



Company: Montana Capital Partners Ltd. (“Financial Institution”)

Title: Sustainability policy

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1. Background

Montana Capital Partners AG (hereinafter referred to as “mcp”) acts as the investment advisor or delegated portfolio manager 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. We believe that analyzing and monitoring sustainability risks can positively affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and through time).

Therefore, from its founding, mcp has incorporated sustainability considerations in its corporate decisions and investment process.

As a signatory of the Principles for Responsible Investment (or “PRI”), we apply the principles in our investment process and we report annually on our progress in achieving compliance with PRI.

2. Purpose of this Policy

This Sustainability Policy aims at:

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

3. Scope of application

The Sustainability Policy applies to mcp AG, its subsidiaries, its employees and its Funds. For the avoidance of doubt, the Sustainability Policy is not intended to be and shall not be interpreted to be legally binding on mcp’s Funds. This Sustainability 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 Sustainability Policy sustainability risk was integrated in mcp’s investment process since mcp’s adherence to the UNPRI in 2018 as documented in the mcp ESG Guidelines and the mcp ESG Policy, that this Policy replaces.

This Sustainability Policy may contain references to other internal regulations and policies whose amendment, supplementation or cancellation are not affected by reference in this Sustainability Policy.

4. Sustainability of investments

mcp considers various sustainability risks when assessing investment opportunities. The sustainability risk assessment is part of mcp's investment analysis and decision-making process. Portfolio sustainability risk is monitored during the holding period of investments.

mcp's investment process focuses on the following sustainability considerations:

- When analyzing companies, mcp considers the following sustainability risks:
 - Environmental issues:
 - Greenhouse gas emissions
 - Pollution
 - Climate change
 - Waste
 - Impact on landscapes, ecosystems and biodiversity
 - Animal mistreatment
 - Social issues:
 - Labor relations and rights including: forced labor, child labor, association rights, discrimination, occupational health & safety
 - Human rights violations
 - Impacts on communities
 - Social discrimination
 - Governance issues:
 - Corruption, bribery and money laundering
 - Extortion
 - Misleading communication
 - Fraud and extortion
 - Tax evasion and optimization
 - Anti-competitive practices
 - Cross-cutting issues
 - Controversial products and services products
 - Supply chain issues
 - Violation of national legislation and international standards
- When analyzing General Partners (“GPs”), mcp considers GPs’ approach to sustainability risk by reviewing GPs’ sustainability processes, resources and governance based on the ILPA ESG GP Framework¹.

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

4.1 Sustainability risk assessment activities

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**, where transaction dynamics allow (GP-led deals, selectively LP-led deals) mcp uses a sustainability risk assessment questionnaire that builds on the ILPA ESG Assessment Framework² and assesses GP policies, commitments to industry standards, governance, communication and investment process. When transaction dynamics do not allow completion of the risk questionnaire, mcp's Head of ESG uses available information to prepare a qualitative risk assessment of the GP for the IC based on the categories of analysis of the risk questionnaire.
- **For portfolio company risk assessment**, mcp currently uses an external ESG risk rating provider, which considers issues and topic tags based on UNGC principles³, SASB issues⁴ and past public sustainability incidents by sector and company. In addition, individual portfolio companies are screened against mcp's high-risk industry list as outlined in Appendix 1. The screening principles outlined in Appendix 1 represent mcp's own policy and baseline commitment to its Clients and can be updated from time to time. This Sustainability 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. This Sustainability Policy is not intended and should not be interpreted to be legally binding upon mcp Funds.

mcp's sustainability risk assessment activities are summarized in Table 1.

² Available at: https://ilpa.org/esg_framework/

³ Available at <https://www.unglobalcompact.org/what-is-gc/mission/principles>

⁴ Available at <https://www.sasb.org/>

Table 1: mcp’s sustainability risk assessment activities

	GP-led transactions	LP-led transactions	FOF transactions
Screening of underlying companies against high-risk industry list (>1% of a transaction’s FMV for Tier 1 Industries; >5% for Tier 2 Industries)	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	Subject to portfolio company information availability
GP sustainability risk assessment through proprietary questionnaire	X	Subject to GP access / info availability. Qualitative assessment in alternative.	Subject to GP access / info availability. Qualitative assessment in alternative.

4.1 Implementation in the investment process

Table 2 illustrates how sustainability risk 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 sustainability risk recommendations in the investment process as outlined below.

Table 2: Sustainability risk analysis in the investments process

Process step	Action	Preparer	Reviewer	Decision maker
Team IC “Two Pager”	Check against high-risk industry list Portfolio Company sustainability risk check Initial GP assessment	Deal team ESG Task Force	Head of ESG	Team IC
Due diligence	GP sustainability risk questionnaire	GP	Head of ESG	N.A.
IC “Investment Memo”	GP assessment (based on GP sustainability risk questionnaire or other available information)	Head ESG Deal team	Head of ESG	IC

	Final check against high-risk industry list and ESG side letter restrictions	Legal team	General Counsel	
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4.1 Implementation in portfolio monitoring

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

Table 3: Sustainability risk monitoring

	Frequency	Governance & process	Dissemination & reporting
Sustainability risk assessment of underlying portfolio companies: RepRisk rating check & high-risk industry exposure monitoring	Quarterly	Performed by the ESG Taskforce	Outcome included in the LP Quarterly Reports and Annual Sustainability Report
GP sustainability risk update through proprietary questionnaire ⁵	Annually	Performed by portfolio GPs and reviewed by the ESG Taskforce	Outcome included in Annual Sustainability Report

4.1 Escalation strategies and engagement approach

Given mcp’s focus on private equity secondaries, its escalation and engagement activities focus on fund managers it partners with.

Escalation of sustainability risks to a partner fund manager takes place when significant sustainability risks or incidents have been identified by mcp during due diligence or monitoring and no appropriate mitigation could be identified through information available to mcp. Our escalation approach focuses on financially and reputationally relevant sustainability risks. We approach our partner fund managers in a collaborative way and offer help in finding solutions. If appropriate, and only with partner GP consent, mcp engages in sustainability dialogues with underlying portfolio companies too.

As part of our annual GP monitoring survey we also offer portfolio GPs the opportunity to reach out to our ESG Taskforce to exchange thoughts and best practices.

⁵ For all GPs representing >1% of the Fair Market Value of any given mcp product.

4.1 Governance

This Sustainability 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 Policy is reviewed annually by the Head of ESG.

This Sustainability Policy is operated and overseen by various stakeholders as outlined in Section 4.2. The Head of ESG is responsible for the Sustainability Policy compliance across the organization. The mcp Investment Committee is responsible for approving investment recommendations and as such it is the conflict resolution body for sustainability risk matters relating to the investment activity.

Sustainability risk updates are submitted to the board of mcp AG as a standard item on quarterly basis. Sustainability 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

5.1 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 Offsetting⁶.

⁶ Available at <https://www.smithschool.ox.ac.uk/sites/default/files/2022-01/Oxford-Offsetting-Principles-2020.pdf>

5.1 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.

5.1 Governance

mcp is committed to high standards of corporate governance and sound management. This commitment is grounded in mcp's Directive on Compliance, Directive on Anti-Bribery & Anti-Corruption and Dealing, Directive on Duries of Information, Due Diligence and Loyalty and AML Directive.

6. Reporting

mcp reports portfolio sustainability incidents, portfolio sustainability risk assessments and any corporate sustainability updates to investors on a quarterly basis. mcp also issues a corporate Sustainability Report annually providing more detailed portfolio sustainability risk as well as corporate sustainability updates.

7. Training

The Head of ESG is responsible for organizing sustainability and sustainability training for mcp staff covering key sustainability developments, internal process and tool updates. The purpose of the training is to ensure that staff members can perform sustainability-related tasks, that they gain awareness of the broader sustainability context and that they are equipped to actively contribute to mcp's sustainability approach development and refinement. To this end, the ESG Taskforce also provides additional regular updates and education sessions to mcp staff as appropriate.

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.

8.1 Effective Date

This Sustainability Policy enters into force with immediate effect and supersedes all previous versions of the ESG Policy.

Baar, 18 March 2024

The mcp Executive Committee

9. Versions

Version ID	Effective date
Version 1	22 September 2022
Version 2	18 March 2024

10. Appendix 1: High-risk industries

mcp identified industries it deems to carry excessive sustainability risk and established acceptability thresholds of respectively 1% or 5% of a transaction's Fair Market Value ("FMV") depending on the specific risk level of any such industry as described in Sections 10.1 and 10.2 of this Policy.

The screening and exclusion principles outlined below represent mcp's current process commitment to its Clients. **This Policy shall not be considered part of the offering documentation for any Fund advised or managed by mcp. As such, this Policy is not binding for any mcp Funds or 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 industries

Subject to the limits outlined in Section 4 and to Section 10 of this Policy, mcp will not advise its Funds and Clients to make investments in transactions 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) the production, trade and/or distribution of controversial weapons such as antipersonnel landmines and / or cluster munitions and of weapons other than in the defense industry of countries that are not designated as sanctioned by the US OFAC, the United Nations or the European Union;
- b) the production, distribution and/or trade of pornographic products, or any activity of prostitution;
- c) 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);
- d) 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).

10.1 Tier 2 industries

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

- a) gambling;
- b) the production, trade and/or distribution of alcohol (excluding wine and beer);
- c) oil sands activities, including, but not limited to, oil sands extraction, or a combination of oil sands and coal activity;
- d) 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;
- e) the production or trade in unbonded asbestos fibers;
- f) drift net fishing in the marine environment using nets in excess of 2.5 km. in length;
- g) the trade of wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora.