

ESG annual review



TalDe

2020

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FOREWORD

The global COVID-19 pandemic has highlighted the fragility of our business as usual and the need to create a resilient, adaptive and sustainable financial sector that contributes to society and our planet. To face global change and upcoming socioeconomic and ecological challenges, Talde strives to bring environmental, social and governance (ESG) practices to the next level and fully integrate them into its core business. As a private equity firm, we are aware of our key role in shaping the economy to achieve international goals such as the Paris Agreement and the Sustainable Global Agenda 2030. To that end, we consider it is vital to redirect capital flows into greener projects that support climate change mitigation-adaptation initiatives, sustainable use of resources, circular economy, pollution prevention and healthy ecosystems. At Talde, we believe that we can achieve a more just and sustainable world by acting as responsible investors, integrating ESG factors in the life cycle of investments.

We would like to thank our portfolio companies, who are committed with us to continue working for an effective sustainable transformation of our economy. In order to ensure transparency and keep track of ESG annual performance, Talde has assessed its Portfolio Entities and associated ESG for the second year.

We have the trust of our investors and we will inform them on a regular basis about the progress and achievements we are making in implementing ESG aspects in our business.

This report refers to 2020 information, understood as a calendar year. We believe this review also provides investors and stakeholders with an open and transparent indication of our ESG approach.

Our goal for the next years is to ensure that ESG is fully embedded within the business we own, in those we have invested and in those in we will invest.

“A paradigm shift in the next decade is needed if we want to address the most urgent ecological and social issues. From Talde, we work to build up a new investment scenario in which assessing and managing ESG related impacts becomes a core part of our investment decision-making”

“Talde's Team”



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TALDE OVERVIEW

About Talde

Talde is a leader company in the private equity (PE) market. It was founded in Bilbao in 1976 through its “evergreen” vehicle *Talde Promoción y Desarrollo SCR, SA*, which nowadays continues operating.

Nowadays, Talde counts with a solid support of different institutional investors (pension funds, EPSV, insurance companies, fund of funds) and important family owned business groups.

Talde, primarily invests in Spanish Small and Medium Enterprises (SMEs), which are assisted by Talde’s team in a post-investment and ownership period to support them in the design and execution of their Strategic Plans focused to promote their sustainable growth bot at the national and international level.



45 years existence



We have participated in more than 160 companies

Our Values represent the key element of our entrepreneurial culture, they are based on **People** who is passionate about tackling challenges with rigor and a positive attitude, **Commitment** with service excellence, perseverance and **Responsibility** to work with ethic in building a more sustainable future.

Talde is an outstanding company in the PE arena due to its commitment to improve Spanish Small and Medium Enterprises through the promotion of four fundamental pillars:



Active Participation

We work along with our portfolio companies’ management teams providing our expertise and experience.



Expertise

Talde is made of finance highly skilled experts with extensive experience in transactions and management of businesses.



Commitment

Talde works with clear objectives aligned with the interests of their partners and stakeholders.



Transparency

Disclosure and transparency are key elements for Talde.

Talde's Investment Strategy

Talde continues its growth and acquisition of assets, we currently manage more than 300 millions euros of assets.

This has been possible due to the support of its traditional investors and the collaboration with new ones, both have provided the opportunity to use their different resources to invest in companies with top-level partners who are willing to incorporate ESG recommendations.

2020 Milestones



Launched of Talde Deuda Alternativa FILPE whose objective is to provide sustainable and continuous financing to small and medium-sized companies with international growth expectations.



Talde Deuda Alternativa FILPE financed the acquisition of approximately 70% of GVO (Grand Vision Optics), a manufacturer of children's glasses.



Talde has closed the investment period of its Private Equity fund Talde Capital Crecimiento, FCR and has launched a new fund with a similar approach and a total amount of €150 million.

In addition, Talde Promoción y Desarrollo, S.C.R., S.A., has increased its capital. This financial instrument completes the diversity of products Talde provides for small and medium-sized companies.



Talde carried out new investment and divestment operations, it took part of Fire Pipping's and Patia's capital and sold Rotecna's stake 4 years after it was purchased.



Talde's Team



Gender equality



Intergenerational



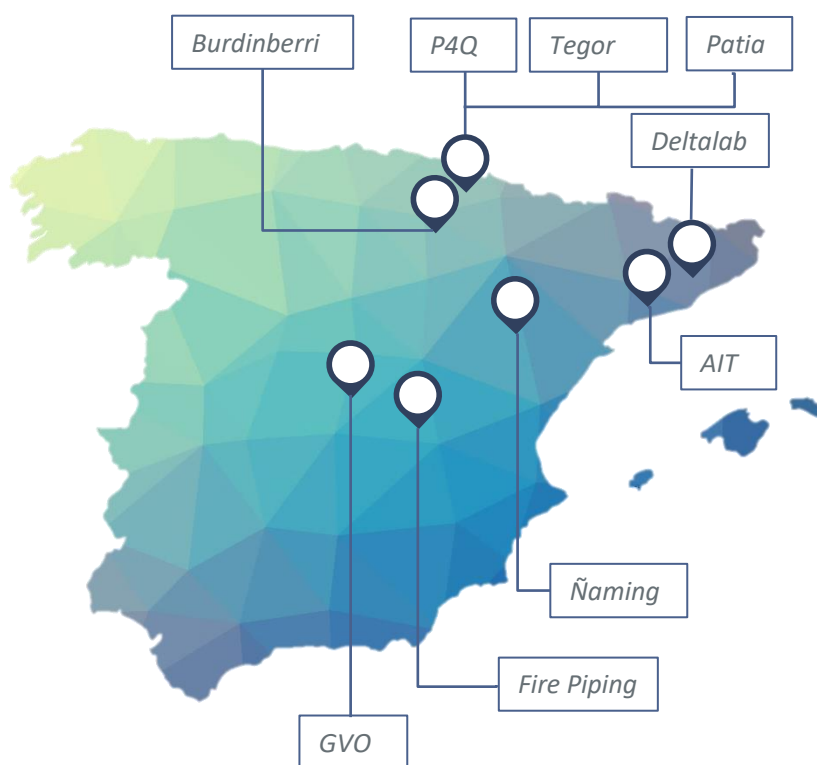
Diversity of backgrounds

Talde is made of 13 investment professionals with sound knowledge of the financial sector and specifically, regarding the private equity market and counts on a large and well recognised team of collaborators. Talde's team is specialized in the execution of corporate transactions with a strong focus on the management and performance improvement of its portfolio companies.

At Talde, 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.

Talde's Portfolio Companies (PC)

- 9 Portfolio Companies (Small and Medium Enterprises) based in Spain.
- Portfolio companies are distributed along 5 different Autonomous Communities.
- Value of companies: between €3M and €72M.



Portfolio Companies



RESPONSIBLE INVESTMENT

3.1 Our Approach to Sustainable Investment

Values and fundamentals of our responsible investment

Talde's ESG Policy aims to guide its responsible investment journey, as well as reflects its commitments to manage environmental, social and governance (ESG) issues from an ethical standpoint. Talde considers a fair number of ESG topics throughout its entire investment cycle spanning from an initial high-level screening, due diligence and investment decision, to post-investment period.

Talde works with all Portfolio Companies to co-create added sustainable intrinsic value before the exit phase.

According to the latest Global Risk Report developed by the World Economic Forum, Infectious diseases and climate action failure are considered the most likely and impactful risks on this year's analysis. ESG risks could have enormous implications for businesses, industries and society in general, now and in the future.

Therefore, it is part of Talde's responsibilities to carefully evaluate these risks when making any type of investment and, if necessary, study how our decision making process and investee companies could be impacted by these long-term megatrends.



Our commitments

1. **Implementation and communication of the ESG Policy**
2. **Working towards Sustainable Solution and Outcomes**
3. **Sectorial exclusion**
4. **ESG engaging at Talde level**
5. **Integration of ESG matters throughout the deal cycle**

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 in the following sections.



Implementation and communication of the ESG Policy



Talde's Board will review Talde's ESG Policy to reflect emerging sustainability issues, stakeholders' perception and most advanced good practices of the financial sector. In 2021, the ESG Policy has been updated in order to:

- Define Sustainability Outcomes in our ESG Policy (SDG goals) and include a statement to endorse the Paris Agreement and the *Task Force on Climate-related Financial Disclosures* (TCFD) recommendations;
- Include (EU) 2019/2088 and (EU) 2020/852 2020/852 regulation's guidelines.

Talde will communicate its ESG Policy to its investors and portfolio companies.

Sustainable Solution and Outcomes

In September 2015, all 193 Member States of the United Nations adopted a Roadmap for transforming our planet into a more just and liveable place “The Agenda 2030” with 17 Sustainable Development Goals (SDGs).

We are working to align our corporate management with the Sustainable Development Goals, which in addition to assuming a commitment to social and sustainable progress helps us find new business opportunities, promote innovation and improve our relationship with stakeholders.

At Talde, we acknowledge the need of an active participation of the financial sector on the Agenda 2030 sector to fully achieve the Sustainable Development Goals (SDGs) by 2030. Therefore, we are committed to contribute through our business operations and investments to the following SDGs :

- SDG 5 : Gender Equality
- SDG 6: Clean Water and Sanitation
- SDG 7 : Affordable and Clean Energy
- SDG 8: Decent Work and Economic Growth
- SDG 9: Industry Innovation and Infrastructure



Governance

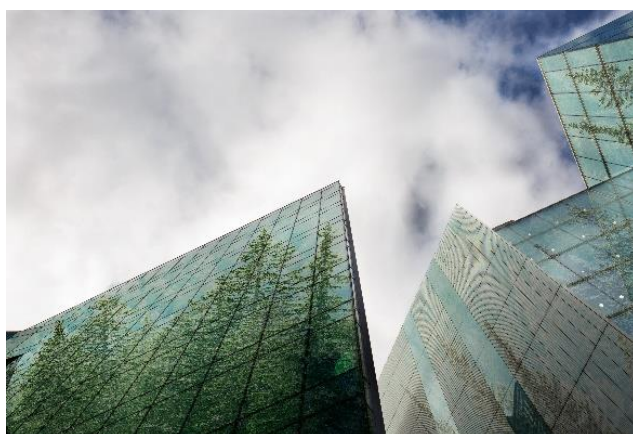
Talde's investment make emphasis and care in the following topics:

Human Rightst 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 guarantee equal opportunities among its employees.

Natural Capital, Climate Change and Respect for the Environment:

- Talde recognizes the importance of conserving healthy ecosystems for the well-being of future generations.
- Talde will emphasize the precautionary principle of "do no harm to the environment" by encouraging the Portfolio Companies to assess their environmental impacts, reducing their footprint and improving their sustainable performance.



Labour Rights:

- Talde ensures 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 affiliation rights of employees, as well as their participation in collective agreements.

Bribery and corruption:

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

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ESG IN ACTION

4.1 ESG at Talde Level

ESG engaging at Talde level

Talde's Responsible Investment Policy, the Procedure of good governance, organization and responsibilities, the code of ethics and the procedure for personnel training and evaluation are in place since December 2019.

In December 2020, Talde's Board presented a new organizational approach approving the establishment of an ESG committee made up of four Board Members. This committee, will be in charge of managing and centralizing Governance, Sustainability and Environmental issues as well as promoting the exchange of knowledge and best practices among the investee companies.

- **Audit, Control and Compliance Committee** (4 Directors of the company).
- **Remuneration and Appointment Committee** (3 Directors of the company).
- **ESG Committee** (4 Directors of the company).

At the investee level, Talde regularly holds meetings with the Portfolio Companies to express its commitment and concerns about different ESG topics and follow performance KPIs.



Our commitment to Responsible Investing

Talde is decided to become UN PRI signatory during 2021 and we are committed to the following:

- To incorporate Environmental, Social and Corporate Governance (ESG) issues into investment analysis and decision-making processes;
- To be an active owner and to incorporate ESG issues into our ownership policies and practices;
- To seek appropriate disclosure on ESG issues by the entities in which we invest;
- To promote acceptance and implementation of the Principles within the investment industry;
- To work with the PRI Secretariat and other signatories to enhance their effectiveness in implementing the Principles for Responsible Investment;
- To report on our activities and progress towards implementing the Principles for Responsible Investment.



Transparency

Talde is deeply committed to be transparent to investors and proactively report ESG-related portfolio information.

We shared our responsible investment policy, ESG Due Diligence reports in case of exit and our and portfolio companies ESG performance through the ESG annual report.

As part of this commitment, Talde will improve its website to include ESG section with our ESG policy, Sustainability reports and commitments.



Other Initiatives at Talde



Digitalization: Talde counts with advanced communication equipment to optimise business travel and reduce its environmental impact CO₂. Additionally, all projects have been transferred to the cloud and all employees have been trained on cyber risks and how to avoid them.



Recycle of wastes: in Talde's offices there is a correct segregation of all the waste produced by using different specific containers.



Resource consumption: since the main energy source is electricity, Talde installed lighting control automation system to improve energy efficiency at its offices.



Covid-19 crisis: office materials and computers have been provided to all employees so they could work remotely, promoting flexible working hours and improving work-life balance.

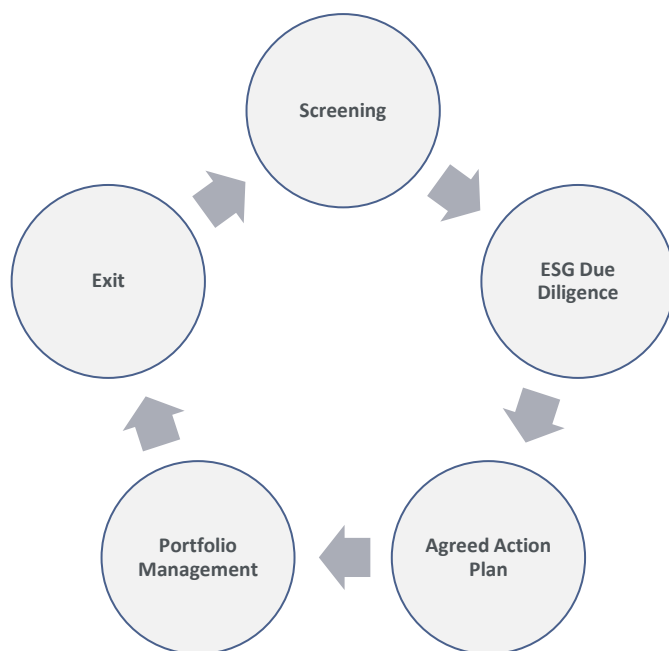
4.2 Driving value through ESG Management

ESG Integration

As a responsible investor, Talde is working in line with Regulation (EU) 2019/2088 modified by (EU) 2020/852 to facilitate sustainable investment.

Screening

- At the beginning of the process we identify ESG risks and we enhance potential market opportunities by excluding non-acceptable activities or selecting sectors and targets inclined towards a higher environmental or social return.
- We have established an **exclusion list** according to the International Finance Corporation (World Bank) as well as the European Investment Bank's exclusion list. Talde will not invest in any company that undertakes any kind of illegal economic activity and we exclude the following illegal or morally controversial sectors:



Exclusion list

- Tobacco or distilled alcoholic beverages and related products.
- Weapons and ammunition of any type (except for EU strategic activities included in its policies).
- Gambling, casinos and equivalent enterprises.
- Projects unacceptable in environmental and social terms: in protected areas, critical habitats and heritage sites, without adequate compensation /mitigation.
- Projects which result in limiting human rights
- Any target with signs of corruption, money-laundering practices or crime.



ESG Integration*Due Diligence*

- According to our responsible investment policy we carry out ESG due diligence on every new investment opportunity, using external specialized resources.
- As an integral part of the due diligence we thoroughly investigate ESG challenges and opportunities in areas such as:



Governance - Assess Corporate Social Responsibility / Sustainability strategy and ESG policies, assurance mechanisms (ESG reporting (KPIs), audits) and external ESG reporting. Review of Stakeholder engagement, Supply chain and contractors management, Review prosecutions, regulatory notices and third party claims related to ESG issues.



Social - Compliance with labour regulation and human rights (Occupational health, policies, procedures, workplace risk assessment and prevention plans), other labour issues (workers exposure monitoring and work-related illnesses and occupational diseases).



Environment - Company's resilience to Climate Change challenges, adaptation and mitigation, energy management. Compliance with regulations, circular economy, efficient use of resources, environmental KPI'S. Assessment of environmental liabilities.

ESG Integration

Investment decision

- Talde's Investment Committee is responsible for all investment-related decisions and the overall monitoring of the funds' investments.
- Key ESG due diligence findings are submitted for discussion to the Investment Committee.

Agreement/Action Plan

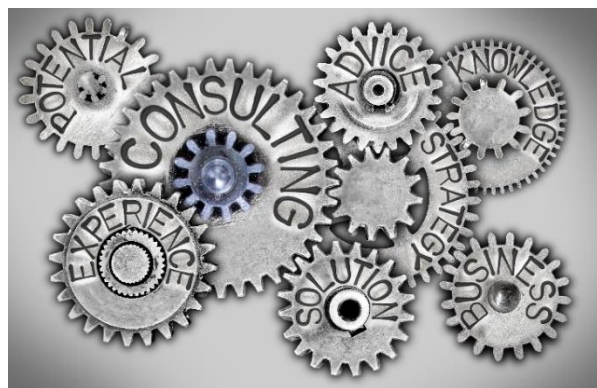
- The Investment Phase concludes with the Investment Agreement where we include relevant governance clauses that enable us to modulate ESG within portfolio companies, including:
 - Adherence to Talde's ESG Policy;
 - Reserve of capacity to propose ESG actions, in case of minority stakes;
 - Commitment to continuous ESG improvement;
 - Governance based on Talde's presence on the investee's Board of Directors.
- As part of the action plan tailored to the new company:
 - We discuss the implementation of among others, Ethics Code, and Code of Conduct, Anti-corruption policies and ethic supply.
 - We implement short-term initiatives detected at the ESG DD.
 - We establish a company –specific KPIS measurement.



ESG Integration

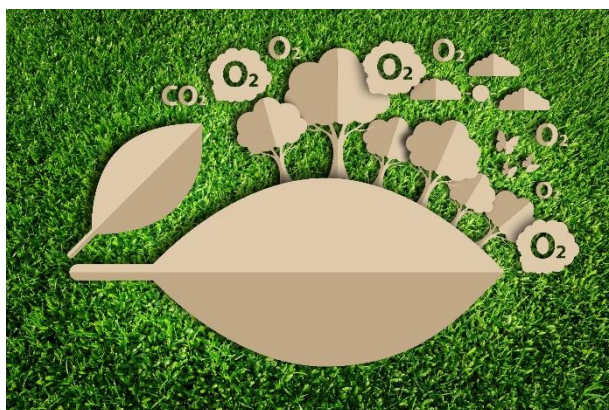
Portfolio Management

- Talde has developed a standardized approach to collect high quality sustainability information and other performance KPIs from portfolio companies.
- On annual basis, each portfolio company receives a detailed sustainability questionnaire, which is returned with the quantitative and qualitative information requested. This, allows us to measure their annual progress and increase ESG awareness.
- As regular practice, periodic follow-up meetings with top management and the annual review of the ESG practices help our companies to integrate ESG into their culture and processes and encourage them to report on ESG matters.



Exit

- During the exit phase, Talde develops a sales report in which all the environmental initiatives performed by the investee companies are shown. This report provides useful environmental performance information to potential investors who are interested in a Portfolio Company under Talde's management.



Case Study ESG Due Diligence: Fire Piping



ESG Due Diligence

In 2019, Talde commissioned a *ESG Due Diligence* of the Target Company Fire Piping to an external consultancy.



Action Plan

The *ESG Due Diligence* aimed to assess the associated risks and opportunities of Fire Piping's main activities: production of fire sprinklers and pipes manufacturing.

As a result of this process, some improvement needs related to environment (e.g. air emissions, hazardous products storage) and health & safety (e.g. trainings, procedures) were identified.



KPIs selection

Based on the results of the *due diligence*, an Action Plan with defined deadlines was developed to address the identified gaps.

Some of the actions included in the Plan:

- Development of an Emergency Plan;
- Development of Equality Plan;
- Air Emission monitoring Plan;
- Water Treatment Equipment Installation;



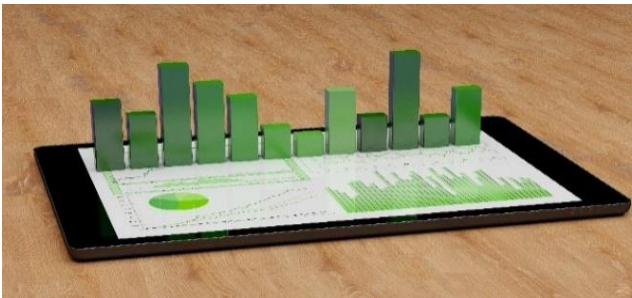
ESG value creation

In 2020 Fire piping has reported and disclosed Talde's suggested ESG KPIs for the first time.

Talde will work closely with Fire Piping management to improve its ESG performance as well as its transparency.

OUR KEY PERFORMANCE INDICATORS

2020 Selected ESG KPIs



At Talde, we believe that by collecting and monitoring ESG KPIs on annual basis we will not only help our investee companies to identify gaps but will provide them with robust data to design and implement Action Plans and Strategies that will ultimately enhance their efficiency in ESG matters. We want to challenge

ourselves and our Portfolio Companies whilst promoting a continuous improvement. That is why, next year we expect to integrate more Climate related KPIs, that will help us to contribute to the achievement of a Net Zero Future:

KPIs	Units
LTA, NLTA & NM	Number of lost time, non lost time accidents and near misses
LTIFR	Lost time incident frequency rate
H&S training	Hours/FTE
Employee H&S Training Cost and General Training Cost	K€/FTE
Women at all organizational levels and in management positions	%
Employee turnover rate	%



KPIs	Units
Electricity consumption	Kwh/€K turnover
Electricity consumption from renewable sources	%
Gas consumption	Kwh/€K turnover
Water consumption	Litres/€K turnover
Waste produced	Kg/€K turnover
Hazardous waste production	Kg/€K turnover
Reused materials	%
Reused water	%
Customer claims	Kwh/€M turnover
Response of claims resolution time	Average days for claim response
Amount donate to charity/local organizations	K€/year
ESG related CAPEX	K€/year
CO2 Account	Tn CO2 eq

2020 consolidated portfolio sustainability figures



9

Portfolio companies



894

Employees in aggregated
working for our portfolio
companies



224.2

Millions of turnover in
aggregated total portfolio
companies

Governance



22%

of portfolio
companies have a
sustainability policy in
place



44%

of portfolio
companies hold ISO
9001 certificate



44%

of portfolio
companies have an
ethical code in place



22%

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



44%

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



100%

of portfolio
companies have
identified
opportunities for
improvement in ESG



100%

of portfolio companies
track customer claims



100%

of portfolio companies
track response of claims
resolution time



78%

of portfolio
companies track
donations to charity
or local organisations

(*) This indicator does not include GVO since no information regarding required time to resolve complaints was available during the preparation of this report.

2020 consolidated portfolio sustainability figures

Environmental

**67%**

of portfolio companies have an environmental policy in place

**44%**

of portfolio companies hold ISO 14001 certificate

**33%**

purchase renewable energy

**89%**

of portfolio companies track waste production

**89%**

of portfolio companies track water consumption

**22%**

of portfolio companies reuse materials during the production process

Social

**56%**

of portfolio companies have a non discrimination policy

**22%**

of portfolio companies hold ISO 45001 certificate

**100%**

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

**89%**

of portfolio companies track health and safety training hours

**100%**

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

**100%**

of portfolio companies track percentage of women at all organizational levels and at management positions

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LOOKING FORWARD

Talde's ESG Plan

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. We plan to perform the following actions in short- term period:

At Talde Level



- Strengthen our commitment to sustainable investment and transparency to become UN PRI signatory in 2021, implement the UN PRI guidelines and Regulation UE 2019/2088 and 2020/852 and report voluntarily in 2022 to the UN PRI.



- Take the lead to tackle Climate Change, is our intention to become a TCFD supporter by 2021 and we will implement TCFD recommendations at corporate level and we will work closely with out portfolio companies to develop a specific strategy.



- As part of our ESG strategy for 2021-2022 we have decided for the first time to assess our Carbon Footprint as an organisation. We will measure our own emissions and look in the first instance to see how we can mitigate and offset these. We will be working with the portfolio to support all companies to take action in this aspect as well.



- Upgrade our ESG governance including additional guidelines for screening, climate related metrics and ESG targets for our portfolio companies.

Talde with our portfolio companies



- Support our companies to implement ethic codes, and codes of Conduct, anticorruption policies, anti money laundering procedures, ESG policies



- Obtain a commitment from each portfolio company to adhere to Talde ESG policy, allocate an ESG responsible and report to the ESG team on a quarterly basis.



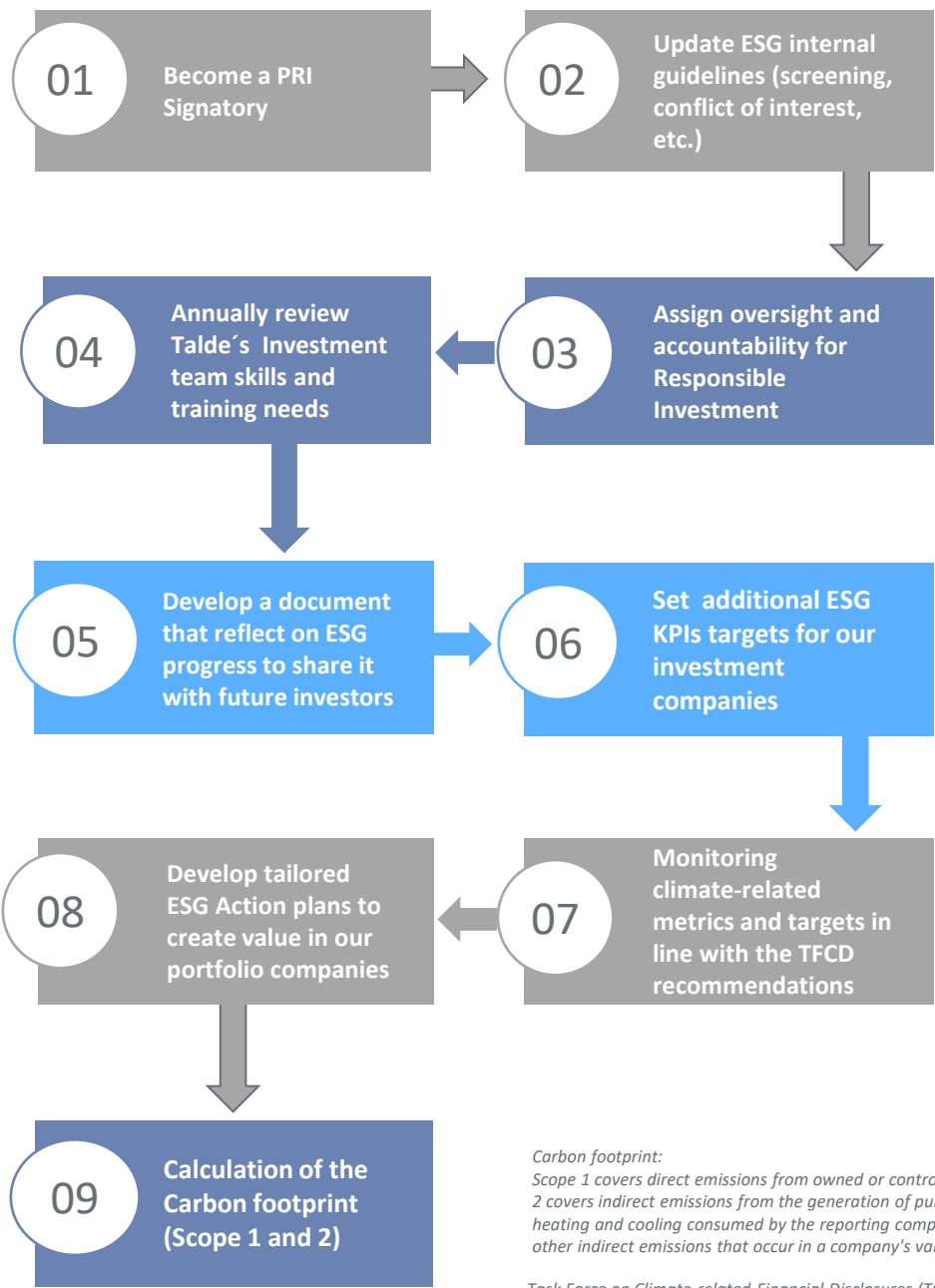
- Set ESG targets and specific action plans to act decisively to improve ESG metrics.



- Work with the portfolio to support all companies to take action in Climate change as an opportunity to help us understand the carbon footprint of our portfolio.

Detailed Talde’s ESG Plan 2021-2022

During 2021, we intent to continue working to improve our performance and help our portfolio companies to set goals and implement initiatives for a sustainable future through the following ESG Plan.





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