



ESG Policy



Montana Capital Partners AG

Baar, Switzerland

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1 Background

Montana Capital Partners AG (hereinafter referred to as “mcp”) acts as the investment advisor for investment funds (hereinafter referred to as the “Funds”) and provides investment advisory services for individual clients (institutional clients, professional investors and/or qualified investors) (together, “Clients”).

mcp has a duty to act in the best long-term interest of our Clients. In this fiduciary role, we strongly believe that investing responsibly and addressing environmental, social, and corporate governance (ESG) issues is not only an ethical imperative, but also positively affects the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

Therefore, from its founding, mcp has dedicated itself to implementing ESG considerations into every decision and investment process.

As a signatory of the United Nations’ Principles for Responsible Investment (or “UNPRI”), we are fully aligned with the 6 Principles for Responsible Investment, which are listed below:

- Principle 1: we will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: we will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: we will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: we will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: we will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: we will each report on our activities and progress towards implementing the Principles.

We are further a strong supporter of the Paris Agreement and of the Task Force on Climate-Related Financial Disclosures (“TCFD”) and encourage other investors to follow suit.

2 Purpose of this Policy

This ESG Policy aims at:

- Protecting value for mcp shareholders and Clients by reducing ESG risks for mcp and its Funds and Clients,
- Reducing mcp’s negative externalities, and if possible produce positive impact, on communities and the planet by considering environmental, social and governance factors.

3 Scope of application

The ESG Policy applies to mcp AG, its subsidiaries, its employees and its Funds. For the avoidance of doubt, the ESG Policy will not have retroactive effect, but the investment process it outlines applies to all investment opportunities reviewed by mcp following its adoption. Its monitoring process applies to all investments in mcp Funds' portfolios at the time of its adoption. Prior to the adoption of this ESG Policy ESG was integrated in mcp's investment process since mcp's adherence to the UNPRI in 2018 as documented in the mcp ESG Guidelines, that this Policy replaces.

The ESG Policy contains references to other internal regulations and policies whose amendment, supplementation or cancellation are not affected by reference in this ESG Policy.

4 Sustainability of investments

As a responsible investor, mcp incorporates ESG issues in its investment analysis and decision-making process as well as through ownership and reporting (UNPRI Principles 1-3). This section outlines how ESG is integrated in mcp's investment and monitoring process.

4.1 Scope and applicability

This ESG policy applies to all investments considered by mcp for any of its Funds and Clients. Sustainability risks are considered at all stages of mcp's investment process, in respect of each individual investment opportunity with differences by investment type as outlined in the table below.

As a secondary investor mcp is typically one step removed from underlying portfolio companies. Hence, our sustainability risk framework focuses on assessing the sustainability risk of the General Partners we work with as well as of the underlying companies:

- **For GP risk assessment**, mcp uses an ESG risk assessment questionnaire that builds on the ILPA ESG Assessment Framework¹ and assesses GP policies, commitments to industry standards, governance, communication and investment process.
- **For portfolio company risk assessment**, mcp currently uses the an external ESG risk rating provider, which considers issues and topic tags based on UNGC principles², SASB issues³ and past public ESG incidents by sector and company. In addition, individual portfolio companies are screened against mcp's exclusion list as outlined in Appendix 1. The exclusion principles outlined in Appendix 1 represent mcp's own policy and baseline commitment to its Clients. This ESG Policy does not prevent mcp to enter in additional or more restrictive commitments in respect to specific Funds and Clients for example in Limited Partnership Agreements and side letters.

Mcp's ESG due diligence steps are summarized in Table 1.

¹ Available at: https://ilpa.org/esg_framework/

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

³ Available at <https://www.sasb.org/>

Table 1: mcp's ESG DD steps

	Single asset / co-investment (GP-led)	Other GP Led (tender offers, continuation funds, spin-outs, staples and primary investments)	LP stake (not GP led)	FOF portfolios
Screening of underlying companies against exclusion list (>1% of a transaction's FMV for Tier 1 Exclusions; >5% for Tier 2)	X	X	X	Subject to portfolio company information availability
ESG risk assessment of underlying portfolio companies through ESG rating system for all companies with relevant exposure (>3% of a transaction's fair market value)	X	X	X	Subject to portfolio company information availability
GP sustainability risk assessment through proprietary questionnaire	X	X	Subject to GP access / info availability	Subject to GP access / info availability

4.2 Implementation in the investment process

Table 2 illustrates how ESG factor analysis is integrated in the investment process. mcp has established an ESG Taskforce composed of investment, legal & compliance, reporting professionals and the Head of ESG that has the role of making ESG recommendations and of supporting ESG integration in the investment process as outlined below.

Table 2: ESG integration in the investments process

Process step	Action	Preparer	Reviewer	Decision maker
Team IC "Two Pager"	Check against exclusion list ESG rating check Initial GP assessment	Deal team ESG Task Force	Head of ESG	Team IC
Due diligence	GP questionnaire	GP	Head of ESG	N.A.
IC "Investment Memo"	GP risk rating	Head ESG	Head of ESG	IC

	Final check against exclusion list and ESG side letter restrictions	Deal team Legal team	General Counsel	
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4.3 Implementation in portfolio monitoring

Post investment, mcp monitors ESG risk across the portfolio as described in Table 3.

Table 3: ESG integration in portfolio monitoring

	Frequency	Governance & process	Dissemination & reporting
ESG risk assessment of underlying portfolio companies through ESG rating system for all Portfolio Companies	Quarterly	Performed by the ESG Taskforce	Outcome included in the LP Quarterly Reports and Annual ESG Report
GP sustainability risk assessment through proprietary questionnaire ⁴	Annually	Performed by portfolio GPs and reviewed by the ESG Taskforce	Outcome included in Annual ESG Report

4.4 Governance

The ESG Policy and the ESG tools (e.g. the GP questionnaire and Investment Committee templates) are maintained and updated by the Head of ESG and the ESG Taskforce.

The ESG Policy is operated and overseen by various stakeholders as outlined in Section 4.2. The Head of ESG is responsible for the ESG Policy compliance across the organization.

ESG updates are submitted to the board of mcp AG as a standard item on quarterly basis. ESG is also a standard risk to be reviewed by mcp's operational risk committee, which meets twice per year.

5 Corporate sustainability

5.1 Overview

mcp strives to have a positive impact on its stakeholders, communities and the planet. To this end, it considers ESG factors in its operations, also outside of the investment activity. Being a private equity fund advisor the most relevant ESG factors to mcp's business are:

- Environment: greenhouse gas (or "GHG") emissions
- Social: fair employment of staff
- Governance: sound governance in place

⁴ For all GPs representing >1% of the Fair Market Value of any given mcp product.

5.2 Environment

mcp seeks to reduce its GHG emissions by limiting unnecessary travel and granting staff a flexible work-from-home policy. mcp calculates and offsets its GHG emissions on an annual basis. mcp's offsets align with The Oxford Principles for Net Zero Aligned Carbon Offsetting⁵.

5.3 Social

mcp is an equal opportunity employer. We do not discriminate employees based on race, color, religion or belief, sex, sexual orientation, gender identity, national origin, ancestry, age, disability, marital status, veteran status, domestic partner status, medical condition, genetic information or any other category protected by law.

We comply with applicable regulations and live by the values outlined in our Employee Handbook, which include honesty, fairness, reliability, client focus, transparency, trust and appreciation of and respect for all team members.

5.4 Governance

mcp is committed to high standards of corporate governance and sound management. This commitment is grounded in our Code of Conduct, Compliance Manual, Anti-Bribery and Gift Policy, Conflicts of Interest Policy and Personal Account Dealing and Insider Trading Policy.

6 Reporting

mcp reports portfolio ESG incidents, portfolio risk level and any corporate-level ESG updates to investors on a quarterly basis. mcp also issues a comprehensive ESG Report annually covering more detailed portfolio ESG updates as well as corporate sustainability updates.

7 Training

The Head of ESG is responsible for organizing ESG training for mcp staff at least once per annum covering key sustainability developments and internal process and tool updates. The purpose of the training is to ensure that staff members can perform ESG-related tasks but also gain awareness of the broader sustainability context and are equipped to actively contribute to ESG risk management and pursuing ESG opportunities also outside their immediate area of responsibility. To this end, the ESG Taskforce also provides additional regular updates and education sessions to mcp staff as appropriate.

⁵ Available at <https://www.smithschool.ox.ac.uk/sites/default/files/2022-01/Oxford-Offsetting-Principles-2020.pdf>

8 Miscellaneous

8.1 Amendments

mcp reserves the right to amend any parts of this policy at any time if, in its absolute discretion, it considers it necessary to do so in order to comply with legal and/or regulatory requirements or guidance.

8.2 Effective Date

The ESG policy enters into force with immediate effect and supersedes all previous versions of the ESG policy.

Baar, 22 September 2022

Handwritten signature of Dr. Marco Wulff in blue ink.

Dr. Marco Wulff
CEO

Handwritten signature of Dr. Christoph Jaeckel in blue ink.

Dr. Christoph Jaeckel
Managing Partner

Handwritten signature of Eduard Lemle in blue ink.

Eduard Lemle
Managing Partner

Handwritten signature of Sara Scaramella in blue ink.

Sara Scaramella
COO & Head of ESG

9 Versions

Version ID	Effective date
Version 1	22 September 2022

10 Appendix 1: Exclusion list

The exclusion principles outlined below represent mcp's own policy and baseline commitment to its Clients. This Policy does not prevent mcp to enter in additional or more restrictive commitments in respect to specific Funds and Clients for example in Limited Partnership Agreements and side letters.

10.1 Tier 1 Exclusions

Subject to the limits outlined in Section 4 of this Policy, mcp will not advise its Funds and Clients to make investments in portfolio holdings that, to mcp's actual knowledge, are invested in any portfolio company or which, to the actual knowledge of mcp, intend to make an investment into a portfolio company that is principally engaged in the following activities:

- a) gambling
- b) the production, trade and/or distribution of weapons including antipersonnel landmines and or cluster munitions;
- c) the production, distribution and/or trade of pornographic products, or any activity of prostitution;
- d) the production, trade and/or distribution of tobacco (excluding any an underlying portfolio company involved in the supply chain related to the production, sale or distribution of non-tobacco components of tobacco products);
- e) business that is expressly prohibited in international conventions (e.g. conventions on the elimination of all forms of racial discrimination and discrimination against women, civil and political rights, economic, environmental, social and cultural rights, rights of the child and the rights of persons with disabilities).

10.2 Tier 2 Exclusions

In addition, mcp will not advise its Funds and Clients to make investments in portfolio holdings that, to mcp's actual knowledge, derive in aggregate >5% of their Fair-Market Value from portfolio companies that are principally engaged in:

- f) the production, trade and/or distribution of alcohol (excluding wine and beer);
- g) oil sands activities, including, but not limited to, oil sands extraction, or a combination of oil sands and coal activity;
- h) thermal coal mining (including any an underlying portfolio company whose primary business is energy generation through the use of thermal coal) and/or fracking in relation to natural resources;
- i) the production or trade in unbonded asbestos fibers;
- j) drift net fishing in the marine environment using nets in excess of 2.5 km. in length;
- k) the trade of wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora.