

Responsible Investment Policy

Delivering Responsible Value



IG4 CAPITAL

Purpose

Global changes are shaping the world in which we live. We are facing environmental and social challenges which are creating economic disparities and social unfairness. These trends will shape demand and markets in the year to come. We believe that the finance industry contribution is essential to build sustainable growth while fostering financial stability through the incorporation of Environmental, Social and Governance factors (ESG) into investment decisions and therefore, achieve the 2030 UN Agenda for Sustainable Development goals.

IG4 Capital's private equity model is centered on generating superior performance through value creation, ESG integration and sustainable capitalism.

Its focus is the identification of underperforming hard/real assets to unlock higher and more sustainable returns. Its comprehensive "search and rescue" turnaround philosophy covers creative capital restructurings, conversions of debt into equity, changes in corporate governance and maximization of ESG opportunities.

IG4 understands that the effective ownership and management of a company can create benefits for all stakeholders: from employees to customers, suppliers to shareholders, and the wider community at large. By integrating ESG into the entire investment process, IG4 is able to generate long-term financial returns with impactful environmental, social and governance benefits for all stakeholders.

This Responsible Investment Policy is therefore informed by the belief that ESG considerations can have both positive and negative impacts on a company's financial performance and on shareholder and stakeholder value.

IG4 has been a signatory of the Principles for Responsible Investment (PRI) since 2019. It is committed to implementing its six Principles, aligning its investment management and advisory activities with the interests of wider stakeholders. In addition, IG4 considers the ten principles of the UN Global Compact in its due diligence of target companies before the IG4 funds make an investment. In December 2017, IG4 successfully became a Certified B Corporation, verified by B Lab, a non-profit organization and, therefore, is legally required to consider the impact of its decisions on its workers, customers, suppliers, community, and the environment. IG4 is one of the first and few private equity companies in Latin America to achieve that status.

IG4's Pledge

Integrity, transparency and engagement are the foundation of IG4's business, and therefore, IG4 commits to:

- Organically integrating ESG policies and practices in its governance and culture
- Driving its portfolio companies towards the highest ESG standards
- Fully embedding ESG into the company's Investment Cycle
- Taking into consideration all its stakeholders, engaging and working cooperatively with them
- Engaging with its portfolio companies, stakeholders, regulators and other key actors to promote a global ESG culture

IG4's Internal Governance and Culture

IG4's CEO in representation of the Investment Committee along with the support of the IG4 partners are the frontrunners for the adoption of responsible investment practices within its investment process.

To be equipped with the internal capacity to deliver on its ESG targets, IG4 has attributed to the Board the overall supervision over the Responsible Investment Policy, established an ESG Committee, and created the position of Global Head of ESG.

In addition, to enable the implementation of the Responsible Investment Policy and its commitments, IG4 has set targets and KPIs that apply to all levels of the organization and derive from the company's vision in order to:

- focus on impacts and outcomes related to IG4's investments
- either relate to achieving sustainability objectives, or
- towards the implementation of ESG considerations across the organization
- include an appropriate timeframe, which may differ across KPIs

IG4 is committed to demonstrate how its investment practice is contributing towards achieving its targets. The KPIs do not inhibit the investment universe but remain important considerations for the overall investment strategy. They are the snapshot of progress, supported by more detailed underlying risk metrics in due diligence and performance reporting.

The Investment Cycle

To deliver superior investment performance, IG4 fully integrates ESG and sustainability research within a rigorous framework of traditional financial analysis.

Sourcing Opportunities

The initial screening process is carried out in two complementary ways:

- Assessing macro trends (long-term directional shifts that affect a large population, often on a global or continental scale) to inform strategic direction, plan future investments and unveil overlooked opportunities or risks
- Excluding investing in companies involved in the following industries: tobacco, armaments, adult entertainment, gambling, and coal mining, or are subject to international sanctions

Due Diligence

IG4 has designed a proprietary project finance model that integrates ESG data into the full investment cycle, including the due diligence phase. It puts the same strength into the identification of both material risks and opportunities for value generation. In that sense, a poor risk score does not automatically prevent an investment if the target has potential for value creation through improvements in performance.

- ESG assessments are at the same level of relevance as other corporate assessments (Technical, Tax, Labour and Legal, Industry, Financial and Accounting, Compliance, and Political issues)
- Due Diligence assessments follow international benchmarks (FMO's ESG Risk Management Toolkit for Private Equity Investment, DFI Toolkit on Corporate Governance, and the SASB Materiality Map)
- Due Diligence is carried out by external consulting firms following pre-established ToR
- Due Diligence informs the investment, valuation, holding and exit

Holding

IG4 Capital's engagement with portfolio companies is carried out through targeted Action Plans, inclusive of the ESG chapter, a guideline against which all ESG progress is measured and a way for the company to demonstrate progress to its stakeholders. The ESG portion of the action plan is centered on corrective measures, mitigation measures, and opportunity measures. The latter derives from reducing costs and liabilities and/or increasing revenue by, for example, identifying resource efficiencies, reducing the companies environmental footprint, driving innovation, enhancing community relations, providing and protecting the social license to operate, developing cost-saving sustainable procurement practices, reducing potential liabilities, such as those stemming from environmental contamination, acquiring new customers as a result of better brand image, or supporting staff retention.

- Action Plans have a 3-year horizon (minimum holding period for IG4 Capital) and includes two levels of intervention:
 1. High level ESG-focused KPIs, actions and targets on a portfolio wide basis (applicable to all portfolio companies, which can be rolled up to generate a fund-level KPI).
 2. KPIs, milestones and targets based on the individual company and its industry.

Ultimate responsibility for delivering the Action Plan lies with the company management. The Plans are monitored by annual reporting and the companies board through a status review

at least once a year. They are discussed by IG4 Capital in periodic committee meetings and including in all reporting to stakeholders.

- During the holding period, IG4 Capital encourages the sharing of knowledge and good practices between the portfolio companies to encourage better ESG performance and ensure portfolio consistency

Exit

- IG4 Capital exits companies once it believes that the full financial potential of its turnaround work has been seized and its profit objectives have been met
- IG4 reports on the impact of ESG policies and practices on exit valuation
- The exit strategy ensures a sustainable long-term ownership structure into the future
- IG4 provides guidance to potential buyers on how to create or preserve value past the exit process and after the primary ESG value levers were pulled

Engagement

IG4 is determined to work together and engage with its stakeholders (employees, managers, Limited Partners, regulators and creditors) to promote the Principles for Responsible Investment (PRI) and Corporate Social Responsibility (CSR).

Additionally, IG4 is focused on sharing its ESG philosophy widely. The company plans to use its leadership position as a means of influencing others and advancing the dialogues of the importance of ESG integration in finance and for corporate actors in general.

Reporting

Reporting and transparency are essential tenets of any ESG approach, as they help to regulate and embed process. Effective reporting and disclosure processes demonstrate commitment to stakeholders. Therefore, IG4 is to be transparent with its LPs, unit holders and other stakeholders regarding its responsible investing initiatives, successes and goals.



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