

Sustainable Investment Policy

at Magnum Industrial Partners

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Introduction

This document aims to reflect Magnum Industrial Partners' ("Magnum") sustainability strategy. Presented within the document are the guiding principles, policies and procedures relating to sustainability that guide Magnum's investment activity.

At the outset of the document in section 1, we introduce the **Guiding Principles and overall approach** that drives Magnum's investment activity. As members of society and the modern economy, both Magnum and its portfolio companies have a responsibility to participate in driving economic, social and environmental progress and building better and safer communities. Magnum believes that responsible investment, both applied in the company selection process and during the entire investment lifecycle, can be an important driver of financial value creation. By enhancing economic activity, innovating, creating jobs and driving tax revenues and social contributions, Magnum plays a significant role in improving the societies in which it operates. Magnum has consequently identified three megatrends to align its investments with: (1) demographic changes and socioeconomic implications; (2) raised environmental awareness; and (3) digital transition.

Sections 2-5 then focus on how sustainability is integrated throughout the investment process. Firstly, by applying a **negative screening filter**, as Magnum considers that there are certain sectors and business practices that are not compatible with Magnum's overall guiding principles, as they might have a negative impact on the environment and society. Afterwards, the **ESG integration process** starts. This allows Magnum to identify, and subsequently manage, any potential ESG risks and opportunities that the investee companies might face. Once control is taken, opportunities and risks identified during the initial due diligence process are considered within the **post-acquisition plan**. These plans establish strategic objectives for sustainability outcomes, action plans and targets, and enhance corporate governance. Finally, Magnum's mission is to help companies maximise their potential, both from a financial and sustainability perspective, and guarantee such growth even after exit. Therefore, when making **exit decisions**, Magnum evaluates the responsible investment thesis of potential buyers alongside financial and other considerations.

Section 6 presents the **governance structure** at Magnum in terms of sustainability. Magnum has built a solid foundation that guarantees and enhances the full integration of sustainability factors into the investment process.

This document ends with section 7, which presents Magnum's practices in terms of **transparency and reporting**. Magnum adopts a fully transparent approach in all its operations and investment decisions related to sustainability. This involves providing clear, accurate and timely information to all stakeholders on how sustainability factors are integrated into its investment processes.

1. Guiding principles and overall approach towards sustainability

Magnum is aware of the impact that its investment decisions may have on people and the planet and dedicates the human and financial resources necessary to act responsibly, applying the **highest ethical and business standards**.



At Magnum, we support the **UN Sustainable Development Goals** ("SDG") which represent a universal call to action to end poverty, protect the planet, and ensure peace and prosperity for all. To make them a reality, we must ensure **SDG alignment at the investor and investee level**. At a management company level, we actively contribute to **SDG 5 and SDG 8** by fostering an inclusive and fair workplace for our team and all future hires and by serving our purpose, that is investing and developing businesses that drive economic growth. Our portfolio companies support and actively support all 17 SDGs to varying degrees, depending on the activities and geographies in which they operate.

Sustainable trends in the portfolio

Besides the SDGs, **Magnum has selected three themes to align its investments with, and to develop throughout the portfolio**, which have a common root in the demographic changes happening in today's world and their consequences at the individual, household and community levels. Consideration of the increasing population, changing characteristics and behaviour of human beings must be at the core of any analysis of challenges and opportunities for sustainable growth and therefore, these trends represent our values and views on driving sustainable economic progress.

1. Demographic changes and socioeconomic implications

Over the last half-century, the world population has more than doubled, exceeding 8 billion people in 2024. Most of the world's population growth, however, has been concentrated in the developing world, with developed economies witnessing a reduction in working-age and child population due to record-low fertility rates, driven by higher women's participation in the labour market and increasing life expectancy.

This evolution is at the root of major societal concerns and shifting market trends. Ageing populations have had a significant impact on public policy and consumption, increasing interest in personal care, better lifestyles and physical, reproductive and mental health. Reduced natality has also affected household composition, population distribution and density in most Western economies.

We strongly believe that by **identifying and supporting businesses focused on addressing the challenges created by demographic change**, we can create significant financial and societal value through:

- answering the needs of populations living and preparing for longer and better lives in terms of well-being, personal care and accessibility;
- supplementing health and long-term care offered by public systems facing fiscal sustainability challenges;
- supporting education for a highly competitive global labour market with significant imbalances; and

- tapping into opportunities created by new lifestyles and changing stereotypes such as mobility, migration, the so-called "silver economy" or the transformation of rural and former industrial areas.

2. Raised environmental awareness

Population growth and consumption worldwide has significantly increased environmental burdens. Concerns about the Earth's capacity to feed humanity have been replaced by questions about safety, resource scarcity and climate change consequences, in a debate which has transformed the consumer mindset and consequently, public policy and companies.

Environmental advocacy and high customer expectations are becoming the norm, not only in those industries traditionally more associated with pollution and intensive use of resources, but across the board. Awareness of greenwashing has also made consumers, business, investors and regulators more sceptical than ever, and they are adjusting their respective behaviours accordingly to better reflect their values.

We are **convinced that sustainable growth requires prioritising safety and a resource-efficient approach**. Therefore, we have made these two our main priorities and that of our portfolio companies by:

- expanding product and service offerings to cater to demand for safer and more sustainable inputs, such as natural ingredients or renewable energy;
- transforming production processes to enhance circular economy practices and by product revalorisation; and
- promoting good waste management practices and pollution reduction initiatives.

3. Digital transition

In a fast-paced world experiencing major changes driven by demographic challenges, environmental concerns, new technologies and artificial intelligence, innovation has become key for the survival of companies and enabling human adaptation and integration. Digital technologies can boost inclusive and sustainable growth by encouraging innovation, generating efficiencies and improving processes and services. They are also an important tool in helping countries with improving life conditions, overcoming natural and other disasters, information access and enhanced communication and employment opportunities.

At Magnum we are convinced that **our portfolio companies can, through digitalisation, play a leading role in:**

- fostering job creation and talent upskilling;
- pioneering the development of improved solutions in their respective fields; and
- better meeting the needs of their increasingly savvy customers.

Additional themes may be identified and implemented in specific portfolio companies.

Sustainability integration in the investment process: a systematically implemented approach

Magnum strongly believes that **companies that are successful in avoiding sustainability risks while capturing opportunities will outperform over the longer term by creating resilient business models.**

As an investor in the real economy, **Magnum's objective is to make a positive impact on the sustainability outcomes** of its portfolio companies. Please see below a list of some priority ESG factors that are commonly considered during the investment cycle:

- **Environmental issues** include pollution of land, air and water and related compliance; eco-efficiency; waste management; natural resource scarcity and biodiversity; and climate change. Environmental challenges also present opportunities for value creation, for example, generation of incremental revenue from new technologies, products and markets.
- **Social issues** encompass the health and safety, labour conditions and human rights of employees and those in supply chains; and treating customers and communities fairly. Value creation opportunities might include improving productivity, increasing brand and employee loyalty or product integrity. Profit sharing schemes are encouraged.
- **Governance** in this context generally encompasses the governance of environmental and social issues management, cybersecurity, anti-bribery and corruption measures, business ethics, overall compliance and transparency. Initiatives implemented might avoid negative financial impacts and reduce reputational risk.

Magnum considers itself an active shareholder and industrial partner and as such, applies an **active, disciplined, systematic and transparent approach to enacting responsible investing principles.** We recognise the importance of our impact on society and the environment and therefore **seek to include sustainability and ESG criteria in all stages of our decision-making and investment processes** by:

- Using sustainability considerations to steer investment decisions, including **avoiding investing** in companies whose businesses run counter to our non-financial values and ethical principles.
- Identifying companies' **contribution to SDGs.**
- Raising **financial (industry specific) and non-financial ESG factors** to companies, to define minimum ESG requirements such as:
 - health and safety, labour conditions, social dialogue and human rights of employees and those in supply chains; and
 - anti-bribery and corruption measures, business ethics, responsible political engagement, overall compliance and transparency and cybersecurity.
- Adopting **strict control measures** that go beyond regulatory compliance in areas such as environmental stewardship, consumer protection, human rights, and racial and gender diversity.
- **Setting targets, designing initiatives and monitoring level of performance** on non-financial objectives across our portfolio companies.
- Providing investors and other stakeholders with timely **information on sustainability-related topics** and publicly disclosing the most significant aspects of our responsible investment commitments.

2. Exclusions: negative screening

Magnum recognises that **there are certain sector and business practices that can have a negative impact on the environment and society**. Therefore, we have developed a binding investment exclusion list, prohibiting investment in several sectors based on our investment values and beliefs.

This exclusion list is a contractual obligation that is specifically stated in the Offering Memorandum of each of the applicable Funds. These exclusions include, but are not limited to, companies whose main business activity is military weapons and armaments with the exception of defence activities, companies who repeatedly violate laws or regulations, hostile take-over bids, gambling, gaming or casinos, illegal activities, tobacco, human cloning, genetically-modified organisms, distilled alcoholic beverages, pornography, and illegal exploitation of vulnerabilities in cyber or data security.

3. ESG Integration: identifying risks and opportunities

Magnum's systematic approach to incorporating sustainability risks and opportunities includes consideration within the investment analysis and decision-making processes, as well as integration into traditional financial analysis, portfolio monitoring and full consideration of ESG issues across the investment cycle. This approach is based on the following pillars: **double-materiality approach, identifying and considering specific environmental and social issues, and defining areas of work and/or improvement that set up the first step for an active ownership**.

Double-materiality approach: financial materiality and impact materiality

To identify sustainability factors from a financial materiality perspective within each of the industries Magnum operates, the SASB¹ framework and methodology is applied. SASB's industry-specific metrics point to the sustainability risks and opportunities that can impact the financial value of companies in each sector. Therefore, **SASB Standards** enable businesses around the world to identify, manage and communicate financially-material sustainability information to their investors.

We incorporate the SASB methodology into our portfolio to identify, track and monitor the most relevant KPIs. This allows us to direct our focus on creating value while implementing responsible practices into each investee company from the outset.

Besides the impact ESG factors might have on companies' business, Magnum is aware of the potential effect that its investments may have on the environment and society. Since 2024, Magnum has started measuring the Principal Adverse Impacts ("PAI") of its portfolio companies, according to Regulation (EU) 2019/2088 ('the Sustainable Finance Disclosures Regulation'), SFDR, and the corresponding Regulatory Technical Standards developed by the European Supervisory Authorities (ESAs). PAI should be understood as the impact of investment decisions and advice that result in negative effects on sustainability factors. Through the consideration of the principal adverse impacts, Magnum aims to manage and, as long as it is feasible, to reduce those potential impacts on the environment and society.

Climate action and environmental sustainability

As described above, Magnum is aware of the importance of environmental issues in the socio-economic development of a country. In this regard, we incorporate environmental and climate risk analysis through the application of SASB in the ESG Integration process. Climate risk has

¹ SASB Standards, now part of IFRS Foundation.

financial implications that are tangible and identifiable. The SASB Standards were designed to identify the sustainability issues reasonably likely to affect the prospects of a typical company in a given industry. Each industry specific disclosure topic, including those related to climate risk is mapped, to one or more channels of financial impact commonly evaluated by financial analysts—namely those that would affect a company's revenues and operating costs, the value of its assets and liabilities, and its financing costs. In particular, SASB identifies the following elements related to the environment, such as **GHG Emissions, Air Quality, Energy Management, Water & Wastewater Management, Waste & Hazardous Materials Management and Ecological Impacts**. Moreover, SASB has designed an internal model, called Climate Risk Technical Bulletin, that provides investors with a deeper understanding of the types of climate risk to which they are exposed, where those exposures lie, and what types of financial impacts they are likely to have.

Diversity and Inclusion

Magnum is committed to the promotion and development of equality, diversity and equal access to opportunities. These values are not only present internally in the company but also seek to be transferred to the management of investee companies. Therefore, as one of the initial investment requirements, Magnum encourages all its investee companies to develop Diversity and Inclusion Policies, as well as a Code of Ethics that guarantee the alignment of interests with Magnum's LPs and promote diversity hiring.

4. Active ownership

Investment stewardship through active ownership for Magnum begins when control is taken. Sustainability opportunities and risks identified during the due diligence process are considered for inclusion within the 100-day post-acquisition plan. These plans **establish strategic objectives for sustainability outcomes, action plans and targets, and enhance corporate governance**. Internal control processes for measuring, monitoring and managing ESG KPI's against annual performance targets are set.

Specific environmental, social and governance action plans are tailored by sector and geography, bringing focus to the unique risk profiles in each sector and geographical location. Specifically, climate risks (physical, transition and regulatory) and opportunities are managed through adaptation or mitigation measures.

Throughout the holding period, investment stewardship continues with active engagement of Magnum team members on ESG performance on sustainability impacts and outcomes, issues and targets, including risks, opportunities and incidents, as identified from the outset during the pre-investment evaluation.

Further, Magnum monitors these on an ongoing basis, and implements remedial actions where required. The SASB KPIs, rooted in financial materiality, are implemented for baseline measurement, ongoing monitoring and active management to drive performance toward achievement of these top and bottom-line objectives for consolidating opportunities and effective risk mitigation. ESG incident management is a key governance consideration, and an internal incident register is maintained. Where appropriate, sustainability-linked financing is arranged, adding additional incentives and aligning interests through engagement with financial stakeholders on sustainability factors.

5. Exit

Our objective is to help companies evolve and grow in terms of sustainability, contribution to their communities and ultimately, to become more valuable while in our portfolio.

Through the design and implementation of adequate sustainability plans and initiatives and delivering on relevant objectives, we are convinced Magnum can contribute to creating assets that set themselves apart against competitors, maximising their financial value and broadening the universe of potential buyers. ESG Vendor Due Diligence with consideration of stakeholder preferences is conducted where appropriate to evidence value creation through sustainability.

Magnum's mission is to help companies maximise their potential and enter new stages of development which will continue well after our exit. To ensure that we create long-term champions, **we evaluate the responsible investment thesis of potential buyers alongside financial and other considerations when making exit decisions.**

6. Governance

Every team member is aware of Magnum's commitment to responsible investing and is therefore responsible for **incorporating these principles into their respective activities**, contributing to the development of the organisation's sustainability approach and stewardship.

At Magnum, **we have built a robust sustainability governance structure** that allows for the full integration of sustainability factors into investment analysis and decision-making processes at all levels of the firm.



- The **Board of Directors** is responsible for the governance, formal oversight and accountability of the responsible investment approach, as well as all sustainability policies and processes. Indeed, the Board will review and, where necessary, update the policies to reflect on-going efforts to improve its responsible investment approach, as well as emerging requirements from stakeholders and evolving good practices. The Board of Directors will also manage all conflicts of interest.
- The **Investment Committee**, comprised of voting partners and non-voting senior advisors and the relevant Investment Team members for each opportunity, is

responsible for the approval or rejection of a proposed investment. The findings of the various pre-acquisition due diligence analyses are presented to the members of the Investment Committee, who evaluate investments based on multiple criteria, including the results of the ESG due diligence. In this respect, we ensure that sustainability criteria are fully integrated into every step of the decision-making process.

- The **Investment Team** manages Magnum's portfolio and analyses all potential investments. Members of the Investment Team are invited to the Investment Committee to present the findings of their analysis. The investment team is also, in charge of the definition of sustainability risks and opportunities and the oversight of strategic goals at portfolio company level, which come both from being members of the companies' board of directors and from working closely with portfolio management teams.
- The **Sustainability Team** is comprised of Magnum's Sustainability Co-Heads who are responsible for ensuring that sustainability factors are integrated into Magnum's DNA and policies and processes remain adequate and up to date. The Sustainability Team expresses its views on the sustainability considerations of each potential investment to the rest of the team.

7. Transparency

Magnum is **committed to full transparency in all its operations and investment decisions related to sustainability**. This involves providing clear, accurate and timely information to all stakeholders on how sustainability factors are integrated into its investment processes. Moreover, Magnum is committed to regular disclosure of its sustainability policies, practices and performance, including its environmental, social and governance impact. This commitment to transparency and disclosure also extends to its interaction with investee companies, requiring that they also meet high standards of sustainability disclosure and transparency.

Magnum's approach to sustainability reporting, disseminated through different communications channels (website, UNPRI Transparency Report, Annual Report, etc.) is tailored specifically to each audience. Reporting includes management discussion of current and future strategic ESG positioning and analysis and KPIs demonstrating progress and objectives both at the portfolio level and for individual portfolio holdings to share standardised metrics related to sustainability outcomes.

