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# GED Group Sustainability Policy



# 1 Purpose

The purpose of this statement is to formalise the commitment of GED Group (hereinafter “GED”) towards integrating environmental, social and governance factors (hereinafter the “Sustainability Policy” or “ESG Policy”, interchangeably) as well as considering risks and opportunities to create value in investments made through its Private Equity funds, which may arise from the above factors.

GED believes that major global trends such as climate change, scarcity of resources, demographic development, technological advances and social inequality will influence markets, companies and society in general, and will impact companies in terms of risks and opportunities that must be evaluated and considered.

At GED we know that implementing and properly monitoring environmental, social and governance initiatives leads to value creation in our portfolios and improving a legacy that will last in society, even after our exit. Hence our commitment to take into account all the material considerations relating to sustainability policy that may arise during due diligence prior to any investment, as well as during the portfolio management phase to the extent that is reasonably possible, owing both to the existing majority structure and the ultimate goal of our investments, which is none other than to maximize the value returned to our shareholders.

GED's commitment to ESG policies is not new and we recognise that private equity can have a significant impact on the economy, the environment and society, factors that cannot be addressed separately. Consequently, the environmental, social and corporate governance impact of our investments must be considered and we must influence our portfolio companies to act in a socially responsible manner.

For these reasons, GED believes that ESG issues should be integrated into the investment process and this falls within our fiduciary obligations as an investor. GED cemented its commitment to Sustainability in 2016 by adhering to the Principles of Responsible Investment, while being committed to the Sustainable Development Goals and the 2030 Agenda.

For the purposes of this policy, ***issues relating to the Sustainability Policy are defined as issues that GED, in its sole discretion, determines have or have the potential to have a direct substantial impact on the ability of an organisation to create, preserve or erode economic value, as well as environmental and social value for itself and its stakeholders.***

GED is committed to continuously updating its Sustainability Policy to adapt to the most rigorous quality standards in the market.

## 2 Approach

The Sustainability Policy will apply to all private equity investments examined by the relevant **investment committees** and/ or directly carried out by GED after the date of approval of this document, and will be interpreted in accordance with national laws and regulations.

In cases where GED determines it does not have sufficient capacity to carry out due diligence analysis or to influence and control the integration of aspects relating to the Sustainability Policy in the company in which it has invested, such as, in cases in which GED or the funds it manages are minority shareholders, or when some other circumstance may affect GED's ability to evaluate, configure, or control the objectives established in the Sustainability Policy, it will not be required to implement said objectives. In these cases, reasonable efforts will be made to encourage portfolio companies to consider the principles set out in GED's Sustainability Policy so that they are taken into account within their long-term growth and value creation strategy.

### 3 Roles and responsibilities - Governance

GED has established a governance structure aimed at ensuring the integration of ESG aspects at all levels of the organisation, so as to ensure the Environmental Policy is properly implemented and that it is a factor allowing for value generation at portfolio level, and improving environmental, social and governance policies in companies.

GED has set up a top-level corporate committee (ESG and Corporate Social Responsibility Committee) comprising the Vice-Chairman and Chairman of the GED group, the Managing Partners of the different business units (Private Equity, Venture Capital and Real Assets) and the Chief Financial Officer, who are responsible for regulating, developing and controlling corporate governance and the Environmental Policy for the group.

This Internal Committee will designate the people in charge of gathering information and analysing the implementation of best ESG practices in the companies, from those working in portfolio management.

Each Managing Partner is responsible for implementing the ESG Policies of his/ her management company and of the funds under his/ her management, involving the rest of the teams (usually the Partners) in developing and carrying out at manager level through their procedures throughout the investment cycle and in each portfolio company (See Section 5):

- Pre-acquisition: excluded sectors, DD focused on relevant environmental, social and governance issues, opportunities and threats, and inclusion of ESG and sustainability issues in investment proposals to investment committees.
- During the portfolio management period: 100-day plan including ESG issues, monitoring and evaluation of the established plan, annual reporting, future objectives.
- Exit: Support in exit with reports on the evolution of the portfolio company in terms of sustainability and ESG. Request for a section on sustainability in the offers of potential buyers.

The Partners will be responsible for ensuring that the examination of Sustainability Policy issues is integrated into working documents so that the Investment Committees have the analysis of ESG and sustainability issues in investment proposals, and consider these issues when making decisions.

The boards of directors of each manager are informed at least once a year about sustainability and ESG issues relating to both funds under management and the management company itself.

Likewise, an ESG Operational Manager has been established to support and coordinate the implementation of the group's ESG and investor-related policies. The Financial Director is responsible for Compliance/ risk and transparency on a financial level.

The Sustainability Committee, with the support of the ESG Operational Manager, plays a central role in the investment process, providing management teams with the training, tools, policies and knowledge generated so that all teams can identify risks and opportunities in ESG in the investment process.

When additional expertise is required for a given topic, teams will have external resources whenever it is considered relevant and necessary.

## 4 Objectives

GED has established the following objectives within its Sustainability Policy relating to its Private Equity funds and with the scope described in **Section 2**:

1. Consider environmental health, safety, and social problems associated with target companies when evaluating whether to invest in a particular company or entity, as well as periodical monitoring during the period in which it remains in the portfolio.
2. Be accessible and work with relevant stakeholders, either directly or through representatives of the portfolio companies, as the case may be.
3. Grow and improve the companies in which GED invests, improving their long-term sustainability for the benefit of multiple stakeholders, taking into account environmental, social and good governance issues.  
To this end, GED will work through appropriate governance structures (e.g., board of directors, committees, or through shareholder AGMs) with portfolio companies regarding: (i) environmental health, (ii) public health, (iii) worker safety and (iv) social problems that may exist, with the aim of improving performance and minimising adverse impact in these areas.
4. Equal treatment, regardless of religion, gender, race, sexual orientation, disability, or any other element that could generate discrimination, hunting down any discriminatory policy or practice, and favoring equal rights, salary and access to positions according to merit.
5. Use corporate governance structures that provide adequate levels of supervision in the areas of auditing, risk management and possible conflicts of interest, and to establish a compensation system and other policies that align interests of shareholders and managers.
6. Maintain commitment to comply with national and community legislation, and local labour laws in the countries in which GED invests; support the payment of salaries and competitive compensation packages for employees; provide a safe and healthy workplace in accordance with national and local legislation; and, in accordance with applicable legislation, respect union rights of workers.
7. Promote strict policies that prohibit bribery and other improper payments to public officials in accordance with the Penal Code (Organic Law 10/1995, of 23 November), of the Penal Code, and laws that modify, complete or replace it) and the OECD Convention Against Bribery.
8. Respect the human rights of all those affected by GED's investment activities and request confirmation and demand from portfolio companies that GED does not invest in companies that use child or forced labour or maintain discriminatory policies, even indirectly.
9. Provide timely information to stakeholders in GED funds on the issues discussed in this document, and work to promote transparency of GED's activities.

10. Encourage GED portfolio companies to advance these same principles in a way that is consistent with their obligations.

## 5 GED's approach to integrating the sustainability Policy in Private Equity investments

GED will try to integrate the considerations and global management of issues relating to the Sustainability Policy throughout the investment cycle.

### 5.1 Pre-investment:

In general, and before analysing any investment decision, GED will develop a previous process of filtering investment opportunities against a list of excluded companies and sectors, among which are:

- Illegal activities: production, commercialisation or any other activity that may be considered illegal under the laws of the Spanish State, or of any jurisdiction in which it operates.
- Production and sale of arms or ammunition: production and commercialisation of arms and ammunition of all kinds.
- Gambling: no investment will be made in companies that promote gambling (casinos or similar) or provide specific technological services to online gambling. Companies that provide general services that can be used, among other clients, for online gambling services will not be considered within these restrictions.
- In general, any activity with reputational risk.

Periodically, the list may be modified in order to introduce activities that may generate harmful effects on the environment and society.

To ensure the integration of issues relating to the Sustainability Policy in the phase leading up to private equity investment and subject to determining what is reasonable and appropriate for each investment as described in Section 2, **GED will take into account within its due diligence all the necessary aspects to comply with our Sustainability Policy:**

The investment teams will carry out an assessment of value creation opportunities or potential risks relating to Private Equity investments that are presented to the Investment Committees in accordance with the Sustainability Policy.

When deemed necessary, the due diligence will be carried out by an external advisor, an ESG expert, and will include a final report with a detailed description of the material ESG risks and opportunities identified as well as recommendations for both the short and long term that may contribute to generating value.

The results of the ESG report (internal or external) will be discussed in the Investment Committee prior to making a decision.

When a material breach is identified in the Environmental Policy, the company will be asked to effectively manage detected risks in order to minimise them. For the management of non-

compliance, GED will work with the company's management team to support development of a Corrective Action Plan.

**Documentation:** When issues relating to the Sustainability Policy are examined during the due diligence process, GED will document, for internal use, the issues considered, the results, the material findings and the next steps, if any.

## 5.2 During the investment.

To manage the risks and opportunities to create value in your Private Equity investments in the post-investment phase, relating to the Sustainability Policy, and subject to the determination of what is reasonable and appropriate for each investment as described in Section 2, GED will include ESG elements in periodic communications, and in the parameters to be monitored, in a structured manner in order to encourage management teams to develop ESG initiatives across their activities and promote good practices as well as continuous improvement.

GED will designate a protocol of actions to be carried out within the scope of ESG, both in the short and in the long term, based on the conclusions and recommendations raised in due diligence, establishing a series of KPIs to measure progress.

**Progress monitoring:** If material issues relating to the Sustainability Policy have arisen during the due diligence process, their management will be included in the post-closure action plan, or a monitoring process will be established as appropriate. When GED considers that the management, or improvement, of a specific material issue is necessary (see **Section 6** Compliance Standards), GED will work with the company's management team to support the development of a Corrective Action Plan, if necessary with the involvement of external experts.

**Documentation:** In cases where there are material risks and opportunities relating to the Sustainability Policy that are being controlled or corrected by GED, the latter will document for internal use the issues to be managed, progress and next steps, where appropriate.

### **Commitment during investment:**

- GED will encourage the management teams of portfolio companies to identify and raise material issues relating to the Sustainability Policy to the various decision-making bodies, including their elevation to the company's board of directors.
- GED will assist portfolio companies in the development of Corrective Action Plans to adequately address the risks and opportunities identified, relating to the Sustainability Policy, when appropriate and with the scope described in **Section 2**. Where appropriate, and as established previously, it can be part of the post-investment Corrective Action Plan to be implemented. Additionally, where appropriate, GED will invite portfolio companies to participate in its Sustainability Policy programmes proactively. The

programmes are geared at managing risks and opportunities, which cover all areas of the Sustainability Policy.

- GED will support the efforts of its portfolio companies to report externally and internally on their Sustainability Policy approach and performance in relation to material Sustainability Policy issues. GED will communicate its commitment to responsible investment to portfolio companies, as well as any information on programmes that GED is developing relating to its Sustainability Policy so as to collaborate with them, when appropriate and reasonable.

Measures on ESG factors aim to contribute to creating and preserving value in portfolio companies, as well as generating a positive impact from a social and environmental point of view.

### **5.3 At the exit.**

When an exit from a company is considered, an assessment of ESG factors will be carried out in order to determine to what extent the ESG improvements implemented in the company have contributed to the creation of a more valuable and sustainable company.

The valuation will analyse whether the elements identified as levers of value creation in the investment have been properly managed and how they have contributed to value generation.

Likewise, in the companies' sales processes, potential buyers will be asked to include a section on their sustainability strategy in their offers.

### **5.4 Transparency and commitment to stakeholders.**

GED will seek to be transparent in the degree to which the Sustainability Policy objectives have been achieved, for which considerations relating to the Sustainability Policy will be incorporated in its private equity investments within the periodic annual information it provides, detailing implementation within the company.

The format of these reports may vary between: (i) public written reports; (ii) informal verbal reports; (iii) confidential reports to investors of the funds or assets managed by GED.

Where appropriate, throughout the investment cycle, GED will try to involve the different stakeholders in the decisions that may be relevant to them, in order to make informed decisions.

## 6 Compliance standards

Where appropriate, and within the scope defined in **Section 2**, when GED considers that local laws and regulations are insufficient, it will apply its criteria and experience in evaluating risks and opportunities relating to material issues in accordance with the Sustainability Policy.

To support this effort, GED will consider applying existing established voluntary standards, in order to achieve the objectives established in **Section 4**, during the continuous evaluation and management of its portfolio of Private Equity companies.

### 6.1 Review and classification

In order to prioritise and focus the evaluation and management efforts of matters relating to the Sustainability Policy during the due diligence and the life of the investment, GED will take into account the magnitude of risks and impact associated with each company in particular, regarding the Sustainability Policy as follows:

**Magnitude of Impact:** When evaluating a company for investment, GED, as part of its internal due diligence, will rank each company based on the magnitude of the potential risk and impact of the Sustainability Policy.

**Scope of action:** Additionally, GED will take into account the country of operations to further prioritise its efforts for those regions where the existing standards are considered to be less demanding.

### 6.2 Applicable standards

When making the investment decision with respect to a company, GED will determine the level of priority of action, through the review and classification process described in **Section 6.1**. The evaluation may consider the following documents as a guide:

- For the analysis of matters relating to environmental and social sustainability, the International Finance Corporation document "PERFORMANCE STANDARDS ON ENVIRONMENTAL AND SOCIAL SUSTAINABILITY".
- For the analysis of matters relating to good corporate governance, the "CODE OF GOOD GOVERNANCE OF LISTED COMPANIES" published by the CNMV and the "G20/ OECD PRINCIPLES OF CORPORATE GOVERNANCE" published by the OECD may be used.

In any case, to assess different matters, additional documentation or standards that GED deems applicable may be used.

When the investment decision is made with respect to a company that GED determines to be of low priority through the review and classification process described in **Section 6.1**, the

evaluation process will include consideration of the Sustainability Policy issues that GED considers to be material.

## 7 ESG Policy Implementation

The GED Board of Directors will annually review and, where necessary, update this ESG Policy to reflect ongoing efforts to improve the ESG approach, as well as emerging stakeholder requirements and the evolution of good practices.

GED will actively communicate its ESG Policy.