



**Phi** Asset Management  
Partners, SGEIC, S.A.

## **ESG Investment Policy**

## Introduction

PHI Asset Management Partners, S.G.E.I.C., S.A., hereinafter PHI Asset, encompassed in **PHI Industrial**, is a fund manager specialized in **industrial investment that operates with an innovative and entrepreneurial business model based on the acquisition and growth** of industrial and service companies.

We have a pan-European approach (investments with presence in +10 countries in Europe) focused on the acquisition and active management of companies in special situations and corporate divestments.

**We create long-term strategic value** by investing in our people, brands, products, services and factories. We are an entrepreneurial and active investor, helping to manage teams in order to achieve their goals and grow both their brands and their business successfully.

We aim to create value and growth for our investee companies, while also committing ourselves to generating a positive impact for the stakeholders involved: employees, investors and the local environment. To this end, we take **ESG (Environment, Social, Governance)** aspects into account in the development of our business.

This ESG Policy describes our commitment to sustainability and the integration of ESG aspects into our investment process and business and portfolio management. To this end, we define our sustainability principles and our responsible investment framework, aligned with the objective of creating sustainable value and generating positive impact.

## Reference frameworks

Our commitment to sustainability is aligned with internationally recognized and industry benchmarks.

We are aligned with the United Nations Principles for Responsible Investment (UNPRI). The 6 UNPRI principles are:

1. **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
2. **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. **Principle 3:** We will endeavor to ensure that the companies in which we invest provide adequate information on ESG issues.
4. **Principle 4:** We will promote the acceptance and application of the Principles in the investment sector.
5. **Principle 5:** We will work together to improve our effectiveness in implementing the Principles.
6. **Principle 6:** Each of us will report on our activities and progress in implementing the Principles.

We are also committed to and aligned with the 10 Principles of the United Nations Global Compact and the UN Agenda 2030 and its Sustainable Development Goals (SDGs), aspiring to contribute to their achievement through our activity.

## ESG Investment Principles and Framework

We take into consideration sustainability **risks** and their potential impact on investment decision-making. In addition, we identify sustainability **opportunities** and focus on the following ESG aspects, seeking to promote improvements that go hand in hand with performance, growth and value creation in companies.

- **Environment:** Decarbonization and energy efficiency to address climate change.
- **Social:** Promote and, as far as possible, drive the value chain to achieve innovation and the transition to digital technology to ensure socioeconomic prosperity, the well-being of the environment, ensuring the safety and health of people and the generation of quality talent.
- **Governance:** Guarantee respect for ethical principles and to act with good governance practices that ensure exemplary behavior, avoiding unfair practices and non-compliance with regulations. Develop a culture that emphasizes the fight against corruption, the protection of information security and the promotion of ethical conduct at all levels.

## ESG Integration

We believe that the integration of ESG aspects into our investment and portfolio management activity is a fundamental part of achieving the transformational growth of the companies to which we aspire. PHI therefore adopts the following commitments regarding the integration of ESG aspects:

- Integrate ESG aspects into investment decision-making, including sustainability risks and opportunities.
- Active management aimed at improving sustainability performance that incorporates ESG aspects and is aligned with long-term value creation.
- Accompany and support portfolio companies in the development of continuous improvement, the generation of positive impact and the mitigation of sustainability risks and associated impacts.
- Share the commitment to transparency regarding ESG aspects with portfolio companies, as well as ensure the disclosure of sustainability progress to relevant stakeholders.

## Investment process

- **Analysis and selection of investments:** In this preliminary phase, an exhaustive analysis and evaluation of investment opportunities is carried out and mechanisms are applied to identify and mitigate potential negative sustainability impacts. The conclusions of the analysis are supervised by the internal body for the Prevention of Money Laundering and Terrorism.
  - **Screening:** A negative evaluation exercise of activities and sectors is carried out, according to the exclusion list, aligned with the guidelines of the European Investment Fund. We will not invest in companies that operate in or are exposed to the following sectors or activities:
    - *Illegal economic activities:* production, commercialization or any other activity that might lead thereto.
    - *Tobacco and distilled spirits:* the production and marketing of tobacco and distilled spirits, as well as related products, is illegal under the laws or regulations of their jurisdiction of origin (Spanish or Portuguese). The activity of human cloning for reproductive purposes is considered an illegal economic activity in the context of these guidelines.
    - *Production and trade of arms and ammunition:* finance the production and trade of arms and ammunition of any kind. This restriction shall not apply when such activities form part of or are ancillary to the policies of the European Union.
    - *Casinos:* financing of casinos and equivalent businesses.
    - *Restrictions in the information technology industry:* research, development or technical application related to electronic data or solutions aimed at online gambling, as well as online casinos or pornography.
    - *Life sciences industry:* whenever support or funding is provided for research, development or technical application related to: (i) Human cloning for research or therapeutic purposes, (ii) Genetically modified organisms.

We undertake to review this list periodically to incorporate any other activity or sector that may generate controversy or be contrary to PHI's ethics.

- **Due Diligence:** A formal Due Diligence process is carried out to evaluate the companies and identify possible risks and contingencies in the financial, tax, legal and labor areas... In addition, this process incorporates the ESG dimension for the effective identification of risks and opportunities in terms of sustainability, as well as the potential associated impacts. A specific sustainability Due Diligence may be conducted derived from the results of this identification of sustainability risk and opportunities, and in the case of financial products that promote sustainability, environmental and/or social features.

- **Investment decision making:** Sustainability is integrated into investment decision-making by considering the results of the preliminary analysis conducted, which contains the material ESG risks and opportunities of the investment opportunity. These sustainability findings are reported to the Board of Directors for review and informed decision making.
- **Monitoring and supervision of investments:** During the active management period, PHI collaborates and accompanies the investee companies to implement operational improvements that promote their growth. In line with this, the ESG dimension is integrated into the accompaniment of investee companies to achieve better sustainability performance. The investment monitoring process will be developed in the following phases:
  - **Phase 1 "100 day plan":** In the first 100 days of investment, the objective will be to address the deficiencies detected as a result of the observation of the entity's daily operations, including aspects related to sustainability and taking into consideration the conclusions of the preliminary ESG analysis carried out prior to the investment (risks, opportunities and material ESG issues). The management team of the investee will be defined, an ESG manager will be assigned to the company and the investment will be communicated to the relevant stakeholders.
  - **Phase 2 "Stabilization":** The investee will be stabilized through the implementation of a reporting system that will include financial aspects and ESG issues (indicators and qualitative information). Likewise, the strategic plan of the investee shall be formalized, incorporating ESG aspects in the same.
  - **Phase 3 "Development/growth":** The achievement of the strategy defined in the stabilization phase will be implemented and monitored to achieve the value creation objective. The strategy will contain initiatives and actions aimed at improving ESG performance that will be measured by specific ESG indicators, monitored periodically by PHI.

The monitoring and control of the ESG performance of the companies will be carried out through PHI's ESG Scorecard tool, composed of indicators for each sustainability area according to the principles and material issues for PHI. Additional indicators may be included depending on the activity.

- **Divestment:** In the final phase of the life of the investment, the degree of improvement in ESG performance achieved compared to the company's initial situation before the investment is evaluated. To this end, an ESG value creation case is developed to highlight the sustainability initiatives undertaken.

## Transparency and communication

Transparency and accountability to stakeholders are key issues of responsible investment to which PHI is committed. To guarantee this commitment, the importance of the responsibility to provide ESG information on a regular basis is transferred to the investee companies.

Sustainability information will be communicated through the incorporation of ESG issues in periodic reports to investors and annual sustainability reporting where the ESG performance of PHI and its portfolio will be included.

## ESG Policy Responsibilities and Governance

The review and supervision of the effective implementation of this policy, and the guidelines and mechanisms included in it, is carried out by the PHI Board of Directors.

Specifically, the integration of ESG practices is monitored at each stage of the investment cycle and sustainability aspects are incorporated into the decision-making process. In the investment monitoring and supervision phase, the Operations, Portfolio Monitoring and Supervision Department assigns an ESG manager in the companies who will be responsible for managing the implementation of sustainability issues, as well as the collection of information to be reported to PHI.

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