



Responsible Investment Policy

January 2022

Introduction

For Investindustrial, responsible investment means systematically integrating environmental, social, corporate governance, regulatory compliance, data safety and responsibility, and cultural and ethical (“ESG and interchangeably referred to as Sustainability”) considerations across all stages of the investment lifecycle, from pre-investment activities through the post-investment holding period and exit.

Investindustrial believes that making sustainable investments and encouraging its portfolio companies to integrate sustainability into their corporate strategy, supported by impactful and measurable ESG objectives and targets, is an important responsibility for any long-term asset owner. To this effect, in 2009, Investindustrial became a signatory to the UN PRI and continues to be committed to applying its six Principles for Responsible Investment (www.unpri.org). Investindustrial was the first private equity operator with a focus on Southern Europe to become a signatory to the UN Global Compact (www.unglobalcompact.org) in 2008, and strives to implement the Ten Principles in the areas of human rights, labour, environment and anti-corruption through all its business activities. Investindustrial also contributes to the UN Sustainable Development Goals, through its portfolio companies, its own operations, and its Firm foundations, Invest for children and the Investindustrial Foundation. Whilst Investindustrial’s investment strategy does not currently target Sustainable Development Initiatives (SDIs), contributing to SDGs is core business for several portfolio companies. Additionally, in 2020, Investindustrial achieved B Corp™ Certification (www.bcorporation.net) and also became a signatory/supporter of the Climate Action 100+ (www.climateaction100.org), the Taskforce for Climate-related Financial Disclosure (www.fsb-tcfd.org), the Initiative Climat International (iCI) and re-joined InvestEurope’s Responsible Investment Roundtable. The Firm continued its industry collaboration in 2021 by joining ILPA’s Diversity in Action, UN PRI’s PE Advisory Committee and working with a select group of private equity firms to lead climate action in the industry by developing the SBTi Guide for Private Equity in partnership with the SBTi, iCI and supported by the UN PRI. This was achieved by participating in the SBTi Finance Initiative / Private Equity Initiative Technical Committees. Finally, Investindustrial also joined the Net Zero Asset Managers Initiative in 2021.

This Responsible Investment Policy describes Investindustrial’s commitment to sustainability in general and approach to addressing material sustainability aspects throughout the investment lifecycle. It is designed to maximize stakeholder value by identifying material risks and opportunities associated with sustainability issues and to allocate the appropriate attention and resources needed to resolve any risks or capitalise on potential opportunities.

Scope

This Responsible Investment Policy applies to private equity investments (portfolio companies) made by funds managed or advised by Investindustrial Advisors Limited (‘Investindustrial’). Where Investindustrial is a minority investor, where other extenuating circumstances impact Investindustrial’s ability to assess, set, or monitor ESG-related performance goals, or where we identify material ESG / Sustainability issues that cannot reasonably be addressed, we may not necessarily be able to fully implement this Responsible Investment Policy. In such cases, Investindustrial will make reasonable efforts to encourage consideration of relevant ESG-related principles by the portfolio company.

Material sustainability aspects are those factors that have, or have the potential to have, a direct or indirect impact on an organization’s ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders and society at large.

Roles and Responsibilities

Investindustrial has dedicated sustainability resources to support the organisation and portfolio companies.

The Head of Sustainability, as the ‘Sustainability Officer’, is the owner of this Responsible Investment Policy and is responsible for providing information on responsible investment to the Investment Committee and the Board of Investindustrial (‘Board’).

The manager and/or general partner of each Investindustrial fund engages its Investment Advisors, Investindustrial Partners, to support them in the evaluation and monitoring of sustainability aspects and sustainable practices. It is the Investindustrial’s investment advisory teams’ responsibility to make sure

that sustainability is considered and assessed during investment screening and due diligence as well as continuously monitored during the ownership period.

Heads of the respective investment advisory teams are responsible for annually reporting on compliance to the Responsible Investment Policy.

Implementation and monitoring of the application of the policy and procedures ultimately rests with the appropriate corporate governance body of each group company subject to it.

Pre-investment stage

Environmental, social, governance, compliance, data responsibility and security, cultural and ethical factors are an integral part of the investment analysis and decision-making process before making any investment. Investindustrial uses both positive screening and exclusion lists.

Investindustrial has positive screening for investments using recognised frameworks including the Sustainable Development Investments (SDI) framework (<https://www.sdi-aop.org/>) and the EU Taxonomy of Sustainable Activities, which includes both the Green and Social taxonomies (<https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance>).

Investindustrial has formal guidelines to exclude or limit investments in certain sectors. Sectors have been classified as either “Excluded”, where Investindustrial will rule out making investments in companies active in that sector, or “Sensitive”, where Investindustrial will minimise its exposure and will apply more stringent requirements prior to the making of investments and during the investment holding period.

Current excluded sectors are as follows:

Sector	Notes	Classification
Armaments	The production of weapons and directly related ancillary equipment used by combat and defence forces (including conventional, chemical, bacteriological and nuclear weapons), and the manufacture of strategic equipment (aircraft, missile warheads, rockets), of the systems required to launch and guide missiles, and of the defence electronics without which such military equipment cannot be operated. For the avoidance of doubt, excludes any product or component that is potentially suitable for use in the manufacture of anti-personnel mines, cluster bombs, nuclear weapons, chemical weapons, biological weapons or depleted uranium ammunition, however, the principal intended use of such product or component is for a purpose unrelated.	Excluded
Illegal drugs	Illegal drugs which are considered in illegal in the particular jurisdiction in which such production or sale is intended to occur. For the avoidance of doubt, the production, sale and distribution of cannabis and cannabis products are classified as Excluded	Excluded
Pornography and Prostitution Services	The production of representations of sexually degrading acts that are an affront to human dignity and the active distribution of such material via channels such as the media, shops or the internet, as well as the solicitation, advertising and sale of sexual services	Excluded
Alcohol*	The production, sale of alcoholic beverages or liquor; other than if part of the operation of a hotel, amusement park, leisure business or other hospitality business.	Excluded
Tobacco*	The production, sale and distribution of cigarettes, cigars or pipe tobacco, including firms whose primary activity is to trade in tobacco and/or to distribute unprocessed tobacco wholesale to cigarette manufacturers; other than if part of the operation of a hotel, amusement park, leisure business or other hospitality business	Excluded
Thermal Coal	Directly engaging in the extraction, exploration, processing/ refinement of and/ or power generation from thermal coal as well as involved in the construction (including expansion and upgrading) of a coal-fired power plant.	Excluded

Oil and Gas	Directly engaging in the exploration, development and production of oil and/ or gas as well as the power generation from oil and/ or gas.	Excluded
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* Where such activities form a significant part of the company revenues

Current sensitive sectors are as follows:

Sector	Notes	Classification
Gambling	The operation of casinos, racecourses, the production of slot machines, companies that lend money on casino premises and any other licensed or unlicensed gambling activity.	Sensitive
Microfinancing	Microfinance services (which, for the avoidance of doubt, shall mean the provision of financial products and/or services to low-income individuals or micro-enterprises who may not have access to typical banking services)	Sensitive
Genetically Modified Agricultural Products	The use of genetically modified organisms in agrochemical products, including the production of transgenic seeds.	Sensitive
Civil Nuclear	The production of nuclear energy, the construction of nuclear reactors, the storage and reprocessing of radioactive waste, and the supply of nuclear fuel or uranium for civil purposes.	Sensitive
Animal Testing	The use of laboratory animals to test the toxicity of chemicals in consumer products.	Sensitive
Palm Oil	Direct involvement in the upstream/ downstream production/ trade of non RSPO-certified palm oil as a major part of their revenue.	Sensitive
Virgin or Old-Growth Forest	Direct involvement in the upstream/ downstream production/ trade of timber from virgin or old-growth forests as a major part of their revenue.	Sensitive
International Union for Conservation of Nature's (IUCN) Red List of Threatened Species	Any company whose operations knowingly undermine the protection and recovery efforts of IUCN red list threatened species.	Sensitive

Furthermore, Investindustrial shall avoid investing in activities contravening the EU, USA and/or UN Trade Sanction Lists¹ and companies that do not adhere to both the UN PRI and UNGC principles as well as the OECD Guidelines for Multinational Enterprises. More explicitly, we do not invest in companies that:

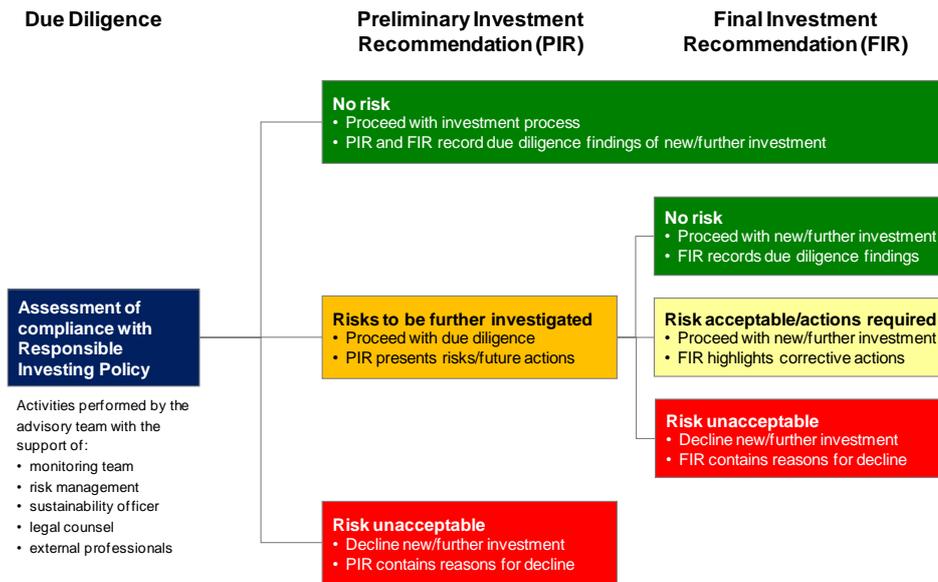
- do not respect human rights;
 - do not directly or indirectly through their supply chain respect standard labour conditions; apply discriminatory policies; and/or use child labour;
 - do not comply with anti-corruption standards and best practice;
 - do not comply with their industry standards and best practice;
 - do not comply with current environmental, health and safety, ethics and social legislation;
 - do not have proposals to address defined significant future legislation on ESG issues; including but not limited to climate-related transition or physical risks and
 - do not have controls and recovery policies in place for cybersecurity,
- unless resolving these issues is a specific part of the investment strategy.

¹ The production of items, or the provision of services, to governments and organisations listed on the EU, US or UN Trade Sanctions Lists.

Pre-investment, the investment companies and their advisory teams are expected to liaise with Investindustrial’s internal change management, legal and sustainability teams as well as any relevant external professionals (specialist consultants, industry advisors, lawyers, etc.) covering a range of topics and functions, when relevant, such as legal, financial, commercial, tax, cybersecurity, operations, labour and ESG – including climate change risks and opportunities in the context of the TCFD framework, operations, reputation, etc. This is to confirm the viability and opportunity of target companies and to ensure compliance with current and proposed future legislation.

If the investment is not compliant with Investindustrial’s Responsible Investment and ESG policies, the risks will be identified and the advisory teams, together with the legal and sustainability teams, will determine the appropriate course of action.

Responsible Investment Approach to New Investments and Add-ons



The results from the ESG assessments will be presented, using Investindustrial’s proprietary framework, in both the preliminary investment recommendation (PIR) and final investment recommendation (FIR) memoranda which highlight the risks and mitigation measures as well as potential opportunities for remedying any non-compliance.

Investindustrial's proprietary framework includes the following elements

Framework Element		Description
1	Summary of material ESG due diligence (DD) findings	Review of all DD by third party advisors ² .
2	Overall ESG Rating	Summary and rating of Environmental, Social, Governance, Culture, Ethics and Reputation, Legal and Compliance Risks and Mitigation Measures, based on a review of Commercial, Legal, Operations and ESG related due diligence by third party advisors.
3	Materiality Analysis	Significant ESG issues deemed pertinent to the relevant industry as defined by the Sustainability Accounting Standards Board (SASB), with a more granular analysis of any possible topics the company faces or may come across in future by the Sustainability Team.
4	SDG Alignment	Analysis of alignment with SDGs and the sustainable development investment taxonomy.
5	Peer Group Benchmarking	Materiality analysis of peers to determine what the key issues are across the industry in a more targeted manner.
6	Ethical and Cultural Due Diligence	An in-depth organisational culture and ethical behaviour review in which the advisory, legal, change management and sustainability teams work together to complete a thorough desk-top analysis and to conduct interviews with service providers and management to better assess and understand the culture and ethics of the company and how this may impact the value of the business.
7	Summary of Climate Risk & Opportunities Analysis	Analysis of key risks and potential opportunities, considering transition and physical climate change. A carbon intensity analysis is included to understand the intensity of the target compared to industry peers and in comparison, to the Fund's carbon intensity and carbon budgets.
8	RepRisk Analysis	Third party analysis of public information to determine ESG and business conduct risks related to the company and overall industry.
9	Reputational due diligence	Third party advisor review of target and key senior executives' reputation.
10	Sanctions and embargo analysis	In-house analysis using proprietary sources on target, key suppliers and customers.
11	Human Rights Due Diligence	Third party analysis of human rights in the supply chain risks.
12	Internal Scorecard	Target companies are assessed against Investindustrial sustainability criteria and scored including their engagement on Sustainable Development Goals (SDGs).
13	ESG Questionnaire	DDQ sent to the various external advisors (legal, environmental, financial, operational) for input. Questions cover the following scope: <ul style="list-style-type: none"> a) UNGC Principles b) Sector Exclusions c) Sustainability Management d) Cyber Security e) Human Capital f) Corporate Governance g) Environment
14	Action Plan	Input into 100 day-plan activities to address issues identified in the above due diligence including estimated budget requirements. Introduction of standard Investindustrial approach, 3 -year key milestones and associated ESG budgets into the business plan
15	EU Taxonomy of Sustainable Activities	Screening of the sector and company against the EU Taxonomy of Sustainable Activities criteria.

² Third party advisor reports will cover numerous topics including, but not limited to, the quality and safety of products and services, compliance with reporting standards, industry codes as well as the status on any industry related certifications, permits and licenses.

Post-investment stage

Material ESG issues or mitigation actions identified during the pre-investment due diligence, and subsequent mitigation measures or actions highlighted in the FIR will be incorporated into a 100-day plan. This will become the blueprint for action to create value once the deal is approved.

Post-investment, each portfolio company is required to identify an ESG representative with whom Investindustrial's Advisory and Sustainability Teams collaborate on an ongoing basis. Starting with an on-boarding process, the portfolio company will be introduced to the recommended Investindustrial sustainability approach, suggested actions and timings. Investindustrial will work closely with the portfolio company from this point onwards, both on a formal basis (including quarterly calls, workshops, annual Sustainability Summits, etc.) and more informally (for example providing ad hoc support with reporting or setting ESG objectives and targets), both in person and by phone or video conference.

Each portfolio company will endeavour to adopt Investindustrial's sustainability approach and integrate it into its own. This will typically take place over a three-year period, depending on the sophistication of each business and the maturity of their existing sustainability programs and initiatives. Ultimately each portfolio company will endeavour to undertake the following steps as an integral way of building better companies:

Framework Element	Description
Memberships	Become a signatory to the UN Global Compact and local chapters
Vision, Missions, Strategy	Complete a Materiality Assessment to identify the stakeholders and material issues and to better understand how the stakeholders and business regard these issues.
	Develop a Vision Statement
	Develop a Sustainability Strategy focused on the company's material issues
	Develop company-specific ESG Objectives ³ and Targets (including science-based carbon emissions reduction targets, and the pursuit of renewable energy solutions for 100% of their electricity consumption)
Monitoring and Reporting	Monitor sustainability performance and report key ESG data metrics quarterly and annually to Investindustrial, including carbon footprint broken down by scope, business unit and country
	Monitor and report progress in relation to company specific ESG Objectives and Targets
	Measure impact of sustainability initiatives to the business growth and profitability, reputation and risk reduction/business continuity
	Publish an Annual Sustainability / Progress Report in line with GRI and national regulations such as NFRD
Active Participation, Education and Training	Representatives attend and participate in annual Investindustrial Sustainability Summits
	Representatives participate in quarterly Investindustrial Sustainability Calls
	Representatives participate in industry groups (if relevant)
	Representatives participate in regular training on sustainability topics, emerging regulation and business opportunities affecting the business in general, and more specifically, customers and markets, operations, products and services
Governance, including ESG Policies, Board and Executive	Code of Conduct / Ethics
	Anti-Bribery and Corruption (ABC) Policy
	Anti-Trust Policy

³ Objectives will vary by company and will reflect what is most material and impactful for that business. Examples of environmental objectives are points noted such as setting science-based carbon emissions reduction targets and sourcing 100% renewable electricity. For social objectives, these may include points such as developing a community and employee engagement plan whereas examples of governance objectives might include joining the UN Global Compact or developing critical policies and procedures.

Accountability, Committees, Key Staff	Corporate Governance Policy
	Whistleblowing Policy and Hotline
	Modern Slavery / Human Rights / Child Labour Policy
	Diversity / Equal Opportunity Policy
	Environmental / ESG / Sustainability Policy
	Health & Safety Policy
	Responsible Purchasing Policy / Supplier Code of Conduct
	Business Continuity Plan, ERP & Crisis Management Protocol
	Anti-competitiveness Policy
	Cyber Security Policy
	GDPR Policy
	Sustainability / ESG / Environmental and Health & Safety Manager(s)
	Sustainability C-suite Executive
	Sustainability Committee
Information Management / Data Protection and Cyber Security Officer	

Exit stage

When the management and advisory teams start to consider exit timing, the Sustainability Team will be consulted and asked to compile and prepare vendor due diligence documentation to demonstrate that the key ESG and Sustainability milestones have been met or are near completion and to measure the value created or risks mitigated through sustainability at the portfolio company. Such documents include:

- The Company's sustainability journey from Investindustrial's entry and ESG milestones achieved on an annual basis;
- Key sustainability initiatives launched and the value created or business impact of these actions; and
- Summary and performance on selected ESG KPIs (currently reporting 26 metrics) tracked annually since entry.
- All policy documentation and sustainability reports
- Sell-side ESG due diligence (when possible)
- Sustainability rating from third party agencies (when available)

Review

This policy reflects Investindustrial's current values and culture. It will be reviewed at least annually and revised as appropriate, with or without notice.

The policy was last updated in January 2022.

We aim to continuously improve our responsible investment approach so if you have any comments and suggestions on the policy please do not hesitate to contact us: sustainability@investindustrial.com.

Investindustrial general partners and investment managers manage the funds in the interest of the limited partners and therefore in an autonomous and independent manner from other companies, including investee companies. The investee companies are managed independently by their board of directors, including but not limited to, with respect to ESG matters and compliance with legislation and procedures. Neither Investindustrial nor the investee companies guarantee the achievement of any goals or objectives.

Additionally, please refer to Legal Notice and Terms & Conditions at www.investindustrial.com which are incorporated by reference.

