

Mindful Capital Partners S.A.

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ESG Policy

Document version	4.0	
Next review date	12 months from last approval by the Board of Directors	
Document owner(s)	Portfolio Manager, ESG Officer	
Approved by	Executive Committee	07/09/23
	Board of Directors	14/09/23
Previous approvals	<ul style="list-style-type: none">• Version 3.0 approved by Executive Committee on 27/06/23 and by Board of Directors on 05/07/23• Version 2.0 approved by Executive Committee on 12/04/23 and by Board of Directors on 19/04/23• Version 1.0 (initial version) approved by Executive Committee on 14/02/23 and by Board of Directors on 10/03/23	
Applicable to	<ul style="list-style-type: none">• Mindful Capital Partners S.A.• Mindful Capital Partners S.A. - Italian branch• Mandarin Advisors Ltd.• Swiss Value Advisory Inna Gehrt GmbH	

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1 Definitions

1.1 General definitions

“MCP”: Mindful Capital Partners S.A., fully licensed Alternative Investment Fund Manager (“AIFM”) of AIFs with private equity investment strategy.

“MCP Group”: MCP and its investment advisory companies i.e., Mandarin Advisors Ltd. And Swiss Value Advisory Inna Gehrt GmbH.

“MCP-II”: Mindful Capital Partners II SCA SICAR, AIF raised by MCP, vintage 2013.

“MCP-III”: Mindful Capital Partners III SCA SICAF RAIF, Alternative Investment Fund (“AIF”) raised by MCP, vintage 2019. Together with MCP-II and any successor fund of MCP-III, the “Funds” or the “AIFs”.

“CSSF”: Commission for the Supervision of the Financial Sector (*Commission de Surveillance du Secteur Financier*), the competent authority for the supervision of the financial sector in Luxembourg.

“Board” or “Board of Directors”: board of directors of MCP.

“Advisory Committee”: consultive committee composed by the senior investment directors of the MCP Group.

“Executive Committee” or “ExCom”: committee composed of the members of Senior Management of MCP i.e., the Portfolio Manager, Risk & Compliance Manager, Valuation Officer.

“Investment Team”: the employees / collaborators of MCP Group who take care of a Portfolio Company.

“Policy”: the ESG Policy.

“Portfolio Company”: any of the Companies invested by the AIFs.

“Senior Management”: persons who effectively conduct the business of the AIFM on a day-to-day basis.

1.2 ESG-related definitions

“ESG”: the three main areas of focus for responsible investment relate to the environmental (Environmental), social impact of any business’s activity (Social) and the way a business is managed (Corporate Governance).

“ESG Factors”: governance, environmental or societal factors.

“ESG Materiality Analysis”: process of identification of ESG Material Factors (current or emerging) for a Portfolio Company.

“ESG Material Factors”: ESG Factors that may have a substantial impact (positive or negative) on the current and future financial, economic, reputational, and legal prospects of an issuer, security, investment, or asset class.

“EHS”: stands for Environmental Health and Safety. It refers to the policies, practices and procedures in place to protect employees, visitors, and the environment from any potential risks or hazards associated with operations. It is a comprehensive set of strategies designed to minimize or eliminate risks to the health and safety of people and the environment.

“Principle Adverse Impacts” or simply “PAI”: negative effects, material or likely to be material on ESG Factors that are caused, aggravated by or directly linked to investment decisions and advice performed by the legal entity.

“Sustainability Risk”: likelihood that an ESG Incident occurs that could potentially cause a material negative impact on the value of an investment.

“UN-PRI”: Principles of responsible investment, promoted by the United Nations.

“UN - Global Compact” or simply “UN-GC”: Principles of corporate stewardship, in the areas of human rights, labour, environment and anti-corruption, promoted by the United Nations.

“UN-SDGs”: Sustainable development goals, listed in the 2030 Agenda for Sustainable Development of the UN General Assembly.

1.3 ESG Regulatory Framework

- 1) "SFDR": Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.
- 2) "CSRD": Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, on corporate sustainability reporting.

2 Introduction to MCP Group

MCP, headquartered in Luxembourg with an Italian branch in Milan (Italy), is an independent Private Equity firm, active since 2007, investing in small and medium-sized companies that could benefit from enhanced growth strategies in international markets, with a focus on Italy and German-speaking European countries.

Mandarin Advisors Ltd. and Swiss Value Advisory Inna Gehrt GmbH are the investment advisers for the Chinese and DACH (Germany, Austria, Switzerland) markets, respectively.

3 MCP approach to ESG

3.1 Reference ESG framework

MCP ultimate purpose is to build more sustainable businesses that lead to stronger, more profitable companies, thereby generating lasting value and competitive returns for its investors. MCP believes that:

- 1) Responsible approach towards Portfolio Companies, their employees, suppliers and local communities, the environment and society is essential for success.
- 2) Responsible ownership and business success are intertwined, and thus, MCP has integrated the consideration of ESG Factors into all stages of its investment lifecycle.

As part of MCP's response to the challenges of monitoring and reporting on ESG Factors more broadly, MCP became a signatory of the UN-PRI in December 2015, recognising the centrality of the six principles for responsible investment¹.

Moreover, since November 2022, MCP has adhered to the ten principles of the UN-GC and included them within its strategy, culture and day-to-day operations². MCP participates in ESG events and organizations, aiming to remain at the forefront of emerging issues such as climate risk.

Within this framework, MCP particularly commits to the following key principles:

1. Always comply with both the letter and the spirit of the law, wherever it applies.
2. Ensure there is no bribery or corruption in any of the dealings negotiated.
3. Act with integrity always in all dealings.
4. Recognize the potential impact of businesses on the environment, workers,

¹ <https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment>

² <https://www.unglobalcompact.org/what-is-gc/mission/principles>

communities, and society, as well as the potential impact of climate change on the businesses in which MCP Funds are invested.

In addition, MCP is committed to engaging with the key trade associations representing the interests of the industry in order to promote positive dialogue and collaboration also in relation to policy makers. MCP is committed to respecting PRI's principles also in engagement activities carried out with such institutions.

Furthermore, MCP has adopted a "Conflict of Interest Policy", to cover all activities carried out by or on behalf of MCP (including ESG activities). This policy provides the minimum standards for dealing with actual and potential conflicts of interest.

3.2 MCP commitment towards ESG Factors

MCP seeks, internally and at Portfolio Company level, to strive to adopt industry-leading ESG best practices. The main commitment in each ESG area are as follows:

Environment:

- Act responsibly with respect to the environment, aiming for a sustainable approach to the use of resources (energy and materials), avoiding irresponsible disposal of hazardous products and unnecessary waste.
- Improve the understanding of climate risks and incorporate climate resilience into the corporate strategy.

Society:

- As MCP believes that diverse teams and experiences can bring tremendous value to MCP Group and the alternative asset industry, they strive to cultivate a work environment rich in different backgrounds, perspectives and experiences. MCP takes pride in the fact that they rank above industry averages in the representation of women across levels and roles; however, they are committed to doing even more. At MCP and in their portfolio, they work to cultivate diverse and inclusive teams, with diverse perspectives, knowledge bases, interests, and cultural identities, who can examine ideas from every angle to generate competitive business insights and make better decisions.
- Foster and cultivate a culture of diversity and inclusion, regardless of gender, race, or disability, by encouraging employee development and retention.
- Ensure that human rights are respected and that there is no exploitation of child labour.





Governance:

- Ensure that the internal management structures and policies reflect the need for transparency, accountability, equality and probity in the management of business.

As part of this strategy, MCP classified the MCP-III Fund and intends to classify any successor Funds into Article 8 of SFDR.

In accordance with Article 8, MCP has identified environmental and social characteristic that will be promoted and monitored through sustainability indicators.

The following environmental and social characteristics are reported below.

Pillar	Topic
<p>E</p> 	<p>Tackling climate change</p> <p>Raise awareness among the portfolio companies, supporting them in monitoring their greenhouse gas emissions and in adopting carbon reduction initiatives. Promote the use of renewable energy sources and encourage the adoption of energy efficiency measures.</p>
<p>E</p> 	<p>Improving product sustainability</p> <p>Encourage the incorporation of ESG considerations in products development and design (for ex.: supporting R&D investments for sustainable materials / products / services, improving the waste management measures and/or water management practices).</p>
<p>E/S</p> 	<p>Responsible sourcing</p> <p>Support the inclusion, at portfolio company level, of ESG criteria in the supplier selection and monitoring.</p>
<p>S</p> 	<p>Employee safety</p> <p>Ensure safe working conditions for all workers.</p>
<p>S</p>  	<p>Employee engagement and well-being</p> <p>Promote voluntary training and welfare initiatives amongst the employees of the portfolio companies to enhance their personal growth, engagement and retention.</p>
<p>S</p> 	<p>Diversity & Inclusion</p> <p>Promote practices based on inclusion and diversity factors and ensure equal opportunities to all employees and candidates.</p>

MCP's ability to influence the consideration and tailored integration of ESG Factors may be limited in certain cases by the ownership structure – such as where the AIFs managed by MCP are minority equity owners – and by our access to data. MCP is committed,

however, to driving continuous improvement in its approach and application of ESG integration across all investment strategies.

4 Procedures

Responsible investment is a key priority for MCP: from deal sourcing and initial due diligence through exit, MCP's approach is to partner with the management teams of the Portfolio Companies to identify and manage material Sustainability Risks and opportunities and, ultimately, improve their ESG performance.

The consideration of Sustainability Risks and opportunities in the investment process informs investment decisions and contributes to the generation of attractive risk-adjusted returns, over the medium to long-term. MCP's firm-wide Risk Management Policy outlines the framework for incorporating sustainability risks into the risk management process.

Responsible investment and, consequently, responsible ownership require proper analysis, judgement, and mitigation of risk. As MCP strives to drive the Portfolio Companies towards adopting a responsible approach to the environment, society, and corporate governance, a set of procedures and instruments have been implemented.

4.1 Investment exclusions

MCP has formalized an investment exclusions list to consider ESG Material Factors as a gating element for investments. This list outlines certain industries that MCP will not invest in. These are businesses: i) that MCP thinks do not reflect the trajectory of a changing world; ii) that are fundamentally misaligned with MCP values; iii) for which MCP has limited to no ability to affect business model change. The investment exclusion list includes the following industries:

1. Manufacturing and/or trading of weapons, military equipment and dual use items as defined by the European Union's Dual Use Regulation (EC) 428/2009. It being understood, however, that this restriction shall not apply where such activities are part of, or otherwise incidental to, policies of the European Union.
2. Gambling and betting, or the production and marketing of products related to this sector.
3. Production and marketing of pornographic materials.
4. Production and trading of products containing tobacco, marijuana, cocaine, other similar drugs unless they are to be used for therapeutic purposes.
5. Production or marketing of electronic solutions or programs that are specifically contrived to illegally enable: (a) access to electronic networks, and/or (b) downloading of data in electronic format.
6. Production or marketing of products and services that are not in compliance with the applicable laws, regulations, standards and codes related to human rights, labour practices, environmental protection, anti-corruption and bribery, data privacy and cyber security.
7. Banks, financial intermediaries, investment firms, insurance companies and other entities operating in these sectors vis-à-vis the public and subject to supervision by independent authorities with supervisory functions over the banking, financial, or insurance sector.
8. Real estate acquisition and disposal activities.

9. Investments in companies whose activities involve animal testing for non-therapeutic purposes.
10. Business involved in any form of modern slavery, including forced labour, debt bondage, child labour, servitude, human trafficking, and other forms of exploitation.

4.2 Pre-Investment Due Diligence

For primary investments, before acquiring a business, MCP identifies, with the support of an ESG external advisor, any material Sustainability Risks and opportunities and seeks assurance that the target company is compliant with the relevant regulatory framework in the applicable jurisdictions, such as health and safety, labour, and energy usage. Besides, MCP adopts an ESG approach tailored to sectors and geographies, as organizations in different industries and regions require different strategies to address ESG Material Factors. Indeed, companies in certain industry may focus on issues such as data privacy and cyber security, while others may focus on reducing their carbon footprint. Likewise, companies operating in different countries may face a unique set of regulations and cultural attitudes that need to be taken into account.

From MCP-III onwards (vintage 2019), the ESG Due Diligence has been an integral part of MCP's Due Diligence process and includes a high-level analysis using:

- i) ESG Questionnaire sent to target companies; and
- ii) EHS Checklist for initial red flags.

The outcomes of the ESG Due Diligence, made available before the signing / closing date, consist of a list of observations and consequential recommendations on the priority ESG corrective and improvement actions that should be implemented or planned by the target company. These outcomes provide an insight into the ESG performance of the company and are included in the Investment Report, which is first analysed by the ESG Committee and then submitted to the ExCom and the Advisory Committee to inform their decision-making process.

In this phase the Board, once heard the Advisory Committee, the Executive Committee and the ESG Committee, considers whether the identified Sustainability Risk(s) are excessive (i.e., no mitigating factors are identifiable) and thus rejects the investment opportunity on those grounds, or determines that any Sustainability Risk(s) identified need to be addressed before the ownership phase.

In this case, further obligations or warranties from the vendor may be sought, e.g., in the purchase documents or as on-going obligations.

4.3 Post-acquisition engagement and monitoring process

Once an investment is finalized, MCP has a standard approach for engaging proactively on ESG matters with the Portfolio Companies. MCP puts a great deal of emphasis on the early integration of ESG management into the post-investment phase in order to ensure that material ESG matters which are significant in nature are properly prioritised (i.e., ESG Materiality Analysis) and are included in the performance monitoring systems.

From a Portfolio Company governance perspective, MCP seeks to ensure that the Board of Directors of the Portfolio Companies take responsibility and accountability for all material ESG-related topics.

MCP's expectations towards the Portfolio Company are that:

1. Each executive board member is aware of MCP's approach towards ESG.

2. Board of directors of each Portfolio Company has adopted, or will adopt within MCP's holding period, a suitable ESG policy.
3. Responsibilities for ESG monitoring and reporting are allocated, either to a single person or to a team, depending on the size and complexity of the Portfolio Company (i.e., appointment of an ESG referent person within each Portfolio Company).
4. Portfolio Company regularly reports to MCP on the implementation of their ESG policy and progress towards any targets, including quantitative ESG KPIs (if any). The Portfolio Company will monitor the indicators required by the regulations (e.g., CSRD, if applicable) and/or those required by MCP (e.g., data for the calculation of the Principal Adverse Impacts, indicators of the environmental and social characteristics promoted, as specified in Article 8 of the SFDR).
5. Any ESG Incident is immediately reported to MCP following the ESG Incidents Reporting Procedure (see also Section 4.6).
6. Portfolio Company drafts its own annual ESG Report, including information on its ESG performance (including policies, processes, and initiatives), as well as on ESG risks and opportunities, and its progress in addressing them. The ESG Report should be drafted in line with the GRI Standards³ and with the sector best practices. The timing to set-up the ESG Report within each Portfolio Company should be as follows:
 - i. for MCP-III's Portfolio Company, the first reference period for the ESG reporting (also "ESG Reporting Period") will be the full year 2024⁴;
 - ii. for MCP-IV's Portfolio Company, the first ESG Reporting Period will start from the first year in which the Fund has had a 12-month holding period.

MCP completes a full assessment of the Portfolio Company's existing policies, practices and reporting to evaluate how effectively they are communicated and implemented.

As part of this review process, the Fund-level ESG Officer oversees and monitors the implementation status of the priority ESG corrective and improvement actions resulting from the pre-investment ESG Due Diligence by organizing periodic meetings with the Portfolio Company's ESG representative(s).

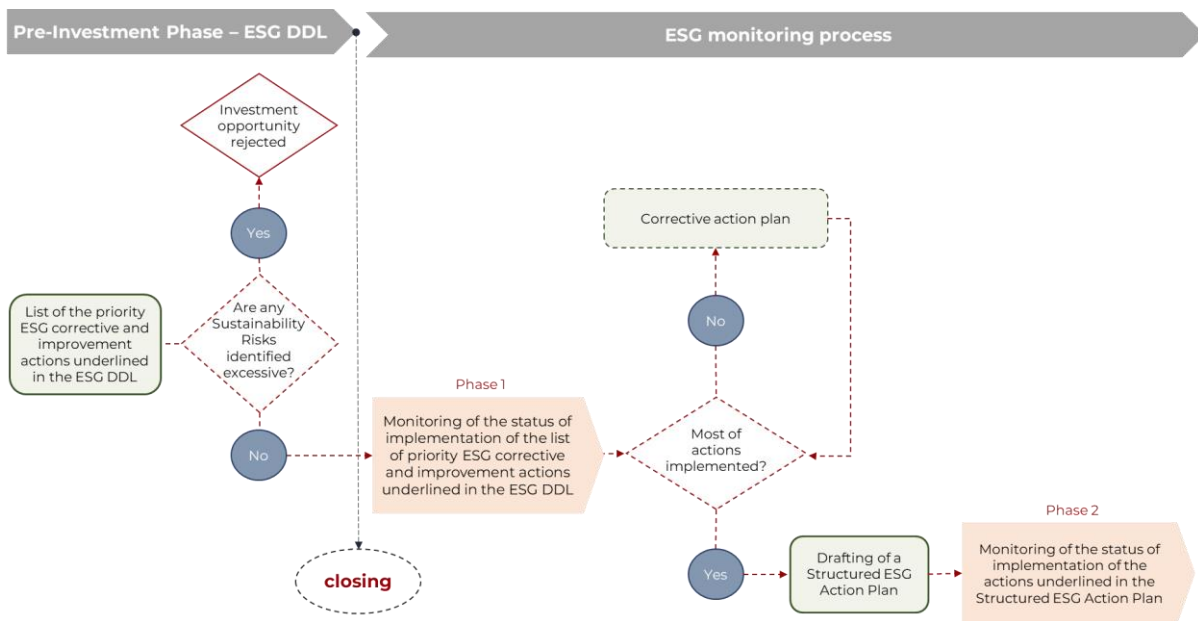
When the Portfolio Company implements most of these priority actions, MCP, along with its external ESG advisors, engages with the Portfolio Company's ESG representatives to agree on a second phase of ESG improvement actions to be formalized in a structured ESG Action Plan.

If, instead, the Portfolio Company fails to meet the defined ESG priority actions as identified in the entry ESG Due Diligence, the Fund-level ESG Officer works with the Portfolio Company's ESG representatives to identify the root cause of the issue and develop a corrective action plan.

³ The GRI Standards are the world's most widely used sustainability reporting standards, which cover topics that range from biodiversity to tax, waste to emissions, diversity and equality to health and safety. For more information, please see <https://www.globalreporting.org/>.

⁴ MCP-III's Portfolio Company which are most advanced on the ESG topic, might be pilot projects, with FY2023 as first ESG Reporting Period.

Tab. 1: Monitoring of the status of implementation of the list of ESG priorities



Where existing ESG policies and reporting frameworks are already in place, the Portfolio Companies are asked to review them in light of MCP’s guidelines and make any necessary improvements or adaptations.

* * * *

Since the launch of MCP-III, Portfolio Companies have been required to participate in a post-acquisition ESG review and monitoring process. MCP periodically requires each Portfolio Company to compile an internal tool with quantitative indicators to track their performance in terms of sustainability and to confirm/identify additional Sustainability Risks and opportunities. Once filled in, the tool is reviewed internally by MCP staff. The post-acquisition review process involves evaluating the resources allocated to ESG initiatives at each Portfolio Company.

MCP maintains regular dialogue with the Portfolio Companies, through formal Board meetings and *ad hoc* meetings between the Investment Team (and/or the Fund-level ESG Officer) and the management team of the Portfolio Company (including the ESG Referent Person).

In the periodic calls, the ESG indicators reported by the Portfolio Companies are reviewed and discussed, along with the outcomes of any action plans that have been agreed upon during the initial investment made by MCP. Whether the engagement with Portfolio Companies does not lead to expected results, two options are considered: unsatisfied engagement will lead to contractual breaches (if included in the contract); otherwise, the issue will be immediately managed by MCP in dialogue with the Portfolio Company.

MCP considers both the ESG performance information and the financial performance of the respective investment.

If new or additional Sustainability Risks arise during MCP’s ownership of a Portfolio Company, MCP Investment Team seeks to assess and manage the situation through discussion with the company management and the development of a corrective action plan.

If a Material ESG Event occurs, the issue is escalated immediately to MCP’s Portfolio Manager and, depending on the gravity of the issue, also to the ExCom and Board.

4.4 Exit

Upon exit from the investment, MCP presents the ESG achievements obtained during the holding period to its investors and may decide to emphasize them in an ESG Vendor Due Diligence exercise for the prospective buyers.

4.5 Reporting to investors

MCP regularly communicates to its investors the updates in its ESG framework, as well as the results from its monitoring and engagement activities with Portfolio Companies.

- 1) Communications occur through the quarterly unaudited Investors' Report, every six months.
- 2) In the Annual Investor Day, organized every year to illustrate the portfolio performance to the Investors, there will be an update on the ESG Factors.
- 3) Furthermore, MCP provides disclosure on the website (www.mcpinvest.com) regarding ESG topics and PAI indicators, through:
 - a. SFDR public disclosure.
 - b. Yearly ESG Flyer for Investors.
- 4) Promptly disclosure of any serious ESG Incidents.

4.6 ESG Incidents Reporting Procedure

To ensure adequate communication and transparency on sustainability-related issues, MCP has established an ESG Incidents Reporting Procedure. This procedure is dedicated to the communication of any incidents that could result in environmental, social and governance repercussions. Appropriate guidance is provided by MCP to its Portfolio Companies in understanding and applying the ESG Incidents Reporting Procedure.

5 Roles and responsibilities

The integration of ESG within MCP's strategy and investment process is overseen by various functions, as mentioned above. All MCP employees involved in ESG-related activities are adequately trained on sustainability trends.

The management team of the Portfolio Company is the ultimate responsible entity in charge of the implementation of the ESG action plan and ESG data collection and is required to regularly report to the Board.

5.1 Fund-level ESG Officer

The Fund-level ESG Officer oversees pre-investment ESG Due Diligence and presents the results to the Investment Team, conducts post-investment engagement with the Portfolio Companies, and collects ESG indicators during the holding period, reporting them to the Asset-level ESG Manager.

The Fund-level ESG Officer is responsible for engaging and dialoguing with Portfolio Companies to support them in improving their sustainability performance during the holding period. This includes ESG performance monitoring, as well as implementing any ESG action plans.

Long-term ESG action plans are agreed upon by the management team and the minority shareholders of each Portfolio Company.

Furthermore, the Fund-level ESG Officer is responsible, along with the Asset-level ESG Manager, for engaging with trade associations (e.g., ALFI, AIFI, LPEA).

5.2 Asset-level ESG Manager

The Asset-level ESG Manager is responsible for implementing and reviewing the Policy, reporting to the ExCom, developing the annual ESG Flyer for Investors. The Asset-level ESG Manager is also responsible for engaging with trade associations.

5.3 Board

The Board is responsible for: i) defining the AIFM's approach to ESG Factors and programs and ensuring there are appropriate governance, risk management, and reporting systems in place; ii) approving the Policy and ensuring that it is properly maintained; iii) overseeing the implementation of the Policy.

5.4 Executive Committee

The ExCom is responsible for reviewing and approving the Policy before the submission to the Board.

5.5 ESG Committee

The ESG Committee is made up of the Fund-level ESG Officer, Risk & Compliance Officer and members of the Joint Investment Team appointed by the Board of Directors for a two-year term, which convenes ad-hoc when there is a need to address an ESG matter, such as assessing the acceptability of an investment or considering the implementation of a procedure at the Fund-level. The ESG Committee also convenes if a conflict of interest occurs related to responsible investment (e.g., the development of an investment strategy that may favour the short-term financial performance of an asset while undermining the responsible investment priorities).

5.6 Investment Team

The Investment Team supports the Fund-level ESG Officer in his/her activities, such as post-investment engagement with the Portfolio Companies and collection of ESG indicators.

5.7 Compliance function

The Compliance Officer is responsible for verifying that the ESG framework implemented is in compliance with the relevant Laws and Regulations. In his function of oversight of the Conflict of Interest Policy verifies that this one is consistent with the Policy.

6 Review of implementation and maintenance of the Policy

MCP regularly monitors the effectiveness of this Policy and the implemented arrangements for compliance, aiming to detect and, if necessary, rectify any shortcomings.

The ongoing monitoring of implementation of this Policy is responsibility of the Asset-Level ESG Manager.

If any updates or reviews of the Policy are deemed necessary, the Asset-Level ESG Manager will review the Policy with inputs from Compliance, as necessary. After the Executive Committee reviews and approves any amendments, they will be submitted to the Board.

This Policy is also reviewed by the Compliance Function at least annually to ensure it remains robust and fit for its purpose, and/or to reflect any updates to applicable requirements.

MCP ensures that adequate records are maintained in relation to this Policy and that these records are stored for five (5) years after they become outdated.