Environment, Social & Governance (**ESG**) Policy

QImpact

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1. Introduction and Scope of Application

On September 25th, 2015, the United Nations General Assembly adopted a new global framework for sustainable development: the 2030 Agenda for Sustainable Development (hereinafter, "2030 Agenda").

Q-Impact Investment Management, SGEIC, S.A. (the "Management Company" or "Q-Impact"), is committed to redirecting capital flows towards sustainable investments in order to achieve a sustainable and inclusive growth.

In this sense, as responsible investors, we consider it part of our fiduciary duty to our investors to integrate environmental, social and governance (ESG) risks and opportunities into the investment process.

Q-Impact defines responsible investment according to the United Nations Principles on Responsible Investment (UNPRI), *"as a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership*".

The public nature of the policy responds to the obligations of the Disclosure Regulation (EU 2019/2088) at Q-Impact level.

2. Q-Impact's Responsible Investment Beliefs

Q-Impact believes that ESG factors have a material impact on the financial performance of social and environmental impact assets and that they contribute to the value generation process.

ESG contributes to enhancing the assets' financial value and preserving the assets' value from material financial ESG-related risks.

We invest in assets that aim to make investments that generate a positive social and environmental impact. We believe that identifying and accounting for ESG performance throughout the investment process allows us to have a competitive advantage for our core business, seeking to generate long-term financial value. In particular, throughout the investment cycle, we strongly believe that engaging in ESG matters allows us to boost productivity, reduce costs and grow revenue in our portfolio.

We also believe that throughout the investment process, we face a wide variety of sustainability-related risks that need to be managed. In this sense, risk management is intrinsically tied to both short and long-term risk mitigation. As such, ESG management is an effective tool that allows us to mitigate and manage all sustainability risks that might have a material negative impact on the financial return of any of our investments. We also believe that an adequate management of sustainability risks and sustainability factors, allows us to better manage our assets' risk profile.

3. Our Commitments on the Sustainable Development Goals

In line with our commitment to responsible investment, we adhere to the following international initiatives:

United Nations Sustainable Development Goals (SDGs): Q-Impact is committed to contributing, through its investments, to the achievement of the Sustainable Development Goals.

We contribute to the following SDGs through our investments:

Principal SDGs in our Investment Process

Q-Impact is committed to contributing through its investments to the achievement of the Sustainable Development Goals (SDGs), seeking to have a positive impact on the society and future generations to come. We commit to using the SDGs as guiding principles in our investment strategy. In this regard, we have identified eight primary Sustainable Development Goals that are integrated throughout our investment process, and which are identified exclusively to our investment activity:

Objective: *End hunger, achieve food security and improved nutrition and promote sustainable agriculture.*

Objective: *Ensure healthy lives and promote well-being for all at all ages.*

Objective: *Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.*

Objective: *Ensure availability and sustainable management of water and sanitation for all.*

Objective: *Ensure access to affordable, reliable, sustainable and modern energy for all.*

Objective: *Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.*

Objective: *Ensure sustainable consumption and production patterns.*

Objective: *Take urgent action to combat climate change and its impacts.*

Q-Impact's Internal SDGs

Beyond our commitment to integrating responsible practices within our investment process, we have equally selected a set of SDGs on an internal company level.

The following SDGs are identified and defined at the Management Company for the development of its internal activities, beyond the investment management activities.

4. Sustainability in the investment process.

4.1. Regulatory Statements

SFDR at Management Company level: Sustainability risk

A sustainability risk means "an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of the investment". In the context of Q-Impact, sustainability risks are risks which, if they were to crystallise, would cause a material negative impact on the value of the portfolios of Q-Impact's funds.

SFDR at Management Company level: consideration of principal adverse impacts ("PAI")

Q-Impact considers ESG factors as part of the investment process in accordance with its ESG Policy. However, at this time, it will not consider at entity level PAIs on "sustainability factors" as specifically contemplated in the EU Sustainable Finance Disclosure Regulation (Regulation (EU) 2019/2088).

Q-Impact has two social and environmental impact funds under management under the name European Social Entrepreneurship Funds (FESE):

- Q-Impact I, FESE, in which ESG and social and environmental impact criteria have been taken into account when making investment decisions, following IMP (Impact Management Project) standards, analysing investments, both pre-contractually and under periodic monitoring, from 5 dimensions (What, How, How, How much, Contribution and Risk) to solve the social or environmental problems identified through the companies in which it invests. Q-Impact is aware that in this vehicle, which is in a divestment period since December 2022, it would be difficult to comply with the PAI regime set out by the above mentioned Disclosure Regulation, due to the current lack of readily available data to comply with the reporting requirements, but considers that the existing ESG policies and procedures are adequate, proportionate and adapted to the investment strategy of this fund.

- Q-Impact Fund II, FESE, which is classified as Article 9 under the SFDR Regulation, does consider PAIs in its investment decisions. In such cases, information on how Q-Impact considers PAIs on the sustainability factors of the relevant fund will be provided in the pre-contractual documentation of that fund and in the periodic reporting to investors.

Q-Impact will keep this position under review and may consider PAIs of investment decisions on sustainability factors at the entity level when, for example, the data required to report is more readily available or all funds are required to report PAIs.

SFDR at Management Company level: remuneration policy (Art. 5 SFDR)

Q-Impact pays its staff a combination of fixed remuneration and variable remuneration. Variable remuneration considers compliance with all of Q-Impact's policies and procedures, including those relating to the integration of sustainability risks in the investment decision-making process.

Accordingly, the remuneration policy encourages responsible risk-taking behaviour, consistent with Q-Impact's risk profile. The policy includes a review of the performance of its staff in relation to risk and sustainability considerations.

The company's Remuneration Policy disclosure reflects the Remuneration Policy that came into effect from 2020 and will be reviewed at least annually.

4.2. ESG Governance

A robust governance framework is in place to manage and monitor sustainability risks throughout the entire organization.

Our ESG-Governance has the following pillars:

ESG Committee, responsible for setting ESG strategy and direction as well as the implementation, coordination and follow-up of this Responsible Investment Policy.

Board of Directors, responsible for ensuring compliance with the ESG strategy.

Supervisory Committee, responsible for issuing a recommendation in cases of conflicts of interest related to ESG matters.

4.3. Integrating ESG factors into the investment process

We integrate sustainability risks and opportunities into every phase of our investment cycle.

Our analysis of the impact and sustainability of the funds' investments will be based on the following three models:

Model 1: Preliminary valuation of the potential investee:

The potential investee company must complete a questionnaire that will address several questions (i.e. social mission, human resources, sustainability and environment, and governance), as well as attaching documentation for evaluation. The questions that will serve as a tool for impact and sustainability assessment will be part of an interactive process and will be adapted to the context and regulations as they become more specific.

The questions can be tailor-made and adapted to each potential investee, with the objective of providing flexibility to the different business models in which Q-Impact will eventually invest.

In all cases, the questions and their answers will be the basis for understanding and developing the theory of change for each potential investee and selecting the Key Performance Indicators (KPIs) that will serve to monitor impact and sustainability throughout the Investment Period.

In addition to fulfilling the thematic and sector selection criteria, other binding elements of the investment strategy are the do no significant harm principle ("DNSH"), improvement in the investee's ESG performance and the governance practices detailed below.

Model 2: Assignment of a rating or scoring for each issue addressed:

The answers to the questions asked in the questionnaire will result in a rating for each subject. The rating of an Investee Company (if the investment is made) may be modified during the due diligence process, as the Management Company and the Investee Company together may develop and improve their theory of change within the business model of the potential Investee Company.

Model 3: Due Diligence

For the funds classified as Article 9, analysis of the PAI effects or potentially material adverse effects of the concerned fund's investments on sustainability factors. Their evolution is measured through the annual calculation of indicators. It is planned to measure the 14 PAI metrics included in the current draft of the Final Report on draft Regulatory Technical Standards for the funds classified as Article 9.

ESG factors monitoring

Also, after the investment in the investee companies, a continuous analysis exercise will be carried out to measure the achievement of the sustainable investment objective. To this end, for the funds classified as Article 9, management and measurement of the indicators to measure the PAI will be carried out, so that the potential negative impact is less than the positive impact generated.

5. Transparency and Reporting

5.1. Annual Report to Investors

As an entity bound by the Disclosure Regulation (EU 2019/2088), Q-Impact produces yearly reports for investors in compliance with Directive 2011/61/EU. This report is aligned to the Article 9 periodic disclosures obligations prescribed by the Disclosure Regulation, with respect to, at least, the funds classified as such.

6. Responsible Investment at Q-Impact

We strive to lead by example, thus incorporating a strong ESG culture within our organization and applying responsible investment principles in our daily operations. With all of our employees committed to a mutual goal and shared interest in the social and environmental sector, Q-Impact benefits from a community bonded by its commitment to powering change. Q-Impact values the well-being of its employees and works to cultivate an environment built on a strong sense of community.

7. Additional Policies

Our Responsible Investment Policy, as being part of the Compliance System of Q-Impact, shall be understood and read jointly with the following policies:

- Q-Impact's Code of Conduct
- Relevant regulatory documentation of each of the funds