

Portobello Capital's Responsible Investment Policy



Portobello

Portobello Capital's Responsible Investment Policy

This policy enables Portobello Capital Gestión SGEIC to comply with Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 ("Disclosure Regulation") on the disclosure of information relating to sustainability in the financial services sector.

CONSIDERATION OF SUSTAINABILITY RISKS (ARTICLE 3 SFDR)

Portobello Capital integrates sustainability risks into the investment process, where sustainability risk is defined in the Disclosure Regulations as any environmental, social or governance event or condition that, if it were to occur, could have an actual or potential material adverse effect on the value of the investment. The integration of these risks is described in Section IV.

CONSIDERATION OF MAJOR ADVERSE EVENTS (ARTICLE 4 SFDR)

Portobello considers the Material Adverse Impacts of investment decisions on sustainability factors in accordance with our investment strategy and the types of financial products we offer, as set out in Article 4 of the Disclosure Regulations. Depending on the characteristics of each financial product, and in particular whether the product promotes (Article 8) or aims at sustainable investment (Article 9), the firm will determine and disclose whether and to what extent it considers the Material Adverse Impacts of its investment decisions.

Portobello Capital collects, monitors and discloses the indicators related to Major Adverse Events set out in Article 4 of the Disclosure Regulation and in the relevant Regulatory Technical Standards.

CONSIDERATION OF REMUNERATION ALIGNED WITH SUSTAINABILITY ASPECTS (ARTICLE 5 SFDR)

Portobello's mission is to align its own and its investors' strategy, objectives and operating principles with the performance and way of working of its employees. To this end, employees' involvement in the implementation and monitoring of ESG factors is taken into account when determining their annual variable remuneration.

Principles and Commitments

The purpose of this policy is to set out Portobello Capital's basic principles and general framework for managing and integrating environmental, social and governance factors ("ESG Criteria") into our investment activity as an integral part of our fiduciary responsibility. In this regard, we are committed to managing the funds entrusted to us by our long-term investors in a sustainable, efficient and responsible manner.

COMMITMENT

OUR RESPONSIBLE INVESTMENT PHILOSOPHY

As the basis of our fiduciary role towards investors, we are convinced that environmental, social and corporate governance issues act as value-creating levers in our investment activity. Furthermore, we recognise that the application of these principles can better align investors with broader societal objectives, as well as contribute to making our investments more profitable in the long term by ensuring optimal risk management.

OUR COMMITMENTS

Commitment to UN PRI

As signatories to the UNPRI since 2012, we are committed to the following premises:

- Incorporate ESG Criteria in investment analysis and decision-making processes.
- Being active and incorporate ESG Criteria in our investee companies.
- Provide regular disclosure of ESG Criteria in the entities in which we invest.
- Promote the acceptance and implementation of ESG Criteria in the investment universe.
- Work collaboratively to increase our effectiveness in applying ESG Criteria.
- Prepare regular reports on our activities and progress in achieving the goals of the UNPRI.

Commitment to UN Global Compact

As a signatory of the UN Global Compact since 2020, we are committed to ensuring that our participants incorporate the Ten Principles of the UN Global Compact into their strategies. In this way, companies not only fulfil their basic responsibilities to people and the planet, but also lay the foundations for long-term success.

Commitment to the Sustainable Development Goals

Portobello Capital's commitment to the SDGs is materialised through this active management of the ESG aspects of its investee companies. Portobello aims to pursue the achievement of the following goals within the Sustainable Development Goals:

| SDG 7 Affordable and clean energy | SDG 8 Decent work and economic growth | SDG 9 Industry, innovation and infrastructure |
|---|--|---|
| <p>Target 7.2</p> <p>Contribute to increasing the share of energy renewable energy in the energy mix.</p> | <p>Target 8.2</p> <p>Contribute to higher levels of productivity through diversification, technological upgrading and innovation.</p> | <p>Target 9.2</p> <p>Promote inclusive and sustainable industrialisation, thereby seeking to increase the contribution of industry to employment and gross domestic product.</p> |
| <p>Target 7.3</p> <p>Contribute to achieving a doubling of the global rate of energy efficiency improvement implementing the resulting energy saving measures.</p> | <p>Target 8.5</p> <p>Pursue the growth of investee companies to achieve full and productive employment and decent work for all, including young people and individuals with disabilities, as well as equal pay for work of equal value.</p> | <p>Target 9.5</p> <p>Contributing to the conversion of the industries in which it invests to make them sustainable, using resources more efficiently and promoting the adoption of technologies and clean and environmentally sound industrial processes, reducing negative externalities wherever possible.</p> |

| SDG 12 Responsible consumption and production | SDG 13 Climate action | SDG 16 Peace, justice and strong institutions |
|--|--|---|
| <p>Target 12.2</p> <p>Promote sustainable management and efficient use of natural resources through the implementation of environmental policies and responsible sourcing policies.</p> | <p>Target 13.2</p> <p>Incorporate climate change measures in the policies, strategies and action plans of the investees.</p> | <p>Target 16.5</p> <p>Implement actions in investees that contribute to the fight against corruption and bribery in all its forms.</p> |
| <p>Target 12.5</p> <p>Avoid waste through prevention, reduction, recycling and reuse activities, introducing circular economy practices within the action plans of the investees.</p> | <p>Target 13.3</p> <p>Include measures to improve education and awareness of the necessary climate change mitigation, adaptation, mitigation and early warning.</p> | <p>Target 16.6</p> <p>Establish effective and transparent governance systems in investees.</p> |

OTHER COMMITMENTS

- 1 Applicable regulations: Strict compliance with the legal obligations in force.
- 2 Voluntary commitments, selectively applicable to funds classified as Article 8 and Article 9:

- Los principios de Gobierno Corporativo de la OCDE
- UN Guiding Principles on Business and Human Rights
- The International Labour Organization's Declaration on Fundamental Principles and Rights at Work
- The International Bill of Human Rights

ESG governance and resources

GOVERNANCE AND RESOURCES

- The **Board of Directors** is responsible for approving and monitoring compliance with the ESG strategy and objectives. Its functions include oversight and ultimate responsibility for the development of the sustainability strategy, as well as its implementation and monitoring.
- **ESG Committee:** established in 2019, the ESG Committee is composed of four permanent members: one of the founding partners, the COO, the director of legal department and the head of Investor Relations. Its role is to define and propose Portobello's ESG strategy and objectives, as well as to review the evolution of the portfolio and identify how we, as a Management Company, can support our investees in implementing ESG strategies and action plans.
- The **ESG Team** is made up of professionals from the Investor Relations and Legal departments whose main objective is to ensure the implementation of the commitments made in ESG matters, provide training to the rest of Portobello's employees, promote the ESG culture in the investee companies and follow up and monitor these criteria throughout the investment process.
- **External advisors:** Portobello is supported by sustainability specialists in the process of data collection, integrity assurance and data validation support. It also relies on sustainability experts to conduct due diligence to ensure that sustainability risks and major adverse events are taken into account in the investment process.
- **Training:** annual training conducted internally or externally.
- **Digital tool for data collection:** when it comes to annual reporting, Portobello has an external digital tool that facilitates the collection of information and allows for a validation process that ensures the integrity of the data.

Main areas of application of ESG policy. Main ESG issues

At Portobello Capital we work to deliver on our commitment to our investors:

- 1 Manage economic resources efficiently by working towards value creation and
- 2 Transparency, making available all information related to our ESG policy and reporting on the progress being made.

To this end, the main areas of our policy are embodied in the following strategies:

CLIMATE CHANGE STRATEGY

For Portobello, environmental impact is one of the fundamental pillars, of great importance nowadays due to the relevance that Climate Change has acquired in recent times both for the majority of governments and for other international organisations.

Portobello understands that climate change can have adverse effects on the economy, which can present both risks and opportunities for our portfolio of investees. As such, our Climate Change strategy seeks to align with the Paris Agreement in its objective to substantially reduce greenhouse gas emissions to limit global temperature rise this century to 2°C and strive to limit this increase to even more than just 1.5°.

During the pre-investment phase, in some funds that have committed to this (Article 8 and Article 9), Portobello seeks to understand the financial and non-financial impact of Climate Change risks. Likewise, during the management phase of our investee companies, we seek to ensure that the majority of our investees, and in particular those belonging to Article 8 and Article 9 funds, measure their Carbon Footprint and draw up an emissions reduction plan.

EQUALITY STRATEGY

Portobello's basic principle is equal treatment, equal opportunities and equal pay, as well as compliance with the regulations in force in the geographical areas in which it operates. We are firmly committed to promoting diversity of gender, skills and experience in our investees. To this end, our investees draw up an Equality Plan and the management monitors its design and implementation, ensuring that, as a minimum, it complies with the requirements established in the regulations.

HUMAN RIGHTS STRATEGY

Portobello is committed to respecting internationally recognised human rights and aims not to infringe human rights, be complicit in or contribute to human rights abuses, both its investees and its value chain, as far as possible.

Portobello supports respect for Human Rights through its Code of Conduct.

- Portobello is committed to respecting, defending and protecting basic labour rights and globally recognised human rights and civil liberties.

- The Code of Conduct confirms the commitment to uphold high legal, ethical and moral standards, and aims to promote compliance with local and international laws and regulations.

Portobello fosters a culture of compliance and ethically sound business conduct, and encourages its employees, customers and stakeholders, including the value chain of its investees.

GOOD GOVERNANCE AND TRANSPARENCY STRATEGY

We ensure compliance with applicable laws and regulations, as well as that companies are well structured and transparent in terms of internal governance. To this end, we work to achieve optimal board structures with independent board members, gender equality, as well as the implementation of various internal policies that guarantee aspects such as equal pay and equal opportunities for different groups of employees.

Integrating ESG criteria into our investment process

In line with the regulatory considerations, at Portobello Capital we consider ESG criteria in our investment process, integrating sustainability risks and the analysis of key adverse sustainability events as defined in the Disclosure Regulation and its subsequent regulatory technical standards.

Portobello Capital seeks to improve the responsible management of its investees by promoting the active management of environmental, social and good governance factors on the boards of its investees. The integration of ESG criteria is promoted by Portobello to its portfolio companies through their representatives on the management bodies.

This engagement work is preceded by a preliminary analysis carried out in the pre-investment phase, consisting of a negative screening and due diligence, the conclusions of which are incorporated into the investment decision process. The conclusions obtained in the pre-investment phase inform the drafting of the Action Plan on which the engagement activity is based throughout the investment period, and which is put to good use in the divestment phase.

■ **Negative** as a preliminary step in the analysis of any investment, investment teams check that the target company does not invest generally in any illegal economic activity and specifically in any of the illegal or morally controversial sectors listed below:

- **Illegal economic activities:** any production, trade or other activity that is illegal under the laws or regulations of the home jurisdiction for such production, trade or activity. Human reproductive cloning is considered an illegal economic activity in the context of these Guidelines.
- **Tobacco and Distilled Alcoholic Beverages:** the production and marketing of tobacco and distilled alcoholic beverages and related products.
- **Production and Trade in Arms and Ammunition:** The financing of the production of and trade in arms and ammunition of any kind. This restriction does not apply to the extent that such activities are part of or ancillary to explicit EU policies.

- # **inos:** casinos and similar businesses.

- **Information Technology sector restrictions:** research, development or technical applications related to electronic data programmes or solutions, which are specifically intended to support any activity mentioned as a restricted sector. Internet gambling and online casinos; or pornography or which are intended to unlawfully enable access to electronic data networks; or downloading of electronic data.

- **Restrictions in the life sciences sector:** where support is provided for the funding of research, development or applications related to human cloning for therapeutic or research purposes; or Genetically Modified Organisms ("GMOs").

- **Specific restrictions requested by institutional investors.**

- **Due Diligence:** it is considered essential to carry out due diligence to identify ESG risks and opportunities by independent experts in the pre-investment phase, the results of which will be essential for the final investment decision. In addition to commercial, financial, business and legal verification processes (in its different areas), the due diligence work includes the analysis of the most relevant environmental, social and corporate governance issues. All of this allows the company's main ESG risks and opportunities to be taken into account. The conclusions of this due diligence include recommendations to exploit the opportunities found and mitigate or reduce the risks and negative impacts identified. In this phase, specific indicators are identified for each investee based on the financial materiality of sustainability.

- **Investment decision:** the conclusions of the due diligence process, together with the resulting action plan, are taken into consideration by the Investment Committee before the investment decision is taken. In the event that material risks have been identified, the company is requested to implement the necessary or appropriate measures to manage the risk and cease the negative impact that is being generated.

- **Investment monitoring:** during the investment holding period, an Action Plan is prepared to improve the ESG performance of the investee company through engagement with the management team of the investee company and through the capacity of influence derived from the political rights held over the company. To this end, it is important to designate, within each company, a person in charge to whom the chief executive must set annual objectives. This person will report periodically to the Board of Directors on the work carried out in each of the specific areas of action in order to progressively achieve the fulfilment of those objectives. This Protocol has the following elements:
 - 1 The incorporation of the material aspects of the action plan and certain reporting obligations to facilitate its monitoring within a 180-Day Plan and Investment Period Value Creation Plan.
 - 2 Monitoring of the implementation of the Value Creation Plan through regular dialogue with the investee and at meetings of its Board of Directors, and the appointment of the person responsible at the investee for leading the investee's ESG strategy. This 3-4 year Value Creation Plan details the strategic objectives and the actions required to achieve these objectives. During the Holding Period, compliance with the action plan is monitored and promoted in the companies

through representation on the Board of Directors, dialogue with the management team and coordinated action with the ESG manager of the investee company.

3 The Value Creation Plan will include at least the following actions for all participants:

- the Investee's adherence to Portobello's ESG policy;
- the appointment of the ESG officer in the investee company;
- the adoption of ESG measures in the framework of the 180 Days Plan and the Value Creation Plan;
- the inclusion of ESG issues on the agenda of the board meetings of the investee company at least twice a year; and
- the definition and calculation of ESG KPIs to monitor the progress made. The KPIs shall include those that enable the portfolio's exposure to climate risk to be measured, particularly in investee companies where climate risk is material.

Once a year, the team assigned by the Management Company will be required to complete a questionnaire which will include questions on the degree of compliance with the Value Creation Plan and the reporting of key indicators. The analysis of the answers to the questionnaire will be carried out by the investment team assigned by the Management Company and will report the conclusions to the ESG Committee of the Management Company, which will assess the improvements achieved in the ESG performance of the Investee Company and will agree with the investment team the content of the actions to be carried out in the Investee Company during the year.

■ **Divestment:** Portobello ensures that in the divestment phase the standards set and targets worked towards after Portobello's divestment of the company are maintained. We will use our best efforts to realise and demonstrate value at the divestment stage.

Portobello Capital Gestión SGEIC, S .A.
C/ Almagro 36, 2ª planta, 28010 Madrid
tel.+34 91 431 80 71
email: info@portobellocapital.es
web: portobellocapital.es

