.
- **Quality, Food Security and Environmental Policy:** pollution prevention and sustainable use of natural resources.

Ñaming provides new employees with a welcome manual including the environmental policy and the promotion of healthy lifestyle .

Selected ESG KPIs 2019



Environmental

90.1 Electricity consumption
(kwh/k€)

6.4 Waste produced
(Kg/k€)



Social

1.4 % Employee turnover rate
(Percentage of employees leaving the company compared to the total employees number)

44 % Women
(Percentage of women compared to total employee number)



Governance

4.2 Customer claims
(number of customer claims/M€)

2 Response of claims resolution time
(average days for claim response)



Environmental certification
ISO 14001

Sustainable initiatives

90% of our packaging is recycled plastic.

Compostable packaging for new line of products launched in March 2019.

Improvements in the refrigeration system that led to electrical saving.

Collaboration with food banks as well as with local entities (local football team sponsorship).



Founded in 1976, Dentalab is a European leader in the manufacture and distribution of single use labware, in compliance with the highest standards of quality, sustainability criteria and economical efficiency.

Key Figures 2019



Barcelona
Headquarter



177
Employees



2016
Year of investment



39M€
Turnover (M€)

Outstanding practises

Dentalab has a **manual on good environmental practices** available to employees that helps the company to achieve its environmental targets: reduction of energy and water consumption, reduction and correct segregation of waste, reduction of paper use, etc.

This manual also gives instruction to the Procurement Department such as purchase of high efficiency equipment, low-consumption light bulbs, among others.





Social engagement

- **Integrated Management Policy:** committed to protection of the environment, the improvement of the employee's conditions and maintaining a closer relation with its suppliers.
- Set of **measures aimed to achieve equal opportunities at work.** Most important measures include gender equality in career promotion and prevention and intervention measures in the event of sexual or gender-based harassment.
- **Code of Conduct:** equal opportunities and non-discrimination; respect for individuals and their privacy; health and safety; impartiality and conflict of interest resolution; protection of the environment; corruption and fraud.

Selected ESG KPIs 2019



Quality and Environmental certifications
ISO 9001 and 14001



Environmental

120.0 Electricity consumption
(kwh/k€)

77.6 Water consumption
(litres/k€)



Social

4.19 LTIR
(Lost time incident frequency rate)

52.0 % Women
(Percentage of women compared to total employee number)



Governance

35.0 Customer claims
(number of customer claims/M€)

1.0 Amount donate to charity/local organizations
(K€)

Sustainable initiatives

In the process of changing all lights to LED.

Environmental goals in accordance with ISO 14001 certification: 5% reduction in paper use; 3% reduction of fossil fuels and 2.5% reduction of the energy consumption.

Collaboration with NGOs (i.e. provision of lab gloves) and Wildlife protection group.

Continuous ESG improvement

Rotecna



Founded in 1991, Rotecna is the world leader in the design, manufacture and marketing of plastic products for pig farming.

Key Figures 2019



Agramunt
(Lleida) Spain
Headquarter



206
Employees



2016
Year of investment



42M€
Turnover (M€)

Outstanding values

People

- The first and most inescapable task of any command is to serve the people of your team.
- We always see the other as a person, never as an instrument.
- We do not discriminate for any reason of sex, age, color, or any other.
- We're all the same.

Safety

- The safety and health of our people, contractors and the community comes first.
- We make security a personal responsibility and especially for management with people in charge.
- Zero accidents and zero injuries is possible. It is our goal and a need

ROTECNA's values are published in its website and in information boards within the Company and are provided to new hires when joining the Company

Continuous ESG improvement

Rotecna



Social engagement

- **Harassment protocol** including promotion of equal opportunities and zero gender discrimination.
- **Code of Conduct** within the Penal Compliance System.



Quality certification
ISO 9001



Selected ESG KPIs 2019



Environmental

- 101 Electricity consumption
(kwh/k€)
- 1.0 Water consumption
(litres/k€)



Social

- 0.8 LTIR
(Lost time incident frequency rate)
- 26 % Employee turnover rate
(Percentage of employees leaving the company compared to the total employees number)



Governance

- 15 Response of claims resolution time
(average days for claim response)
- 1.7 Amount donate to charity/local organizations
(K€)

Sustainable initiatives

Substitution of the plastic injection machines for more efficient ones.

25% of the plastic used is recycled.

Collaboration with suppliers hiring people with special needs (Alba Association and Acudam), entrusting them with packaging of some components.

During 2019 donations were made to local organizations.

Continuous ESG improvement

AIT



ACOUSTIC
& INSULATION
TECHNIQUES

With more than 60 years of experience, AIT is a leader in manufacturing materials for sound insulation.

Key Figures 2019



Barcelona

Headquarters



126

Employees



2018

Year of investment



41M€

Turnover (M€)

AIT's commitments

"We protect our environment, recovering and recycling

AIT recovers the pieces that are left over from die-casting and moulding and recycles them, ensuring our customers that the materials are correctly re-used, maintaining the quality standards of the product and minimising the final waste.

Guarantee

The convergence of what we have towards what we want to be comes from achieving quality in all the areas of our company. AIT has the ISO 9001:2008 and CE mark, and their annual renewal enables us to maintain our leadership in the sector"

AIT's commitments are published in its website

Continuous ESG improvement

AIT

Social engagement

Ethical Code including human rights principles, labor standards, environmental and anti-corruption principles.

AIT's ethical code is delivered to all employees for acknowledge



Selected ESG KPIs 2019



Environmental

- 75 % Waste reuse
(Percentage of waste generated that is reused in the production process)
- 77 % Water reuse
(Percentage of water consumption that is reused in the production process)



Social

- 9 NLTA
(Number of non-Lost time accidents)
- 3.5 H&S training
(hours of health and safety training/Full time employees)



Governance

- 2.1 Customer claims
(number of customer claims/M€)
- 12 Response of claims resolution time
(average days for claim response)

Sustainable initiatives

The Company changed all lights to LED.

AIT has been recognized by EcoVadis with the Gold Metal on Corporate Social Responsibility dated 2018 & 2019

Continuous ESG improvement

Burdinberri



Founded in 1990, in Vitoria, Burdinberri is a benchmark in the manufacture of constructive elements and tools for the aeronautical sector.

Key Figures 2019



Álava
Headquarters



51
Employees



2018
Year of investment



8M€
Turnover (M€)



Continuous ESG improvement

Burdinberri



Social engagement

Ethical code: including among others, respect between peers regardless of ethnicity, social origin, age, sex, educational background or religious beliefs; and the prohibition of any manifestation of harassment.

AIT's ethical code was acknowledged by all the employees in January 2019

Selected ESG KPIs 2019



Environmental

128 Electricity consumption
(kwh/k€)

6 Waste produced
(Kg/k€)



Social

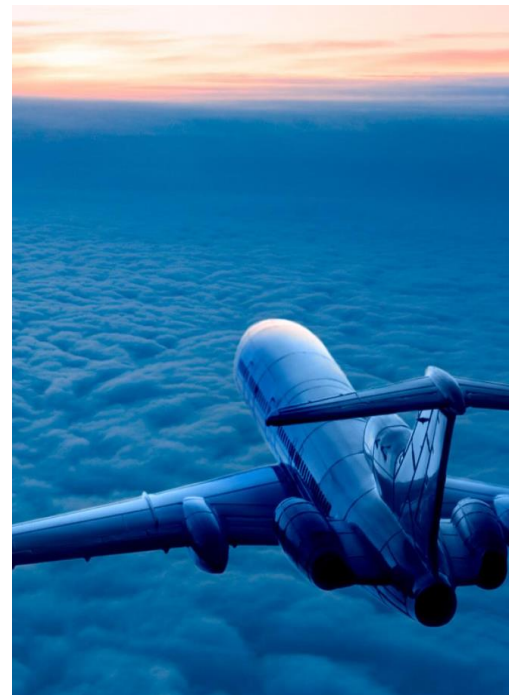
4.5 LTIR
(Lost time incident frequency rate)

5 NLTA
(Number of non-lost time accidents)



Governance

Customer claims
(number of customer claims/M€)
Only one claim was received during 2019



Sustainable initiatives

The Company changed workshop lights to LED.



Founded in 1999, P4Q is a reference in the design and manufacture of electronic circuits – EMS – (Electronic Manufacturing Services).

Key Figures 2019



Bizkaia

(Basque Country)
Headquarter



184

Employees



2018

Year of investment



46M€

Turnover (M€)



Social engagement

- **Ethical Code:** Transparency, integrity and confidentiality must be present in all relationships within the organization. Including anti-bribery code.
- **Social Agreement (Pacto de Empresa):** including promotion of equal opportunities and prohibition of gender discrimination

P4Q's Ethical Code is part of the welcome pack and is signed by new employees when they first enter the company.

A Commission integrated by representatives of the Company and employees has been constituted for the Social Agreement adequate implementation.

Continuous ESG improvement

P4Q

The Company conducts **annual employee satisfaction surveys** including employees' perception on discrimination within the Company as well as gender equal conditions, work-life balance and transparent and ethical management.



Occupational Health & Safety certifications
ISO 45001



Selected ESG KPIs 2019



Environmental

1.6 Waste produced
(Kg/k€)

3.7 Water consumed
(litres/k€)



Social

2.0 LTIR
(Lost time incident frequency rate)

0.1 % Employee turnover rate
(Percentage of employees leaving the company compared to the total employees number)



Governance

0.8 Customer claims
(number of customer claims/M€)

1.7 Amount donate to charity/local organizations
(k€)

Sustainable initiatives

P4Q has collaborated with "Mundukide" NGO providing solar trackers.

The Company has sponsored a local sport team and a local race.

P4Q has requested efforts on packaging reduction to one its suppliers.

Continuous ESG improvement

Grupo Tregor



Founded in 1993, Tregor Group manufactures and distributes a wide range of products for natural medicine, esthetics, pharmacy and dietetics markets.

Key Figures 2019



Outstanding values

“Promote research and innovation as keys to achieving environmentally-friendly manufacturing processes and more efficient products, which contribute to the improvement of health and social welfare”

Grupo Tregor's values are published in its website

Continuous ESG improvement

Grupo Tegor




Social engagement

Environmental and Quality Policy which includes commitment to reduce and prevent environmental impacts as well as other strategic values (team work, product innovation towards sustainability, product life cycle assessment).



Environmental certification
ISO 14001

Selected ESG KPIs 2019

 Environmental	37.5	Electricity consumption <i>(kwh/k€)</i>
	17.0	Gas consumption <i>(Kwh/k€)</i>
 Social	0.36	H&S training <i>(hours of health and safety training/Full time employees)</i>
	53	% Women <i>(Percentage of women compared to total employee number)</i>
 Governance	0	Customer claims <i>(number of customer claims/M€)</i>
	1.2	Amount donate to charity/local organizations <i>(k€)</i>

Sustainable initiatives

The Company has changes all laboratories' lights to LED

Tegor has collaborated with the NGO Alboan for a project In Rwanda that seeks to improve productivity of the agricultural crops of local families, focusing mainly on women in this area.

This year, the Company also sponsored local sport teams.



07

Looking ahead

Looking ahead

We hope that our 2019 ESG report has provided a valuable insight and transparency to our commitment towards various ESG initiatives in the portfolio.

Looking ahead over the next 12 months, we plan to continue strengthening our responsible investment approach implementing identified ESG initiatives and practices and allocating the necessary time and resources for the accomplishment of our ESG action program.



As responsible investors we will enhance and support our Portfolio companies to reach their ESG objectives implementing a number of initiatives aimed to reducing their risk exposure and focus on continuous improvement as follows, for example:



- All portfolio companies to acknowledge Talde ESG 's policy
- Engagement of Talde ESG committee & ESG responsible at portfolio companies
- Annual ESG reporting, new ESG communication policy
- ESG Due Diligence for new investments



Portfolio companies



- **P4Q**, further development of social strategies for work-life balance opportunities, tele-working and equity plan.
- **Deltalab** improvements in relations with clients and suppliers through a new CSR policy.
- **Rotecna** enhancing engagement of its employees through better work-life balance and communication plans.



- **P4Q**, study of a future sustainable building project.
- **Deltalab**, setting further quantifiable reductions in paper, fuel and energy consumption.
- **Tegor** development of biodegradable packaging studies.
- **Ñaming** improvements in recycling packaging and promoting healthy and sustainable diet.



This annual review has been prepared by Talde Private Equity with the support of ERM