

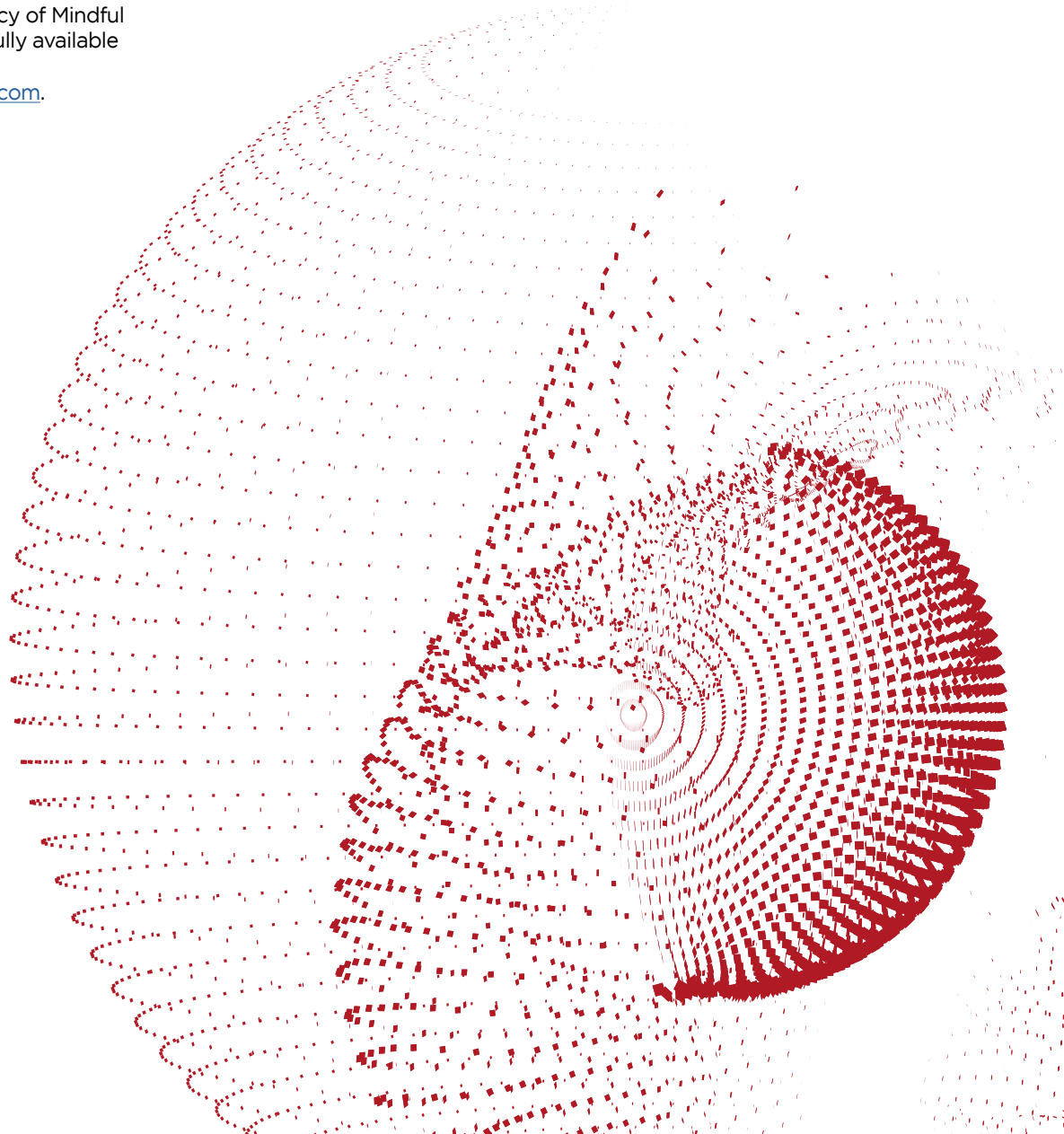
**MINDFUL CAPITAL PARTNERS S.A.**

Registered office: 10, rue Antoine Jans, L-1820 Luxembourg  
R.C.S. Luxembourg: B233903

# ESG Policy

Last update: November 19, 2024

The document represents an extract of the ESG Policy of Mindful Capital Partners S.A., fully available upon request sent to [corporate@mcpinvest.com](mailto:corporate@mcpinvest.com).





# Table of contents

---

<b>1 Introduction to MCP Group</b>	4	<b>4 Roles and responsibilities</b>	12
<b>2 MCP approach to ESG</b>	5	4.1 ESG Officer	
2.1 Reference ESG framework		4.2 Board	
2.2 MCP commitment towards ESG Factors		4.3 Executive Committee	
<b>3 Procedures</b>	8	4.4 ESG Committee	
3.1 Investment exclusions		4.5 ESG Ambassador	
3.2 Pre-Investment Due Diligence		4.6 Investment Team	
3.3 Post-acquisition engagement and monitoring process		4.7 Compliance function	
3.4 Exit		<b>5 Review of implementation and maintenance of the Policy</b>	14
3.5 Reporting to investors		<b>Annex: Funds Classification pursuant to SFDR</b>	15

# 1 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.

In addition, it leverages on two local investment advisers covering relevant markets, DACH Area and China.

## 2 MCP approach to ESG

---

### 2.1 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 investment<sup>1</sup>.

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 operations<sup>2</sup>. 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, 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.

---

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

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

---

## 2.2 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 MCP-IV Fund 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.

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.

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

# 3 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.

## 3.1 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 Dual-Use Regulation (UE) 2021/821<sup>3</sup>. 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. Production, use, sale, distribution, import, export or transfer of anti-personnel mines, cluster munitions and submunitions as defined by the Italian legislation Law No. 220 of 9 December 2021<sup>4</sup>.
3. Gambling and betting, or the production and marketing of products related to this sector.
4. Production and marketing of pornographic materials.
5. Production and trading of products containing tobacco, marijuana, cocaine, other similar drugs unless they are to be used for therapeutic purposes.
6. 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.
7. 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.

---

<sup>3</sup> In May 2021, the EU replaced Council Regulation (EC) N. 428/2009 with a new Dual-Use Regulation (UE) 2021/821.

<sup>4</sup> On December 23, 2021, the Italian parliament passed new legislation aimed at countering the financing of companies involved in anti-personnel mines and cluster munitions (Law No. 220 of 9 December 2021).



- 
8. 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.
  9. Real estate acquisition and disposal activities.
  10. Investments in companies whose activities involve animal testing for non-therapeutic purposes.
  11. Business involved in any form of modern slavery, including forced labour, debt bondage, child labour, servitude, human trafficking, and other forms of exploitation.

### 3.2 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.

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.

In this phase MCP's Board 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.

### 3.3 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 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 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 ESG Officer works with the Portfolio Company's ESG representatives to identify the root cause of the issue and develop a corrective action plan.

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.

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

### **3.4 EXIT**

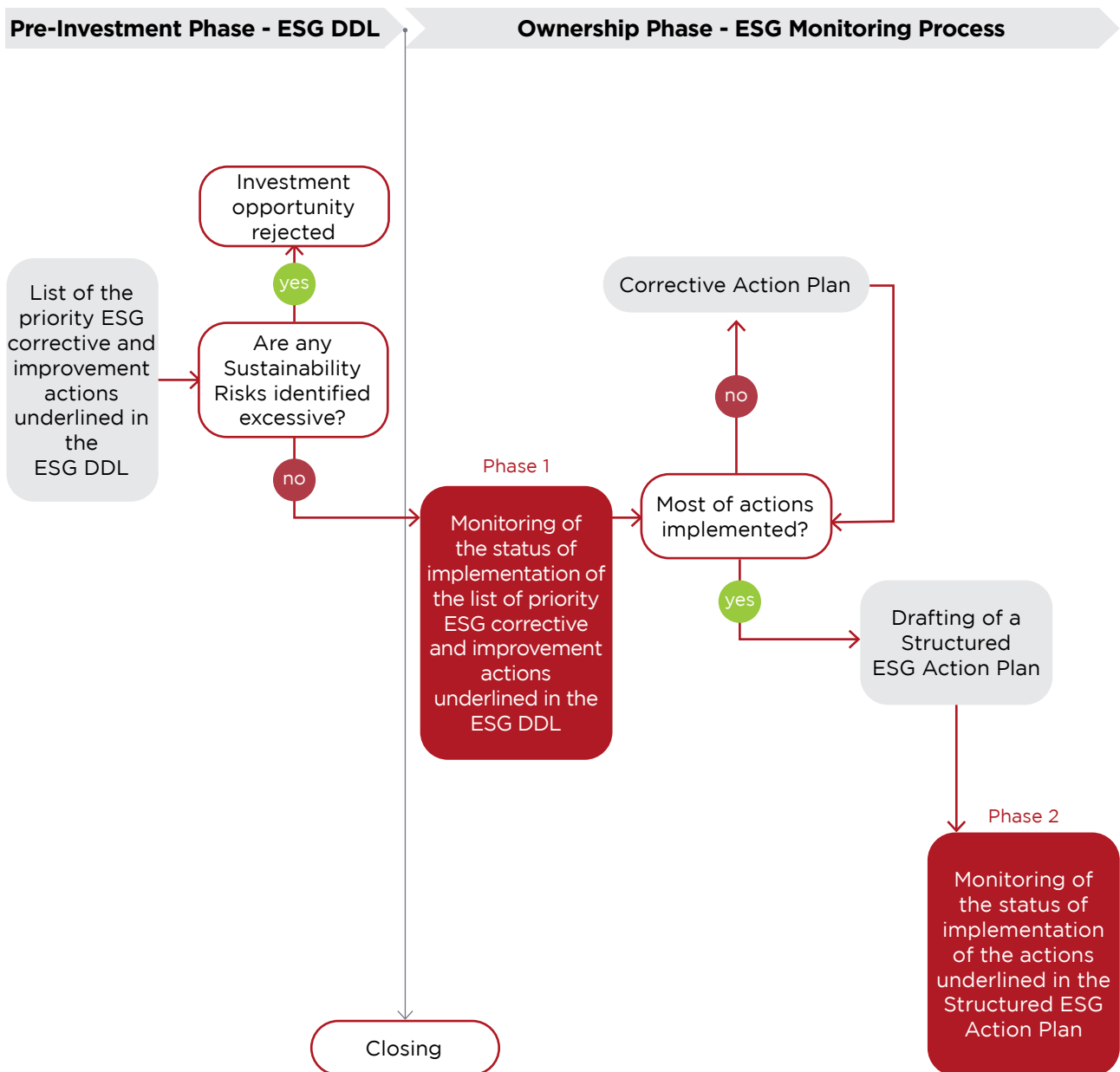
Upon exit from the investment, MCP presents the ESG achievements obtained during the holding period to its investors and may decide to emphasize them in an ESG Vendor Due Diligence exercise for the prospective buyers.

### **3.5 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](http://www.mcpinvest.com)) regarding ESG topics and PAI indicators, through:
  - a) SFDR periodic disclosure.
  - b) Annual ESG Report.
4. Promptly disclosure of any serious ESG Incidents.

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



# 4 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.

## 4.1 ESG OFFICER

The ESG Officer is responsible for implementing and reviewing the Policy, reporting to the ExCom, developing the annual ESG Report.

The 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.

The ESG Officer regularly engages with Portfolio Companies, supporting them in enhancing their sustainability performance during the holding period. This involves monitoring ESG performance and implementing any necessary 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 ESG Officer is responsible, along with the Portfolio Manager, for engaging

with trade associations (e.g., ALFI, AIFI, LPEA).

## 4.2 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; ii) overseeing the implementation of the Policy.

## 4.3 EXECUTIVE COMMITTEE

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

## 4.4 ESG COMMITTEE

The ESG Committee is made up of the 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 upon the Portfolio Manager's request and 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.

---

## **4.5 ESG AMBASSADOR**

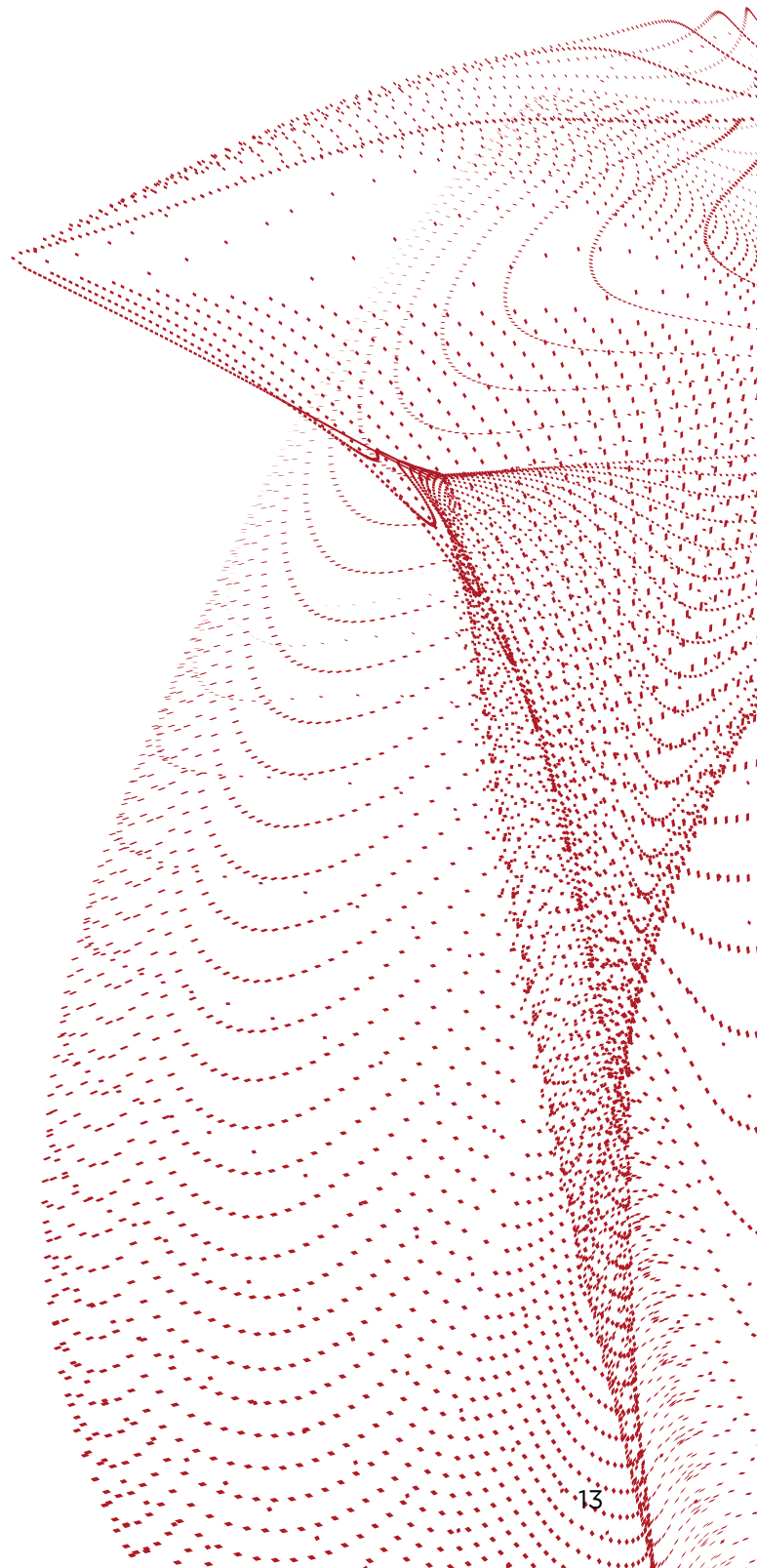
The ESG Ambassador is a member of the Investment team and supports the ESG Officer in integrating ESG principles into the AIFM's investment strategy and operations. His role involves raising awareness about the importance of sustainability and responsible investing among both internal teams and portfolio companies. Additionally, he actively contributes to promoting and disseminating a culture of sustainability both within and outside the organization.

## **4.6 INVESTMENT TEAM**

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

## **4.7 COMPLIANCE FUNCTION**

The Risk and 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.



# 5 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 ESG Officer.

If any updates or reviews of the Policy are deemed necessary, the ESG Officer 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.

# Annex: Funds Classification pursuant to SFDR

---

AIF managed	Article 6 “Basic Fund”	Article 8 “Light Green Fund”	Article 9 “Dark Green Fund”
MCP-II	✓		
MCP-III		✓	
MCP-IV		✓	

---



Mindful Capital Partners

**Mindful Capital Partners S.A.**

10, rue Antoine Jans, L-1820 Luxembourg

R.C.S. Luxembourg B233903

V.A.T. Number: LU31267114

[corporate@mcpinvest.com](mailto:corporate@mcpinvest.com)

[www.mcpinvest.com](http://www.mcpinvest.com)