

**ESG INTEGRATION POLICY**  
**of**  
**"BUY AND HOLD CAPITAL, SGIIC, S.A."**  
**(POL 38)**

# ESG INTEGRATION POLICY

## DOCUMENT RECORD

<b>Department in charge of the process:</b>	ESG Committee
---	---------------

	DATE	NAME	ORGANISATIONAL UNIT	SIGNATURE
<b>Prepared</b>	03/03/2021		Regulatory Compliance and Risk Management	
<b>Reviewed</b>	8/3/2021		Antonio Aspas	
<b>Approved</b>	9/3/2021		Board of Directors	

### 1.- CONTROL OF VERSIONS

DATE	VERSION	CONCEPT	AMENDMENTS MADE
Mar 2021	01	Document created	
Dec 2023	02	Change of providers	Change of ESG information providers.

# **ESG INTEGRATION POLICY**

## **CONTENTS**

1.	PURPOSE OF THE POLICY	3
2.	DEFINITIONS	3
3.	ESG FACTORS INTEGRATION POLICY	4
3.1.	OUR COMPANY'S POSITIONING ON THE INTEGRATION OF ESG FACTORS	4
3.2.	INTEGRATION PROCESS	5
3.3.	SOURCES OF INFORMATION	5
3.4.	ADVERSE EVENTS	5
4.	REMUNERATION POLICY AND SUSTAINABILITY RISK INTEGRATION POLICIES	6
5.	PUBLICATION OF THE ESG POLICY AND DOCUMENTATION	6
6.	APPLICABLE LEGISLATION	6

# ESG INTEGRATION POLICY

---

## 1. PURPOSE OF THE POLICY

This document outlines the integration policy in the application of environmental, social and corporate governance criteria, known as ESG criteria (ESG) of BUY AND HOLD CAPITAL, SGIIC, S.A. ("the Company"), defining the role of each of these factors in the decision-making processes for investment in financial instruments that the Company must take in the course of its activities as managers of undertakings for collective investment, in the provision of individual portfolio management services or investment advice to clients.

The Sustainable Development Goals (2015-2030) set on 25 September 2015, also known by the acronym SDGs, are an initiative promoted by the United Nations to give continuity to the development agenda following the Millennium Development Goals (MDGs), being a course of action for the Company for the achievement of the ESG factors.

Likewise, this policy responds to and establishes the scope of the obligations for the publication of the same, in compliance with Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("SFDR").

## 2. DEFINITIONS

### 2.1. ESG FACTORS

ESG factors are understood as all information relating to environmental and social issues, as well as relating to personnel, respect for human rights and the fight against corruption and bribery.

**The environmental factor (E)**, to make decisions based on how companies' activities affect the environment. This focuses on environmental reports and the environmental impact of companies, as well as the efforts made by companies to reduce levels of pollution or carbon emissions. This covers waste management, water management and the use of other environmental resources.

**The social factor (S)**, to take into account the impact that companies' activities have on the community, for example, in terms of diversity, administration, human rights or health care, as well as the links established with the community (corporate citizenship and philanthropic initiatives).

**The governance factor (G)**, which analyses the impact of shareholders themselves and how entities are managed, and is based on issues such as the management structure, executive compensation and the rights of shareholders or the transparency and relationship between shareholders and management.

### 2.2. SUSTAINABLE INVESTMENTS

This takes into account investments in:

- An economic activity that contributes to an environmental objective, measured, for example, through key resource efficiency indicators related to the use of energy, renewable energy, consumption of raw materials, water and land, production of waste and greenhouse gas emissions and the impact on biodiversity and the circular economy or
- An economic activity that contributes to a social objective and, in particular, any investment that contributes to fighting inequality, Any investment that reinforces social cohesion, social integration and labour relations, or any investment in human capital or in economically or socially disadvantaged communities; provided that the investments do not significantly harm any of these objectives and the beneficiary companies follow good governance practices, in particular with regard to sound management structures, employee relations and relevant staff compensation, and compliance with tax obligations.

It therefore consists of adding a risk and opportunities analysis to the financial analysis, which includes environmental, social and corporate governance aspects for improved decision-making.

An environmental objective is understood as the following:

- Climate change mitigation;
- Climate change adaptation;
- Sustainable use and protection of water and marine resources;
- Transition towards a circular economy;
- Prevention and control of pollution;
- Protection and recovery of biodiversity and ecosystems.

### **3. ESG FACTORS INTEGRATION POLICY**

#### **3.1. OUR COMPANY'S POSITIONING ON THE INTEGRATION OF ESG FACTORS**

As the name of our management company indicates, Buy & Hold invests in companies with a long-term vision and carries out an exhaustive analysis of each investment, applying fundamental analysis criteria and aligning its interests with those of its clients, as Buy & Hold and its partners invest their financial assets in the funds we manage.

Sustainability risk is defined as any environmental, social or governance event or condition which, if it occurs, could cause an actual or potential material negative impact on the value of an investment. In this respect, Buy & Hold has no specific product labelled as ESG nor does it fall under the European Commission's classification of environmentally sustainable activities. The European Securities Market Regulator (ESMA) recently expressed its concern about ESG ratings, highlighting the heterogeneity of methodologies and, therefore, the current difficulty of comparability for investors. We understand that this lack of unification of criteria will be corrected as the implementation of the new regulations progresses.

Buy & Hold dedicates a lot of time and effort to find, understand and analyse listed companies, trying to invest in good businesses, managed by honest managers whose interests are aligned with shareholders. We study the financial situation of the company, the quality of its management team, the evolution of its business and its competitive environment, its cash generation, and, of course, its valuation. The objective of Buy & Hold is to invest in companies with an excellent management team, alignment of interests with shareholders, barriers to entry and/or competitive advantages over the competition, high return on invested capital and whose intrinsic value is not reflected in their share price. This process includes not only the analysis of reports and financial information, but also interviews and meetings with key management, employees, former employees, competitors, customers, suppliers, regulators and experts in the particular industry or company. This analysis is carried out both before the decision to invest in said companies is taken and during the investment period, monitoring that there are no changes that question the investment decision taken.

A complete analysis of a company entails for Buy & Hold the identification and analysis of all potential risks that may negatively affect the future value of the company, and within this framework are included, among many others, those sustainability risks related to its corporate governance, social and environmental practices, which could affect its future value and therefore the profitability for the shareholder in the long term. The holistic integration of the analysis of all types of risks is inherent to the philosophy that Buy & Hold's investment team has been practising for more than ten years.

In light of the new regulatory framework imposed by SFDR which has entered into force in 10 March 2021, we now incorporate some risk control tools, so that risks are monitored in a more visible and explicit way, with the help of complementary risk analysis platforms and which we detail later in this document.

### **3.2. INTEGRATION PROCESS**

In compliance with the transparency requirements of SFDR on the disclosure of information relating to sustainability in the financial services sector, the Board of Directors of Buy & Hold has approved the integration of sustainability risks in its investment decision process, the Risk Policy has been amended in this regard.

In order to identify the levels of exposure to sustainability risk of the assets and portfolios, the following analyses are performed on a recurring basis:

1. Sustainability analysis of each of the underlying assets, with details of each of the three ESG pillars. This information, which incorporates in-house analysis and external analysis.
2. Aggregate analysis of the portfolio to obtain its average sustainability profile, based on external providers.
3. Assessment of the portfolio's extra-financial risk (ESG) with a parameterisation similar to the assessment of financial risk (market, credit and liquidity), comparing both sources of risk jointly

### **3.3. SOURCES OF INFORMATION**

For the analysis of sustainability risks, information and analytical software from two suppliers is used to complement the various sources of financial information used by Buy & Hold. This process aims to ensure the highest degree of integrity and solvency of risk reports. The suppliers are:

- Buy & Hold's regular supplier of financial information, a leading entity of recognised international prestige. It also provides information on ESG indicators at issuer level. (Bloomberg).
- Specialist financial risk management and modelling provider, which provides a periodic integrated analysis of financial and extra-financial risks, both of the aggregate portfolio and of specific issuers, including a breakdown of each pillar (E, S and G). Its report takes into consideration potential ESG controversies that ultimately affect the corresponding rating. (RiskSystem).

A relevant aspect of the process is to ensure a good quality of ESG data from the different international providers, a quality that is currently very heterogeneous and therefore needs to be considered in this context.

### **3.4. ADVERSE EVENTS**

The Company does not consider the adverse impacts of investment decisions on sustainability factors. The basis for this decision is described in further detail below.

Currently, there is no universally accepted framework or list of factors to consider to ensure that investments are sustainable which means that there is a lot of subjectivity and uncertainty when it comes to the accuracy and comparability of data. It is important to note that the legal and regulatory framework governing sustainable finance is still under development, in particular, the level 2 draft regulatory technical standards referred to in the SFDR. When this is finalized, the Company will reconsider its policy and procedures with respect to this matter.

Furthermore, ESG data readily available on third party data provider platforms is limited in relation to small and mid-cap companies, which make up the major share of the investment spectrum of client portfolios and which are inherent to the Company's value investing approach.

The Company does not invest or invests limitedly in certain sectors or companies whose products, services or activities could be considered contrary to the current trends regarding the promotion of ESG criteria.

Should the approach to the consideration of sustainability factors and the related risks change, either following finalization of the regulatory and legal framework, or based on decisions by the Company with regard to the investment policies of its clients then this Policy will be updated.

#### **4. REMUNERATION POLICY AND SUSTAINABILITY RISK INTEGRATION POLICIES**

Buy & Hold has a remuneration policy for its employees approved by its Board of Directors, in accordance with current regulations. The remuneration policy is composed of a fixed remuneration, depending on the functional level and responsibility assigned to each employee, and a variable remuneration, linked to the achievement of individual, departmental and company objectives. This remuneration policy is in line with rational risk management and does not induce the assumption of risks incompatible with the profile of the vehicles managed. This remuneration policy is reviewed at least once a year to ensure that it is properly updated where necessary.

As part of its values and commitment to sustainable development, Buy & Hold is an institutional trustee of the Friends of Rimkieta Foundation. The mission of the Friends of Rimkieta Foundation is to develop the best possible living conditions in the Rimkieta neighbourhood and its surroundings, in Ouagadougou, capital of Burkina Faso.

In particular, it helps women and children in the areas of education, food and health, as well as the social and professional promotion of women.

Burkina Faso is ranked 183 out of 188 countries in the United Nations Human Development Index 2015.

You can visit the Friends of Rimkieta website: [www.amigosderimkieta.org](http://www.amigosderimkieta.org)

#### **5. PUBLICATION OF THE ESG POLICY AND DOCUMENTATION**

The Company, in compliance with Article 3 of Regulation (EU) 2019/2088, publishes this policy on its website with the commitment to gradually incorporate the advances that the Company implements as a result of regulatory changes or changes in its positioning in relation to this policy.

#### **6. APPLICABLE LEGISLATION**

- Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.
- Law 11/2018 of 28 December, amending the Spanish Commercial Code (Código de Comercio), the revised text of the Spanish Corporate Enterprises Act (Ley de Sociedades de Capital) approved by Legislative Royal Decree 1/2010 of 2 July, and Spanish Audit Act (Ley 22/2015 de 20 de julio), in matters of non-financial information and diversity.
- Directive 2007/36/EC of the European Parliament and of the Council, of 11 July 2007, on the exercise of certain rights of shareholders of listed companies.
- Sustainable Development Goals (SDGs).