

ESG POLICY - PROA CAPITAL

2021

Introduction

ProA Capital ("ProA") is one of the leading Spanish private equity fund managers. Our objective is to identify the potential of companies, putting faith on projects and people and contributing to the creation of sustainable value of companies by improving their operational scope, specifically in their human and industrial capital, their innovative potential or their global presence, all with a responsible investment strategy and a commitment to the integration of ESG principles.

Commitment with the sector

At ProA, we believe it is key to collaborate with other venture capital firms, and the financial sector in general, to drive this positive transformation, addressing both current and future economic, social and environmental challenges.

To this end, ProA is committed to promoting awareness and dissemination of sustainable investment based on ESG criteria, thus maintaining various partnerships:



ProA is member of the Spanish Association of Capital, Growth and Investment (ASCRI), a platform that seeks to connect all industry players in Spain, representing their interests in front of the Administration, the media and public opinion.

Signatory of:



ProA is signatory to the PRI (Principles for Responsible Investment) since 2018 and is fully committed to the implementation of its six principles.



ProA is also a signatory to the United Nations Global Agreement launched in 2020 and strives to integrate its Ten Principles in the areas of human rights, labor, environment and fight against corruption into its business activities.

Sustainability Objectives

At ProA, we recognize the need for active participation of the financial sector in the achievement of the Sustainable Development Goals (SDGs) for 2030 and we are committed to this goal through the integration of these objectives in our investee companies.

Likewise, as a private equity fund manager, ProA acknowledge the current climate crisis and the need to keep the global temperature increase below 1.5°C, respecting pre-industrial levels. In this regard, at ProA we recognize the Paris Agreement and we are committed to aligning our responsible investment strategy with its objectives, assessing climate change issues in our investment activities and gradually incorporating the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures).

Scope

This ESG Policy demonstrates ProA's commitment to sustainability and its focus and efforts to address the material sustainability issues throughout the life cycle of the investments.

This Policy is mandatory and applies to all investments made by the funds managed by ProA, in particular by ProA Capital Iberian Buyout Fund II and ProA Capital Iberian Buyout Fund III.

In those companies where ProA-managed funds have a minority position, ProA is committed to promoting compliance with this Policy, although the ability to influence may be more limited.

This ESG Policy should be understood and interpreted in conjunction with ProA Capital's Internal Code of Conduct, which contains guidelines for managing conflicts of interest.

Roles and Responsibilities

The responsible investment strategy is integrated into our organizational and governance structure, corporate culture, and operating processes and procedures. Its implementation and monitoring is carried out at all levels of action involved:

- **ProA:** The ultimate responsibility for ESG lies with its management through the Board of Directors and the Investment Committee, being these bodies responsible for ESG and for supervising the integration of this Policy into the organization.
- **Investment Team:** The responsibility of ProA's investment team is to ensure that ESG criteria are taken into account and assessed both during the due diligence processes of the investee companies and in the daily post-investment management. Likewise, the investment team is responsible for reporting, at least annually, about compliance with the ESG Policy to the Portfolio Management Committee (investee monitoring committee).
- **Investee companies:** the implementation and obligations towards the ESG criteria in ProA's investee companies is ultimately the responsibility of the corporate governance body of each investee company. In all companies a person responsible for the implementation and monitoring of this Policy is appointed.
- **External advisors:** ProA uses external ESG advisors whenever deemed appropriate to improve ESG processes in this field.

All ProA employees are responsible for ensuring that our ESG Policy activities, including those conducted through third parties, are aligned with ProA's position on sustainable finance and the Principles for Responsible Investment. To this end, all employees are informed about our ESG commitments.

Sustainable Investment Strategy

Fundamentals of sustainable investment

The purpose of this Policy is to articulate ProA Capital's approach to integrating ESG criteria into its activities and throughout the investment cycle.

- **ProA Capital is an investor with a long-term vision:** ProA Capital's approach to investment and valuation of companies does not respond to a logic of short-term speculation, but is adapted to the growth cycle of the companies in which it participates. We want to provide Spanish and European SMEs with the financial, human and organizational resources that will enable them to embark on a new path of growth and sustainable value creation. We firmly believe in active management as a differentiating and long-term value-creating element. Consequently, by adopting a long-term investment horizon, we are confident that the integration of ESG criteria increases our potential return and minimizes the investment risks.
- **Managing ESG risks as a fundamental part of the fiduciary duty:** The integration of ESG analysis in the management of investees is part of a management company's fiduciary duty to its investors, guaranteeing and promoting their interests. In this regard, ESG principles must be taken into account whenever they may have any impact or risk on the investees, whether in the short or long term.

In this respect, ProA is fully aligned with the definition of the fiduciary duties of the High Level Expert Group on Sustainable Finance, established by the European Commission.

Consequently, the core of ProA's sustainable investment philosophy lies in the belief that the integration of the ESG criteria into our processes enhances the long-term return of our investments.

Sector exclusion

Funds managed by ProA do not invest in companies whose principal activity consists of any of the following activities:

- i. the production or distribution of tobacco and tobacco-related products;
- ii. gambling;
- iii. the direct sale, supply, production or distribution of modern armaments or military weapons;
- iv. human cloning; or
- v. any activity related to genetically modified organisms.

ESG in Due Diligence processes

ProA Capital is committed to assessing ESG issues, including the associated risks and opportunities, during the evaluation and due diligence process of target companies. The results of this assessment are systematically reflected in the investment memorandum to ensure that the investment committee is informed about ESG issues.

Action plan

Following the acquisition of a company, ProA together with the company's management will define an ESG action plan to address the risks and opportunities identified in the due diligence process. If necessary, ProA will be assisted by external experts in the development of the action plans.

Active Participation

As a shareholder and, where appropriate, as a member of the Board of Directors of investee companies, ProA, aware of its fiduciary duties, will continuously monitor the ESG Policy. For each portfolio company, ESG Key Performance Indicators (KPIs) and objectives will be defined and its compliance will be monitored. These ESG KPIs and objectives defined for the companies will be reported to the Board of Directors at least quarterly.

Likewise, any issue that may significantly affect the value creation of the investee companies will be shared and evaluated with the management of the investee companies. Likewise, the application of ESG criteria will be promoted within the investee companies and efforts will be made to share good practices among the different portfolio companies.

Divestment phase

ProA believes that the integration of ESG factors in portfolio companies must be results-oriented and these are only really recognized at the time of exit. In order to enhance and highlight the progress made by portfolio companies, ProA will share ESG information with those potentially interested in its acquisition.

Our ESG framework

Since ProA invests in companies of different sectors and sizes and ESG issues come in various forms and with different levels of financial impact, there is no single answer that covers everything that could fall into this category. However, ProA has established the following environmental, social and governance guidelines.

Environment:

ProA undertakes to promote that investee companies have structures in place that enable them to take environmental issues into account, with the aim of improving performance and minimizing adverse impacts. In particular, ProA undertakes to:

- Ensure the efficient use of resources, promoting measures that contribute to reducing water and energy consumption in investee companies and adopting energy efficiency plans.
- Minimize greenhouse gas emissions by promoting the use of renewable energies, reduce travel by increasing videoconferencing and prioritize low-carbon vehicle alternatives.
- Reduce waste by prioritizing reuse and recycling options, promoting the circular economy, favoring raw material options from renewable sources and promoting eco-design.
- Promote good environmental practices and raise environmental awareness among its employees and the employees of investee companies.
- In relation to climate change, ProA will consider climate risks (physical and transitional) where they were material to the transaction.

Social:

ProA has the objective of (i) ensuring fair working conditions, (ii) providing a safe and healthy workplace and (iii) respecting the human rights of employees and associates. In particular, ProA is committed to:

- Support the payment of competitive salaries, respect the right of employees to decide whether or not to join a union, or participate in collective bargaining.
- Not allow child or forced labor or discriminatory policies.
- Not tolerate human rights abuses by its investee companies, managers and employees.
- Ensure the health and safety of employees, assessing the risks associated with their jobs and taking appropriate measures to reduce accident rates statistics.
- Promote structures and channels that offer employees the opportunity to present their opinions to management.
- Promote equal opportunities and support talent retention.
- Promote the inclusion of people with special needs.
- Promote the collaboration of portfolio companies with local organizations.

Governance:

Investee companies must maintain strict policies to ensure compliance with all relevant laws to prevent corruption in all of its forms, including extortion, money laundering and bribery. In particular, ProA is committed to:

- Fulfill, at least, all relevant regulatory standards and operate in accordance with the best international standards when local standards are considered insufficient.
- Ensure honesty, integrity, fairness and respect in all its business dealings.
- Prohibit contributions to political parties or political candidates when they may constitute a conflict of interest.
- Identify, avoid and report conflicts of interest in accordance with stakeholder agreements.

- Make every effort to meet stakeholders' expectations; facilitate their access to information and provide them with clear and transparent information.

Communication

ProA is committed to regularly monitor the ESG Policy during the meetings of the Board of Directors and the funds under management.

It is in ProA's interest to increase transparency with investors and the public in general. To this end, ProA will supervise, review and publicly inform on its ESG performance through its annual ESG report.

ESG Policy Review

This ESG Policy reflects ProA Capital's current values and culture.

The ESG Policy will be reviewed at least annually and modified as appropriate.