

## **I. Our Responsible Investment Beliefs**

Diana Capital believes that through its growth investment strategy it contributes significantly to the creation of wealth and employment in society, generating a positive social impact.

When investing and managing its investees, the Management Company pays special attention to (i) the contribution of investment to the decarbonization process of the economy, (ii) the promotion of equality, diversity and inclusion in the employment policies of investees and (iii) the strengthening of mechanisms that guarantee good corporate governance and control.

Diana Capital believes that active management of environmental, social and governance (ESG) factors, such as those mentioned above, contribute to the value creation process of investees, help to better manage risks and generate a positive contribution to the Sustainable Development Goals.

## **II. Principles and commitments**

The entire Diana Capital team strives to invest responsibly, incorporating best practices in sustainability. Diana is a signatory of the United Nations Principles for Responsible Investment and is committed to:

1. Incorporate ESG issues into investment analysis and decision-making processes.
2. Incorporate ESG issues into the exercise of our ownership practices and policies.
3. Influencing our investees to report on ESG issues that concern them.
4. Promote acceptance and application of the Principles among the investment industry.
5. Work with other signatories to improve the effectiveness of the implementation of the Principles.
6. Report on our activities and progress in the implementation of the Principles.

In addition, the Management Company carries out its activity and the management of its investees in accordance with the principles recognized in the main international agreements. Mainly those signed within the framework of the United Nations, the International Labour Organization, or the OECD, which guide our actions in respect for the environment, human rights and legality.

In the field of the fight against climate change, Diana has committed to disclose its activity through the framework established by the Task Force on Climate-Related Financial Disclosures (TCFD) considering the risks and opportunities that climate change represents for the activity of the Management Company and that of its investees.

## **III. Resources**

Diana Capital is aware that the management of ESG requires the dedication and involvement of the investment teams of the Management Company and those of its investees.

Consequently, Diana Capital has established an ESG governance structure that allows for an effective response in line with the importance and challenges that ESG has for the Asset Manager.

Diana's ESG governance structure is organized as follows:

- (i) The Board is responsible for the approval of the ESG Policy and any amendments to itself,

as well as its compliance. The Board is also responsible for the management of serious ESG incidents that could affect the reputation of the Management Company or any of its investees.

- (ii) The ESG committee, made up of senior members of the investment team and the head of ESG, is responsible for overseeing the ESG activity of both Diana Capital and its investees.
- (iii) The head of ESG manages the day-to-day ESG affairs of the Management Company and the dialogue with the investees, compiling the main ESG indicators and reporting progress to the Committee.

ESG governance at Diana is complemented by the reinforcement of the team's ESG competencies through specific training courses and external advice from a specialized consultant.

#### **IV. Integrating ESG factors into the investment process**

Diana Capital follows an integration ESG strategy, whereby ESG factors are integrated into every phase of the investment cycle from the origination of the investment opportunity to the exit, involving the entire investment team.

##### **1. Origination**

In the origination phase, certain investments contrary to the ethical principles of the management company are excluded.

The Fund shall not invest directly or indirectly in companies whose activity is related to (i) the sale or production of weapons, equipment or ammunition for military or police use; (ii) the development and/or execution of projects whose outcome limits the individual rights of individuals or violates human rights; (iii) the development and/or execution of projects that are detrimental to sustainability or socially inappropriate, and (iv) ethically or morally controversial projects.

In particular, the Fund may not invest in entities that are substantially focused on one or more of the following activities:

- (i) the manufacture of and trade in tobacco and related products;
- (ii) human cloning, including human cloning for reproductive purposes;
- (iii) pornography;
- (iv) illegal economic activities (i.e., production, marketing or other activity that is illegal under the laws or regulations applicable to the Fund or the company or entity in question);
- (v) the financing of the manufacture of and trade in arms and ammunition of all kinds (this restriction shall not apply to the extent that such activities form part of or complement explicit European Union policies); or investments in Investee Entities that directly engage (as determined at the time of initial investment in that Investee) in the manufacture of antipersonnel mines, cluster bombs, or chemical or biological weapons; Direct participation for this purpose means (a) the manufacture of a weapon in whole or in the majority, or (b) the manufacture of key components linked to ammunition of the weapon, such as submunitions, rifles and warheads;
- (vi) casinos and similar enterprises;

- (vii) research, development, or technical applications related to programs or solutions that
  - (a) are specifically aimed at supporting any of the activities listed in (i) to (vi) above or
  - (b) are intended to enable illegal access to electronic data networks or illegal downloading of electronic data;
- (viii) oil and/or gas exploration and any other activity aimed at the extraction of oil and gas;
- (ix) betting (including gambling houses and online betting);
- (x) opaque funds (blind pools) or hedge funds;
- (xi) improper or speculative investments in derivatives; and
- (xii) any other activity in which the Fund cannot invest in accordance with Law 22/2014 or any other applicable regulation.

## 2. Preliminary Approval

If the target company meets the exclusion criteria and there is interest in the transaction, a descriptive document is prepared for the Investment Committee that will include, among others, a list of those ESG factors that are material to the transaction.

If the Investment Committee decides to go ahead with the transaction, an offer is submitted by the target company, subject to due diligence among other conditions.

## 3. Due Diligence

Following the seller's acceptance of the non-binding offer, a thorough analysis phase is initiated in which ESG due diligence will be performed. The due diligence will be entrusted to an expert consultant and will include at least the following points:

- Identification of the main ESG risks, adverse impacts and opportunities that affect the company, either due to the sector or geographies in which it operates, or due to other factors.
- Recommendations and proposed improvement actions in relation to the main risks, adverse impacts and ESG opportunities identified.

The actions proposed in the due diligence phase will pay special attention to the priority ESG areas in the Fund's strategy, in particular in (i) the potential contribution of the investee to the process of decarbonization of the economy, (ii) the promotion of equality, diversity and inclusion in the employment policies of the investee and, (iii) the reinforcement of the mechanisms that guarantee good corporate governance and control.

## 4. Final Approval

The Investment Committee will submit the transaction to the Board of Directors for final approval once it has reviewed the results of the due diligence and successfully completed the negotiation of the legal and economic terms of the transaction.

The outcome of the ESG due diligence will be assessed in the investment closing process, reporting the findings to both the Investment Committee and the Board of Directors. If it is decided to go ahead with the operation, an action plan is designed with the necessary measures to mitigate the risks detected.

Diana Capital shares with the company the risks detected in terms of environmental, social and corporate governance factors, in order to jointly resolve the risks that may have been revealed, addressed, as far as possible, in the investment contracts/shareholders' agreement or a posteriori after the transaction has been closed.

#### 5. Post-deal investee management

During the period of its tenure in the portfolio, Diana Capital promotes improvements in ESG factors through its presence on the Board of Directors or through the participation of specific Committees. Diana Capital will do its best to ensure that the improvements are included in an Action Plan that includes the recommendations arising from the Due Diligence phase.

Among the main actions that characterize the active management of the different ESG factors in the investee are, among others, the following:

- In the contribution to the process of decarbonization of the economy by the investees, Diana Capital will promote that all the investees measure their carbon footprint and implement reduction plans. Among the measures recommended for the Action Plans are the replacement of fossil energy sources with renewable energy sources and the implementation of energy efficiency plans.
- With regard to job creation, the Management Company monitors the evolution of employment in each of its investees in the annual report. Employment monitoring is complemented by indicators such as the turnover rate and annual satisfaction surveys.
- In terms of equality, diversity and inclusion, the Management Company promotes the implementation of equality, diversity and inclusion policies through its role on the Board of Directors of the investee. The monitoring of these policies is carried out through ratios such as employment of young people, groups in social exclusion and with different abilities. Diana Capital will be involved in the selection processes of key personnel in the investee companies whenever possible, ensuring that the selection criteria are compatible with equality, diversity and inclusion policies.

Diana Capital will promote the participation of investees in associations whose objective is to promote equality, processing certifications related to issues of work-life balance and equality in hiring as well as training initiatives for the employment of people at risk of social exclusion, especially young people in special education.

#### **V. Transparency and communication**

As a signatory of the Principles for Responsible Investment, Diana Capital has committed to prepare an annual Transparency Report on its progress in the implementation of the Principles.

In addition, as an obligated subject by the Disclosure Regulation (EU 2019/2088), Diana Capital includes information on the integration of sustainability risks on its website.