RESILIENCE PARTNERS

Responsible Investment - ESG POLICY

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1. GENERAL CONTEXT: Who is RSL, market, size, etc.

Resilience Partners (RSL) has been designed as a direct lending Fund that provides long-term financing solutions to Spanish SMEs for their growth and financing plans (*Mission*).

Fund I started operations in 2017 and has raised c. EUR 50 M aiming to have a portfolio of 10-15 credit facilities at the end of its investment period. Fund II targets to raise between EUR 150-200M, started operations in 2020 with the aim of closing between 15-20 investments along the 3-years of investment period.

The team is a small team composed < 10 people among partners, investment managers and analysts. The small size of the organization and the limited resources conditions somewhat the areas of the policy application.

2. PURPOSE: Why the policy has been developed and how the organization defines responsible investment:

The policy has been developed to help investors, portfolio companies and staff to understand what the policy means in practice for the internal organization as well as for the investment activity, identifying who is responsible to implement it and finally how the results should be monitored.

Resilience Partners define Responsible Investment as the strategy and practice to incorporate/promote environmental, social and governance (ESG) characteristics in its investment decisions and corporate organization.

ESG is in the DNA of Resilience Partners since inception given that the Fund was founded and developed by a majority of women, being the only Private Debt Fund in Spain still majority owned and managed by women. This way Resilience Partners commits to United Nations Sustainable Development Goal number 5 related to “Gender equality” as RSL aims to empower women in a sector historically and still nowadays dominated by men.

RSL assesses corporate governance performance in light of compulsory regulations, local rules and regional best practice in their markets. This includes appropriate allocation of executive responsibilities and balance between executive and independent directors and fair and consistent remuneration to the employees and key roles according to the performance of their functions.

ESG criteria, the 17 United Nations Sustainable Development Goals (SDG) and sustainability risks are generally taken into account by RSL in its investment process as RSL understands that they are the blueprint to achieve a better and more sustainable future for all. Our goal is to promote, develop and spread consciousness of its importance on our investment process and at portfolio companies.

The 3 ESG factors (environmental, social, governance) are given equal weight and none of the 3 factors is favoured.

- **Environmental criteria** are criteria such as those related to climate change (production processes that do not generate detrimental effects on climate, reduction in fossile energy consumption / production), sustainable use and protection of water and marine resources, pollution prevention and control, protection and restoration of biodiversity and ecosystems.

- **Social criteria** may be, in a non-exhaustive way, criteria related to labour conditions (labour management, relations, equal promotion, equal / fair salaries, health and safety at work) or to product liability, to products contradicting ESG criteria (weapons, drugs) or to the society to which a company / entity belongs (gender equality, social cohesion and integration, attention to socially disadvantaged communities, nutrition, health and education).

- **Governance criteria** are criteria at the level of a company / entity (competence and availability of directors, presence on the board of independent directors, transparency and reasonableness of compensation of directors, managers, decision makers, business ethics, transparent accounting, anti-competitive practices, tax transparency).

In 2022 RSL is a signatory of the United Nations PRI (Principles for Responsible Investment). Additionally, Resilience Partners SCA SICAR Fund II, through its investments, has been defined as sustainable product according to article 8 of SFDR (Sustainable Financial Disclosure Regulation).

3. RSL SUSTAINABLE PRINCIPLES

Resilience Partners has identified 8 sustainable principles that are strongly internally settled, which are:

1. Goal 8. **Decent work and economic growth**. Giving support to entrepreneurs to finance their growth plans, helping SMEs which does not have many financing options to become more solid, fomenting the economic growth of the country.
2. Goal 9. **Industry innovation and infrastructure**. Creating impact to the society by promoting innovation, job creation, and/or any kind of initiatives giving value to every stakeholder not only to the shareholders. Following this approach RSL does not invest in sectors that attempt to human's good health and well-being like gaming, tobacco, arms, pornography, cloning, etc.
3. Goal 5. **Gender equality**. Supporting diversity and inclusion in gender, nationality, etc. giving opportunities following a meritocratic approach.
4. Goal 12. **Responsible consumption and production**. Eco-friendly working approach, ensuring sustainable consumption and production patterns. Internally this means reducing the use of paper by avoiding printing as much as possible, reducing physical

travelling by using video or phone conference calls when possible, recycling office supplies, etc. Externally this means investing in companies that try to reduce carbon emissions, use recycled supplies, invest in R&D in order to improve efficiency in products and processes, etc.

5. Goal 17. **Partnership for the goals**. Integrity, transparency, problem solving, alignment, LT partnership are the values that rule our internal organization, from staff recruiting to promotion and also in the selection of investment opportunities.
6. Goal 11. **Sustainable cities and communities**. Focusing on efficient working process, avoiding unnecessary paperwork in order to allocate internal resources to those process that indeed generate value.
7. Goal 4. **Quality education**. Mentoring is also promoted internally as a way to guide and help students and/or junior staff in developing their professional career.
8. Goal 3. **Good health and well-being**. Encouraging charity and/or activities that help and give visibility to vulnerable collectives.

4. NEGATIVE SCREENING: Identify and disregard investments in sectors with adverse sustainability impact.

RSL has a negative screening so if the potential transaction is considered to have adverse sustainability impact, the transaction its ignore and immediately discard from the pipeline.

Specifically, and in line with our Private Placement Memorandum, RSL shall not invest, guarantee or otherwise provide financial or other support, directly or indirectly, to companies or other entities:

i. whose business activity consists of an illegal economic activity (*i.e.* any production, trade or other activity, which is illegal under the laws or regulations applicable to the Company or the relevant Portfolio Company, including without limitation, human cloning for reproduction purposes); or

ii. which substantially focus on:

   a. the production of and trade in tobacco and distilled alcoholic beverages and related products;

   b. the financing of the production of and trade in weapons and ammunition of any kind, it being understood that this restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies;

   c. casinos and equivalent enterprises;

   d. the research, development or technical applications relating to electronic data programs or solutions, which:

- Aim specifically at:
  - supporting any activity referred to under items (a) to (c) above;
  - internet gambling and online casinos; or
  - pornography.
- are intended to enable to illegally:
  - enter into electronic data networks; or
  - download electronic data.

In addition, when providing support to the financing of the research, development or technical applications relating to (i) human cloning for research or therapeutic purposes, or (ii) genetically modified organisms (the "**GMOs**"), the Company shall ensure the appropriate control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or GMOs.

5. SCOPE: Whether the policy applies to all assets under management, or certain geographic regions or asset classes.

The policy applies to all staff and all the assets under management independently of the asset class (i.e. debt, equity, etc).

6. POLICY: The concrete sustainable objectives guiding the investments and the organization.

The Company does do not have a specific index designated as a reference benchmark. The integration of ESG criteria is systematically embedded into the Company's investment process, and, as part of the due diligence and research process. A positive ESG screening is normally performed on Portfolio Companies at the time of the Company's investment. Such screening may be qualitative or also quantitative, in such case, usually based on an ESG scoring. ESG service providers may be used. Finally, the Investment Advisor has developed an internal rating system for the ESG scoring to rate and evaluate progress of Portfolio Companies throughout time.

Out of the eight sustainable principles mentioned above, RSL has prioritized the first five as RSL Key Sustainable Principles that should rule any internal decision as well as any investment decision:

1. Promote SME Growth with decent work and economic growth (Goal 8 SDG)
2. Create impact to the society through industry innovation and infrastructure (Goal 9 SDG)

3. Diversity and Gender equality (Goal 5 SDG).
4. Responsible Consumption and Production (Goal 12 SDG)
5. Transparency, alignment, long-term partnership (Goal 17 SDG)

For the investment decisions this means giving a score from 1 (worst) to 5 (best) to each of the five Sustainable Principles and decide to go ahead or decline the investment opportunity according to the final result. Thus, final scores go from 5 (worst) to 25 (highest). For the sake of clarity, any opportunity that results in a sustainable score equal or below 10 should not be pursued any further. In addition to that, at least 70% of portfolio companies should have a score higher than 15.

7. RATING CRITERIA: How the organization intends to rate and evaluate progress.

1. Promote SME growth and economic growth:

The key variables to measure “SME economic growth” will be sales and/or EBITDA vs. last year’s results. This information shall be extracted from the Audited Financial Statements and auditors´ covenants’ certificates on an annual basis:

Score	Growth range
1 point	<-5%
2 points	>-5% - <0%
3 points	0% - <5%
4 points	>5% - <10%
5 points	>10%

2. Create impact to the society:

The key variables to measure “impact in the society” will be related to:

i) Increase in number of employees contributing to job creation in the area. Investee companies must disclose total number and rate of new employee hires during the reporting period, by age group, gender and nationality.
ii) Increase in the equity value: generating value for the shareholders. Information to be obtained through the Audited Financial Statements.
iii) Increase in the payment of taxes: generating value to society in general. Information to be obtained through the Audited Financial Statements.
iv) Others: Other actions affecting positively stakeholders of the company: charity, training, etc.

Score	Criteria
1 point	Unfulfillment of previous variables and having negative impact to at least 2 types of stakeholders.
2 points	Unfulfillment of previous variables and having negative impact to at least 1 type of stakeholder.
3 points	Unchanged or achieve at least 1 of the previous variables.
4 points	Achieve at least 2 of the previous variables.
5 points	Achieve at least 3 of the previous variables.

3. <u>Diversity and Gender equality:</u>

The key variables to measure "impact in diversity" will be:

i) Employees gender distribution.
ii) Employees Age group
iii) Employees nationality distribution.
iv) Others: Offering opportunities to disabled people, etc.

Companies shall report on the percentage of employees in each of the above categories on a annual basis. Any improvement in diversification in any category compared to the last year will be considered as "positive impact". The score will be measure in accordance with the performance of positive impacts following the below grid:

Score	Criteria
1 point	At least 2 negative performances on the previous variables.
2 points	At least 1 negative performance on the previous variables.
3 points	Unchanged or planning to execute one the previous variables in the short-term.
4 points	At least 1 positive impact on the previous variables.
5 points	At least 2 positive impacts on the previous variables.

4. <u>Responsible Consumption and Production:</u>

For each Investee company we shall identify what in their production system may impact negatively the environment and measure any improvement achieved. The negative impact could be in emission of CO2 gasses, water consumption, usage of plastic materials, energy consumption, etc. Companies must report on the identified variables and its objective calculation on an annual basis and explain if offsets were used to reduce the negative impact vs the last year.

Score	Improvement range
1 point	>1% - <2%
2 points	>-2% - <3%
3 points	>3% - <4%
4 points	>4% - <5%
5 points	>5%

5. <u>Transparency, alignment, LT partnership</u>

During the internal due diligence exercise previous to closing an investment, the deal team will verify that the companies in which the investments will be made follow good governance practices. Given that they way to measure this principle is more qualitative than quantitative, in general all companies will be scored 3 unless we consider that there are positive/negative issues affecting communication, transparency and/or alignment with companies. As a general principle, RSL will not invest in any company with inadequate governance practices.

8. IMPLEMENTATION: How the organization plans to fulfil the commitments and monitor progress

Internal due diligences must include the analysis of the companies' policies and actions Deal teams will then identify and rate the five sustainable principles that are key for RSL and include the resulting rating in the credit proposal that recommends the approval of the opportunity.

For doing that, during the due diligence phase, the team must obtain from companies the following KPIs, when relevant:

	Economic Growth	Impact to Society	Diversity and Gender Equality	Responsible Consumption and Production	Transparency, Alignment,
	Turnover growth	Number of employees	Employees gender distribution	Energy /CO2 consumption	Organizational chart
	EBITDA growths	Rate of new employees	Employees age group	Water consumption (if relevant)	Shareholding KYC / AML
KPIs	Other	Taxes paid	Employees nationality breakdown	Plastic consumption	Other
		Charity actions	Others (disabled, etc)	Recycling plans	
		Training, other	Equality Plan, other	Other	

Additionally, RSL is committed to maintain an active dialogue with portfolio companies and use its influence to encourage them to adopt and comply with ESG practices deemed appropriate according to their activity/industry. For this aim, RSL will make their best to include **ESG covenants** in the loan agreements which fulfilment will allow companies to benefit from a small pricing reduction. This is a way to motivate/incentive companies to improve their ESG characteristics by having a direct positive impact in their results.

9. REPORTING: How the organization intends to report on progress

Besides reporting the rating of every investment opportunity in the credit proposal that recommends the approval of the opportunity, once a year RSL will report on the portfolio companies' ratings and comment on changes if any.

10. REVIEW: How and when the policy will be reviewed

The policy will be reviewed every time the organization expands into a new fund or a new asset class or in order to update it in line with SFDR requirements. Additionally, the policy should be also reviewed if targets have not been met, to evaluate what went wrong and why, and introduce measures to ensure future success.

11. RESPONSABILITIES: The individual(s) accountable for achieving the policy's commitments

Resilience Partners has an integrated responsible investment team with Maria Sabugal as leader and Adriana Oller and Borja Mericaecheverría as team members. This means that partners, portfolio managers and investment analysts must analyze ESG issues and integrate their findings into overall investment analysis and decisions.

- **Maria Sabugal**: Maria has more than 20 years of experience in the debt industry with longstanding experience in the fields of origination, structuring, negotiation and closing of long and short-term debt facilities for small/medium and large companies. Maria started her career at BNP Paribas, where she spent three years in the Corporate Banking department. Then she worked for Rabobank where she spent 12 years and worked for Leverage Finance, Credit and Loan Product Departments. She was member of Rabobank Spain Steering Committee for 9 years. Maria has been responsible for a portfolio of loans of EUR 1.0Bn as Head of the Loan Product Group (2013-2015) and before as Head of the Credit Risk Department (2007-2013) both at Rabobank Spain, having participated in the closing and monitoring of more than 70 transactions, some of them in the same investment segment of Resilience Partners. Maria has a Business Degree by ICADE (E-2) as well as several Executive Seminars in Leverage Finance, Credit Risk Management, Problematic Loans, Debt Structuring and Valuation organized by prestigious business schools from London, Paris and Amsterdam.

- **Adriana Oller**: Adriana started her career as a principal investor at 3i Spain, and continued at Axis, providing direct lending solutions to SME's focused on established and profitable Spanish companies, which could not find suitable financing solutions to their business and growth plans in the traditional banking system and were not willing to give equity away to third party investors. In 2013, Adriana decided to establish Resilience Partners to provide those solutions to SMEs. She has 18 years of investment experience, since 2001 in private equity/debt specifically in midmarket companies in Spain and Portugal, where she has invested over EUR 80 M in 8 companies. She started her career in JP Morgan in Madrid and NYC offices, has an MBA from London Business School, thanks to a scholarship from La Caixa/ British Council, and a BA in Business & Economics from the Universidad Autónoma de Madrid and Paris Dauphine.

- **Borja Mericaechevarría:** Borja joined Resilience Partners in April 2019. Previously, he worked for two years in a financial boutique as an M&A Analyst advising in mergers and acquisitions and restructuring processes. Borja speaks English and Spanish and has a degree in Business Administration and Management from CUNEF. He is currently Investment Manager in Resilience Partners and a key member of the ESG team.