

ABAC SOLUTIONS MANAGER RESPONSIBLE INVESTMENT POLICY

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PART I: PURPOSE

Responsible investment approach

At Abac, we acknowledge that our investment decisions impact the life of the Fund's portfolio companies, their employees and communities. Thus, since inception, Sustainability and a strong culture of citizenship underpin the way we conduct business, with the aim of generating impact through the companies Abac's Funds invest in.

Abac's purpose is to **“create sustainable value in our businesses and communities”**. It is our understanding that sustainability is a true driver of not only social and environmental impact but also financial performance and long-term value creation. Proof of Abac's commitment to sustainability is that its Remuneration Policy takes into account the integration of sustainability risks in the investment decision-making process, as well as in portfolio management.

As an investor, Abac aspires to achieve positive externalities, creating better sustainable companies that will outlast Abac's ownership, deliver sustainable returns, and positively impact their surrounding communities. In that regard, our purpose and Responsible Investment Policy are articulated in three strategic objectives:

- Provide portfolio companies with transformational value.
- Deliver sustainable returns.
- Generate community impact.

Abac's strategic objectives materialize in a curated Responsible Investment Strategy that is built on the firm's corporate values and the commitment to positively impact the United Nations Sustainable Development Goals (SDGs).

- Integrity, Directness, Excellence, Entrepreneurship, Accountability, Respect, Team-work and Social Conscience are the corporate values guiding Abac's decision-making and constitute the basis of Abac's Sustainability Golden Rules (Integrity, Stewardship and Citizenship).
- Abac is fully committed to advance the United Nations' 2030 Agenda by positively impacting Sustainable Development Goals (SDGs) through its business activity. As a matter of fact, Abac stewards portfolio companies in designing a sustainable strategy integrating the United Nations Sustainable Development Goals (SDGs).

PART II: FOUNDATION

Responsible investment guidelines

Abac's Responsible Investment Policy and Strategy are guided by the most rigorous international standards, reporting tools and certifications to ensure the consideration of principal adverse impacts of investment decisions on sustainability factors.

We are a Certified B Corporation and follow the highest verified standards of social and environmental performance, transparency, and accountability.

Our Sustainability undertakings are informed by the following international guidelines:

- The Ten Principles of Corporate Governance by the UN Global Compact
- The United Nations Principles for Responsible investment
- The European Venture Capital Association recommendations
- The Commission du Surveillance du Secteur Financier rules
- The Comisión Nacional del Mercado de Valores rules
- The United Nations Sustainable Development Goals
- The Global Reporting Initiative Standards (GRI)
- The B Impact Assessment (BAI)
- The Sustainability Accounting Standards Board (SASB)
- The OECD Anti-Bribery Convention
- The Paris Agreement

Abac supports and is signatory of the following international conventions:

- The United Nations Principles for Responsible Investment (UN PRI)
- The United Nations Global Compact Initiative (Signatory Membership)
- The Task Force on Climate-Related Financial Disclosures (TCFD)

Abac abides by the following Sustainability Golden Rules:

- **Integrity**
 - Abac has an uncompromising commitment to always do the right thing.
 - Abac reports any conflict of interest in accordance with its Internal Conduct Regulations.
 - Abac keeps strict policies that prohibit bribery and other improper payments to public officials, consistent with the OECD Anti-Bribery Convention.
 - Abac abides to its Internal Conduct Regulations on confidential, reserved and inside information.
- **Stewardship**
 - Abac has a fiduciary duty to the Fund's investors and is committed to the utmost ethical behaviour.
 - Abac is aligned with the long-term interests of the Fund's portfolio companies.
 - Abac monitors ESG factors during the investment process and reports them to its Approval, Investment and Portfolio Review Committees.

- **Citizenship**

- Abac prides on its extensive commitment to community service and non-profit organizations. Sharing time, knowledge, and money with those who need it is an integral part of Abac's ethos.

PART III: INVESTMENT STRATEGY

Responsible investment procedures

Our purpose materializes in a curated investment strategy designed to ensure tangible impact and value are created. Sustainability is contemplated at all stages of the investment and divestment process.

1. Deal sourcing *Screening criteria*

Abac will not make any investment in a company a primary activity of which is:

- an illegal economic activity;
- the business of pornography or vice;
- the manufacture, distribution, sale or supply of offensive armaments and weapons;
- the manufacture of tobacco products;
- the operation of gambling or gaming facilities;
- the engagement in harmful practices to the environment;
- the engagement in discriminatory practices against any minority group; or
- the employment of child labour

Abac will reject any business of which we have **evidence of Human Rights, labour, environmental or corruption issues** (as defined by the UN Global Compact) *that cannot be easily stopped by a change of ownership*.

In the event of a **co-investment opportunity**, Abac will reject co-investing with any organisation of which we have evidence of Human Rights, labour, environmental or corruption issues (as defined by the UN Global Compact) or which refuses to implement the ownership policies and practices outlined in this document.

2. Due diligence *Investment analysis*

The focus on Sustainability begins ahead of the deal being executed whereby Abac conducts thorough due diligence on the target company to identify sustainability risks and the principal adverse impacts of the potential investment on sustainability factors. Abac discusses the ESG implications of the business in its internal committees to develop sound action plans and commissions independent specialist ESG due diligence. An ESG red flag may be sufficient to reject a potential deal in the approval stage.

3. Investment period

Ownership policies and practices

- **100 Day Plan:** A 100-day plan at the beginning of the investment period includes a Sustainability section on ESG and Compliance, defining the policies and monitoring systems to be implemented.
- **Purpose definition and strategic SDGs identification:** Abac's team accompanies portfolio companies in the process of redefining its strategic purpose, as well as aligning their corporate strategy to address material issues and principal adverse impacts on sustainability factors and contribute to strategic Sustainable Development Goals (SDGs).
- **Monitoring:** Abac periodically monitors ESG KPIs, policy implementation and actions to be developed throughout the investment period to ensure objectives are met and impact is generated. Monitoring includes quarterly reporting on performance and status to portfolio companies' BoD and Abac, biannual discussions at Portfolio Reviews and Risk Management Committees, as well as the implementation of the B Impact Assessment tool at the portfolio companies.
 - **Consideration of principal adverse impacts:** Quarterly monitoring of ESG KPIs, outlines the principal adverse impacts on sustainability factors of the underlying portfolio companies and informs the initiatives taken to address them.
 - **ESG KPIs:** ESG KPIs monitor, among others, energy consumption and emissions, water consumption, fossil fuel consumption, packaging and waste management, supply chain ESG management, social and employee matters, and the implementation of governance policies.
- **Investor Reports:** Sustainability matters are periodically covered in investor communications at the Annual Investors Meeting (AIM), the Supervisory Board and the Annual Sustainability Report.
- **Co-investment criteria:** In the event of a co-investment opportunity, Abac considers the co-investor's treatment and history of ESG matters and ensures the implementation of Abac's ownership policies and practices during the investment period.

4. Divestment period

Accountability and abidance

At exit, Abac prioritises the continuity of the Sustainability strategy implemented during the investment period and considers ESG matters in addressing potential bidders.

- Abac considers the potential bidder's treatment of ESG matters and the willingness to perpetuate the Sustainability policies implemented during Abac's holding period.
- Abac shares with potential bidders the historical performance, the sustainability roadmap, and the initiatives put forward by the portfolio during the holding period as part of the Vendor Due Diligence process.

- Abac analyses potential bidders' history with regards to ESG.
- Abac's Compliance team performs the relevant know your customer (KYC) checks in accordance with the anti-money laundering and the prevention of terrorist financing rules on potential bidders.

PART IV: ACTIVE OWNERSHIP AND STEWARDSHIP

Governance and reviews

1. Approach to active ownership and stewardship

Abac's investment strategy allows the firm to exercise active ownership and promote ESG progress at the underlying portfolio companies. The objective of the firm's stewardship approach is to guide the interactions between Abac and the portfolio to ensure progress is achieved and sustainable value is created.

- **Stewardship tools and prioritisation**
 - Abac engages with all investees to systematically implement structures and targets that ensure sustainability is recurrently addressed in decision-making forums: These include: i) the appointment of a Sustainability Champion at the portfolio (and an ESG Committee) to ensure sustainability policies are implemented; ii) quarterly reports and meetings to discuss sustainability progress with Abac's sustainability analyst; iii) quarterly updates to the companies' BoD where portfolio managers, Directors and the investment team discuss ESG progress; iv) training sessions where Abac's business operations, investment, sustainability and compliance teams engage with the portfolio companies' Sustainability Champions and third parties delivering trainings ; v) the implementation of governance structures; vi) the completion of a Compliance Programme; and vii) the processes outlined in PART III of this policy.
 - Additionally, portfolio companies set ESG targets that are specific to each company's industry and organisational characteristics. These efforts are generally guided by the SASB standards and the B Impact Assessment, which are the main criteria used to prioritise specific actions.
- **Approach to climate change**
 - Abac actively engages with portfolio companies to align their performance with the TCFD guidelines, and the goals established in the Paris Agreement. Abac coordinates carbon footprint measurement across the portfolio, conducts a specific risk assessment, and supports companies to define an action plan and reduction targets.

2. Sustainability governance structure

A sound governance structure embeds ESG and Compliance responsibilities across Abac and portfolio companies. Such structure, comprises the involvement of: (i) Abac's CEO and portfolio companies' BoDs in ESG reviews and strategy; (ii) the appointment of a Compliance Officer at Abac and all portfolio companies; (iii) the appointment of a Compliance Director at Abac; and (iv) the appointment of Sustainability Champions at Abac and all portfolio companies monitoring and executing ESG strategy.

3. Sustainability reviews and processes

Abac's Sustainability strategy materializes in a series of formal reviews and processes reflecting our embedded ESG governance structure. Sustainability matters are discussed periodically at portfolio's BoD and risk committees, as well as at quarterly meetings between Abac and portfolio Sustainability Champions. Additionally, Sustainability is addressed at Abac's Portfolio Review Committees, the LP Supervisory Board, Abac's Board of Directors, Abac's Strategy Offsite and at the Annual Investors Meeting. Finally, an annual Sustainability Day summons all Sustainability Champions.

PART V: TRANSPARENCY AND REPORTING

Disclosure

Abac proactively shares its Sustainability endeavours with all its stakeholders:

1. With the general public:

- Abac's website outlines our Sustainable Investment policy, our B Corp status, and our commitment to the UN Principles of Responsible Investment, the UN Global Compact, and the Taskforce on Climate-related Financial Disclosures (TCFD).
- Abac's website publishes the latest report submitted to and the results achieved from the UN PRI.
- Abac's website publishes the annual Sustainability Reports

2. With our investors:

- The ESG performance of portfolio companies is reported to investors on a quarterly basis. A biannual report includes the evolution of the metrics monitored during the investment period, as well as the main initiatives put forward by the portfolio.
- The annual Sustainability Report gives detailed account of Abac's Sustainability endeavours in the last year.

- Sustainability is an agenda point in our Annual Investors Meeting and our bi-annual Supervisory Board.
- All investors have direct line with Abac to discuss any ESG matter they might want to access or address.
- In the event of a serious ESG issue arising at Abac or a portfolio company, our internal protocol foresees our ESG Officer, who spearheads our ESG efforts, will communicate it to our investors and its Supervisory Board as soon as practicable.

3. Internally:

- Sustainability documents (including policies and trackers) are accessible at all times to our investment team, CFO, Compliance Director and Administration team.
- The Sustainability Champion provides a quarterly update of the status of ESG initiatives to the entire office, summarized in our Quarterly ESG Report.
- The Compliance Director reports Abac's compliance status to BoD and portfolio's compliance status to the investment team on a quarterly basis.
- Abac Solutions Manager quarterly Board of Directors discusses, amongst other points, portfolio companies' Sustainability progress.