



TalDe

ESG POLICY

Talde Gestión, S.G.E.I.C., S.A.

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Objective and scope of application

This document is applicable to Talde Gestión, S.G.E.I.C., S.A. (hereinafter "Talde" or "Entity"), and its scope includes all the issues managed by it. This policy is an updated document that integrates Talde's previous ESG Policy together with the Responsible Investment Policy and has been formally approved by the Board of Directors on June 13, 2022.

This policy defines Talde's approach to the integration of environmental, social and governance issues (hereinafter "ESG") throughout its investment horizon with the aim of generating sustainable and socially responsible values in the companies invested in.

Background

Talde is one of the main actors in the Private Equity sector in Spain, focused on the growth and internationalization of small and medium-sized companies, together with the consolidation within their sector.

Talde believes that major global concerns such as climate change, resource scarcity, demographic development, technological advances and social inequality will influence markets, companies and society in general, and will have implications for companies in terms of risks and opportunities that must be evaluated and considered.

Mutually, Talde recognizes that the Private Equity, Debt and Real Estate business can have a significant impact on the economy, the environment and society, factors that cannot be addressed separately. Consequently, the environmental, social and governance implications of its investments must be taken into account and must have influence in the investee companies into acting in a socially responsible manner.

In this sense, Talde's mission is to improve the management and benefit of companies by refocusing their growth under more sustainable criteria. Talde considers that ESG issues must be integrated into the investment process in order to create maximum long-term value for Investee Companies and investors.

For these reasons, Talde believes that ESG issues should be integrated into the investment process and this falls within its fiduciary obligations as an investor.

Regulatory framework and reference standards

This document has been drafted commensurate with the development framework of the European Union's Sustainable Finance Action Plan to finance sustainable growth and a greener Europe. In that regard, it is worth noting:

- Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (hereinafter also the “SFDR Regulation” or “SFDR”) of March 2021.
- The Final Report on the Regulatory Technical Standards (hereinafter “RTS”) published by the European Supervisory Authorities in February and October 2021.
- The Letter from the European Supervisory Authorities (“ESAs”) sent to the European Commission on priority questions regarding the interpretation of the SFDR Regulation, as well as the response issued by the European Commission in January 2021.
- The statement issued by the National Securities Market Commission (“CNMV”) on the application of the SFDR Regulation in the financial sector in June 2021.
- The roadmap for Sustainable Finance 2020-2024 of the European Securities and Markets Authority (“ESMA”) of February 2022.

Additionally, Talde's activity also considers the following reference standards:

- The United Nations Global Compact ([link](#))
- The United Nations International Declaration of Human Rights ([link](#))
- The United Nations Guiding Principles on Business and Human Rights ([link](#))



As an example of the Entity's commitment to sustainable development, since 2021, Talde is a signatory to the Principles for Responsible Investment (hereinafter "PRI"). This initiative urges investors to integrate ESG issues into the investment decision-making process to ensure better risk management while generating long-term sustainable growth.

In addition, Talde recognizes that a sustainable economic future depends on sustainable investment practices, existing not only the opportunity but also the obligation for the active participation of the financial sector to help achieve the Sustainable Development Goals (hereinafter “SDGs”) and the established goals of the Paris Agreement that include the achievement of carbon neutrality by the European Union.

Talde is committed to contributing, through its activity, to the following SDGs:



Responsible investment strategy and integration of sustainability risks

Talde believes that ESG issues and the risks derived from them must be integrated into the investment process. Furthermore, as part of its fiduciary duty, Talde acts in the best interest of its funds meaning properly considering how sustainability risks could affect the long-term value creation of our investee companies and investors.

In this context, sustainability risk is defined as any environmental, social or governance event or condition that, in case of occurrence, could have an actual or potential negative material effect on the value of the investment.

This position is defined in Talde's philosophy, which is articulated through the canalization of investments towards Spanish Small and Medium Enterprises, which are supported by Talde in the design and execution of strategic plans focused on promoting their sustainable development both nationally and internationally.

Talde defines its sustainability risk integration methodology around the following responsible investment strategies, which can be executed individually or in combination depending on the different levels of sustainability defined for its vehicles under management:

- **Exclusion:** The main objective of this strategy is to minimize the sustainability risk related to the participation in sectors considered controversial or not aligned with the Entity's reference standards.

Thus, Talde has established an exclusion list according to the International Finance Corporation (World Bank) and the exclusion list of the European Investment Bank. Talde will not invest in any company that carries out any type of illegal economic activity.

In addition, the following illegal or morally controversial sectors are excluded:

- Tobacco and alcoholic beverages or liquor.
 - Armament and ancillary equipment of any kind (except for strategic activities of the European Union included in its policies)
 - Gambling, casinos and equivalent companies
 - Environmentally and socially unacceptable projects, developed in protected areas, critical habitats and heritage sites, or without adequate compensation/mitigation activities.
 - Projects that entail a limitation of Human Rights
 - Any assets with indications of corruption, money laundering practices or crime.
- **ESG Integration:** Talde considers that integrating ESG issues into financial analysis and investment decision-making can reduce sustainability risks and improve the financial prospects of investee companies over time. To capture ESG considerations and risks effectively, Talde integrates them throughout the investment cycle:

ESG integration phases throughout Talde's investment cycle



- **Previous review and ESG Due Diligence:** Talde is committed to evaluate ESG issues, climate-related risks and opportunities, circular economy opportunities and management standards in the companies under analysis during the evaluation of investment opportunities, likewise to document any material indication in the investment portfolios. Prior to any investment, Talde, at all times, will carry out a previous review or screening process to identify the risks and opportunities associated with sustainability issues. In case any significant risks are identified, Talde will execute a more detailed ESG Due Diligence audit. This evaluation will provide key information to the Investment Committee before the acquisition.
- **Investment decision and action plan:** portfolio companies will assume the information provided in this document at the time Talde makes the investment decision. In addition, Talde has started to support these companies in improving their ESG performance to help them comply with Talde's ESG principles. Talde, together with the portfolio company, will define an Action Plan to address the ESG risks and opportunities identified during the Due Diligence carried out before the acquisition.
- **Management of portfolio companies:** to ensure continuous improvement, Talde will supervise the portfolio companies on a regular basis. In these companies, a series of key performance indicators and ESG objectives will be defined and evaluated. Talde will also discuss with portfolio companies issues that could significantly impact the company or create a potential opportunity and encourage them to identify ESG issues to address them at the corporate level. Talde will develop processes that allow companies to report ESG incidents and will help develop ESG action plans and share best practices among portfolio companies.
- **Thematic investment:** Thematic strategies focus on investments in themes and sectors whose economic activities address specific environmental, social and/or governance issues, also in relation to the aforementioned Sustainable Development Goals. Considering the type of small and medium companies in which Talde invests, special emphasis and care will be given to the following issues:

Environmental (E)	Social (S)	Governance (G)
<p>Natural Capital, Climate Change and Respect for the Environment: Talde recognizes the importance of conserving healthy ecosystems for the well-being of future generations.</p> <p>Talde will emphasize the precautionary principle of “do no harm to the environment” by trying that Portfolio Companies assess their environmental impacts, reduce their footprint and improve their sustainable performance.</p>	<p>Human rights and social issues: Talde will respect human rights and will ensure it does not invest in companies involved in any type of modern slavery, forced labour or child abuse. Talde will ensure equal opportunities. Talde will ensure equal opportunities.</p> <p>Labour rights: Talde will ensure portfolio companies commit to comply with applicable labour 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.</p>	<p>Bribery and corruption: Talde will prohibit any type of bribery and corruption and will support ethical behaviors within the company and portfolio companies.</p>

- Engagement with investors:** Talde will periodically monitor ESG aspects with its investors and the Board of Directors. It is Talde's wish to have a communication policy with investors specific to this topic. To this end, Talde will post its ESG Policy and ESG information on its website and will prepare an annual ESG report.

Information on the Principal Adverse Impacts in terms of sustainability

Talde recognizes the role and responsibility of the financial sector in mitigating sustainability risks and the impacts derived from investment decisions and contact actions with the companies and institutions invested in.

In accordance with the provisions of article 4 of the SFDR Regulation, the Principal Adverse Impacts (hereinafter, "PAIs") in terms of sustainability must be understood as the negative, material, or potentially material effects on sustainability factors that result from, worsen, or are directly related to investment choices.

The Entity, in its role as a financial market participant and in accordance with the provisions of article 4 of the SFDR Regulation, currently takes into account the following mandatory indicators on PAIs in matters of sustainability at the entity level provided in the RTS published in February 2021 .

→ PAI indicators considered by Talde at entity level

<i>ESG issue</i>	<i>PAI</i>
Greenhouse Gas Emissions	1. Greenhouse gas emissions (GHG)
	2. Carbon Footprint
	3. GHG intensity of investee companies
	4. Exposure to companies active in the fossil fuel sector
	5. Share of non-renewable energy consumption and production
	6. Energy consumption intensity per high impact climate sector
Biodiversity	7. Activities negatively affecting biodiversity sensitive areas
Water	8. Emissions to water
Wastes	9. Hazardous waste ratio
Social and Employees Matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
	12. Unadjusted Gender Pay Gap
	13. Board Gender Diversity
	14. Exposure to controversial weapons (antipersonnel mines, , chemical weapons and biological weapons)

Regarding the implementation of due diligence measures, Talde will also take into consideration PAIs through the Entity's responsible investment strategy, as shown below.

→ Methodology to identify and measure PAIs		
ESG strategy	Explanation	Aplication
Exclusions	Talde restricts investment in certain sectors considered controversial or that are not aligned with the reference standards of the Entity. (See Sustainable Investment Policy)	The Entity has no exposure to activities related to the fossil fuel sector (PAI 4), to companies excluded from the United Nations Global Compact (PAI 10 and 11) or controversial weapons (PAI 14).
ESG Integration	The integration of ESG issues throughout the investment process is crucial for Talde's activity, therefore, the Entity regularly collects and analyzes the ESG performance of investee companies.	Talde regularly monitors the sustainability performance of its portfolio companies in areas such as greenhouse gas emissions (PAI 1-3), energy consumption (PAI 5-6), and waste management (PAI 9), among others.
Thematic investment	Talde understands the need to channel capital flows towards sectors and activities that address challenges and provide specific solutions in ESG matters.	Talde focuses on sectors of priority interest for sustainable development through investment in sectors and activities that do not negatively affect the environment (based on the principle of Not Causing Significant Harm). For example, in terms of biodiversity (PAI 7) and water (PAI 8).
Engagement	The Entity seeks continuous dialogue with its portfolio companies through engagement actions to guarantee their sustainable development and create value over time.	Talde strives to guarantee equal opportunities, hence, carries out engagement actions with portfolio companies in matters of diversity (PAI 13) and supports the calculation of gender indicators such as the salary gap (PAI 12).

Talde is currently working on adapting its methodology for supervising and monitoring the performance of its portfolio companies regarding the prioritization of the Principal Adverse Impacts, which will be updated once the RTS, currently in the review phase, come into force. In the same way, Talde will identify possible deviations in the sustainable performance of said investees and will establish the specific measures that must be adopted in each case.

When the PAI reporting obligation at the entity level comes into force, the information on these indicators at the entity level and the measures taken in each case will be available in the ESG Report available on its website.

Finally, Talde believes that its commitment to its portfolio companies in matters of sustainability will have a positive impact on the results of its investments and on society.

For this reason, it is guided by the reference standards in the sector such as the United Nations International Bill of Human Rights ([link](#)) the United Nations Guiding Principles on Business and Human Rights ([link](#)) and the Equator Principles ([link](#)), among others.

The Entity will also seek to actively contribute to the alignment of its investees with the 2015 Paris Agreement and the SDGs and will work on the implementation of climate transition strategies that are compatible with the objective of achieving climate neutrality in 2050 of the European Union.

Governance

In December 2020, Talde's Board of Directors presented a new organizational approach, approving the creation of an ESG committee composed of four directors. This committee deals with ESG-related issues and assigns specific functions to the people on the Board of Directors who are in charge of collecting information from investee companies and communicating with investors. This committee is also responsible for formulating a training plan on ESG issues for its employees and those of the portfolio companies.

At the portfolio companies' level, Talde holds regular meetings with them to express their commitment and concerns about different ESG issues and follow up the performance KPIs.

Talde's Board of Directors will review and, when necessary, update this document to reflect the ongoing efforts to improve the ESG approach, as well as the emerging requirements of the stakeholders and the evolution of good practices. The Entity will continue working on additional initiatives and projects.

Board of Directors Talde Gestión, SGEIC, SA

June 13, 2022