

## **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.

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.

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
- The B Corporation Certification – B Impact Assessment (BAI)
- The OECD Anti-Bribery Convention
- The Task Force on Climate-Related Financial Disclosures (TCFD)

Abac supports and is signatory of the following international conventions:

- The United Nations Principles for Responsible Investment
- 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 acknowledges that its investment decisions impact the life of the Fund's portfolio companies, their employees and communities.
  - 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 Environmental, Social and Governance (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:

- 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.*

#### **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. Abac discusses the ESG implications of the business in its internal committees to develop sound action plans and always 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 and aligning their corporate strategy with a selection of 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, as well as biannual discussions at Portfolio Reviews and Risk Management Committees.
- **Investor Reports:** Sustainability matters are periodically covered in investor communications at the Annual Investors Meeting (AIM), the Supervisory Board and the Annual Sustainability Report.

#### 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 requests potential bidders to include a section on Sustainability strategy in their offer letters.
- 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. 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.

#### 2. 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 describes our Sustainable Investment policy and our commitment to adhere to the U.N. Principles of Responsible Investment.
- Abac's website publishes the latest report submitted to and results achieved from the U.N. PRI.
- Abac's website publishes the annual Sustainability Reports

#### **2. With our investors:**

- 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.