One of the foundational objectives of ASCRI is to develop the venture capital and private equity sector. With this purpose in mind, the current development stage of our sector and the addition of new investors, we have deemed appropriate to prepare, in a coordinated way between our managing partners and investment partners and with the invaluable collaboration of Cuatrecasas, this best practices guide. Our immediate aim is to facilitate dialog between managers and investors. We are a sector whose essence is the alignment of interests between all parties, with this document intended as a guide to be able to organize their relationship in a constructive manner, bearing in mind all the necessary elements to maintain this alignment in the long term. All this without replacing in any manner whatsoever the negotiating capacity of the parties, because every situation is unique and different. We hope in this way to facilitate that negotiation and, above all, create a reference framework that gives confidence particularly to those players joining the sector for the first time. We thank Cuatrecasas for the great work done in the preparation of this guide.

Miguel Zurita, ASCRI Chairman.
Managing Partner and Co-CIO Altamar Capital Partners

Jose Zudaire, ASCRI Managing Director

The publication of the best practices guide represents an important milestone in the venture capital and private equity sector in our country and reflects its maturity, having been able to capture in this document the basis for the negotiation between investors and managers, in a practical and constructive way, aligning the interests of both and promoting transparency for investors. We at Cuatrecasas would like to firstly congratulate ASCRI for the initiative and the courage to implement this cross-cutting project and secondly thank the association that has allowed us to participate in the working group, broadening our knowledge in a strategic sector for our firm. The venture capital and private equity industry allows the flow of savings to the real economy of countries through professional and independent management; we hope that this guide helps contribute to their growth and the addition of new participants to it.

Rafael Fontana, President of Cuatrecasas
Jorge Badia, Managing Partner of Cuatrecasas
Who we are?

1986

The Spanish Venture Capital & Private Equity Association (ASCRI) was born in 1986.

110

It comprises more than 110 national and international Venture Capital & Private Equity firms.

190 MEMBERS

Spreading and ensuring the professional standards among its members:

- Transparency
- Good governance
- Best practice

70

service providers

10

institutional investors

Objectives

ASCRI is the industry body that unites and represents the sector to the authorities, Government, institutions, investors, entrepreneurs and media. ASCRI regularly communicates and provides statistics and updated information regarding the developments of the tax and legal framework.

ASCRI also organizes a range of activities (training courses, events and round tables) for the members and general public in order to disseminate and reinforce the contribution of the Venture Capital & Private Equity industry for the economy and growth of SMEs in Spain.
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International recognition of an innovative style of law practice.

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Introduction

Venture capital and private equity funds - in their multiple forms (venture capital, real estate investment, etc.) - have a vocation for long-term investment. Indeed, in order to provide stability to these funds, and so that they can fulfill their investment strategy, it is essential that a relationship based on trust, transparency and a balance of interests exists between investors and the management team.

In this respect, structures subject to principles of good governance allow the alignment of all the interests underlying the venture capital and private equity firm. To create those structures, it is essential to implement a series of measures that can prevent and manage situations that may give rise to conflicts of interest among the various parties involved.

This Guide presents a set of best practices and proposals for action based on the following principles, each of which treated separately in this document:

• Alignment of interests
• Governance
• Transparency

These principles shall be considered during the whole life of the venture capital and private equity firm, from the fundraising process and the creation and investment of assets through to their divestment and the dissolution and winding up of the funds.

These principles are not in any case intended to replace or limit the potential negotiating capacity of managers and investors in relation to the design and definition of the governance of the corresponding firms.

This Guide has been prepared based on applicable Spanish regulations.

Hereinafter, each venture capital and private equity firm will be referred to as "Fund"; the management team (or, in general terms, the company managing the Fund) will be referred to as the "Manager" and the Fund unitholders or shareholders will be referred to as the "Investors".
1. MANAGER’S COMMITMENT

RELEVANT ASPECTS

As a basic principle for the governance of the fund, it is essential that the interests of the Manager and Investors are aligned.

This requires the Manager’s commitment both in terms of time dedication to the Fund and in economic terms (in the sense of the investment commitments that they personally subscribe to in the Fund).

Usually, after setting up the Fund (and its final closing), the Manager will set up funds with an investment policy fundamentally similar to that of the Fund (successor funds). The setting up of these types of successor funds should be regulated in the Management Regulations to ensure that, in such circumstances, the Manager continues to devote the necessary time to the proper management of the Fund.

Also, before the setting up of the Fund, the Manager may have entrusted the management of other funds (predecessor funds) -in which the Fund Investors may have previously invested- that also require some commitment from the Manager (usually with respect to properly divesting from those predecessor funds).

APPLICABLE BEST PRACTICES

1.1. The Manager shall devote a certain amount of time to the Fund and the predecessor and successor funds that represents a substantial part of their business activities. This material time dedication to the Fund may be provided for in the Management Regulations.

For this, the annual report of the Fund must list, at least generally, the various Fund management activities carried out during the year.

1.2. The Management Regulations shall clearly establish under what circumstances the setting up, marketing and investment period of a successor fund can be undertaken, as well as the rules of coexistence between the Fund and the successor fund.

It shall also describe to what extent the setting up of the successor fund affects the Fund management fee received by the Manager.

However, it is recommended that the Manager does not set up a successor fund until the end of the investment period of the relevant Fund, or until it has been substantially invested in the specific percentage indicated in the Management Regulations.

1.3. The Management Regulations can provide for the Manager’s personal commitment to invest in the Fund, either directly or through a parallel co-investment vehicle -in equivalent conditions to the rest of the Investors (pari passu)-. That being said, this investment by the Manager may have different economic rights to the Investors (e.g., the right to receive distributions on other terms, as a success fee for the Manager, reduction in or exemption from the payment of the management fee, etc.).

1.4. If the Manager’s personal commitment to invest in the fund is provided for in the Management Regulations, the minimum limit of that commitment should be established. That commitment should also be in the form of cash.
## 2. TERM OF THE FUND

### RELEVANT ASPECTS

The term of the Fund is a relevant matter for aligning the interests of the Manager and Investors.

In this respect, the period for attracting investors cannot be indefinite. The aim is to ensure that the Manager devotes sufficient time to the management of the Fund and begins that management making a substantial commitment to it as soon as possible.

Furthermore, depending on the investment policy of the Fund, investment and divestment within the initially envisaged periods may be difficult, so it is not uncommon to establish extension mechanisms to extend the life of the Fund, or more specifically the investment or divestment periods.

### APPLICABLE BEST PRACTICES

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<table>
<thead>
<tr>
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<tbody>
<tr>
<td>2.1</td>
<td>The Manager shall ensure that the period for attracting investors finishes in a reasonable time after the first closing, which shall be determined in the Fund Management Regulations.</td>
</tr>
<tr>
<td>2.2</td>
<td>To maintain equal treatment and conditions among Investors, it is possible to provide for the payment of an equalization interest or equalization fee by those Investors committed to investing in the Fund at the end of a reasonable period of time after the first closing. The equalization fee can be a percentage of the amount already paid-in by the Investors that were admitted in previous closings of the Fund.</td>
</tr>
<tr>
<td>2.3</td>
<td>The possibility of establishing an equalization fee is considered as compensation for Investors that entered in previous closings of the Fund, as with their contributions they would have financed the first disbursements of the Fund, thus benefiting later Investors.</td>
</tr>
<tr>
<td>2.4</td>
<td>If there are any exceptions to the payment of equalization fees for certain Investors, the objective conditions that must be met by such Investors for benefiting of said exceptions shall be provided for in the Management Regulations.</td>
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<tr>
<td>2.5</td>
<td>For the purposes of calculating the internal rate of return (IRR) of the Fund, Investors who have entered into subsequent closings will be deemed to have been admitted at the first closing of the Fund.</td>
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<tr>
<td>2.6</td>
<td>The term of the Fund should allow for different extensions with an extension of one (1) year, provided those extensions are approved by the majority of the members of the Supervisory Committee, the Investors themselves (in the relevant unitholders/shareholders meeting) or the Manager, being necessary that the Management Regulations clearly determine the decision-making proceedings. In any case, the Management Regulations should provide for a maximum time limit for the extensions.</td>
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<tr>
<td>2.7</td>
<td>If the extension of the life of the Fund is not approved, the Manager shall proceed with winding up the Fund under the terms provided for in the Management Regulations, providing the Investor with information on the conditions in which said winding up will be carried out.</td>
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<td>2.8</td>
<td>If the Manager considers extending the life of the Fund, they must provide the Investors with clear information on the reasons for that extension, the conditions in which this will be carried out (including its economic terms, such as possible reductions in the management fee), and the mechanisms for approving the extension provided in the Management Regulations.</td>
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3. MANAGEMENT FEE

RELEVANT ASPECTS

For their Fund management work, the Manager is entitled to receive a management fee which will be charged to the Fund itself and therefore paid for by the actual Investors.

In order to ensure a balance of interests between the Manager and Investors, that fee shall correspond to the commitment assumed by the Manager in carrying out their Fund management work and shall be established transparently in the Management Regulations.

APPLICABLE BEST PRACTICES

3.1. The Management Regulations shall clearly establish the terms of the management fee, including its amount, its basis of accrual and payment.

3.2. The Management Regulations shall also establish the calculation basis for the management fee.

3.3. At the end of the investment period, or any other reasonable period established in the Management Regulations, the possibility of modifying the calculation basis for the management fee according to other possible formulas should be assessed, without prejudice to the fact that, in such a case, the most reasonable measure is for that basis to become the capital invested by the Fund. If the calculation basis becomes the invested capital, that basis must be reduced by the amount of the corresponding divestments made or investments that have been written off.

3.4. The management fee shall be in line with a reasonable cost and wages structure for the Manager.

3.5. Information on the management fee received (or to be received) by the Manager should be included in the regular information sent to the Investors, specifying the basis for calculation.
4. ECONOMIC RIGHTS OF THE MANAGER’S SHARE IN PROFITS (CARRIED INTEREST)

RELEVANT ASPECTS

By virtue of the risk assumed by the Manager with their investment in the Fund, their share in profits may have different economic rights (carried interest) to those of other Investors, as a result of being linked to the level of capital gains generated for them.

For this, the Manager will had to have made an investment, even if only minimal, in the Fund.

Generally, the Manager is entitled to a share in returns on the Fund, agreed with the Investors on capital gains generated by the Fund, once investors have been repaid all the contributions that they have made, as a preferred return or hurdle rate if this has been agreed.

This share in the capital gains of the Fund is generally considered the main incentive for the Manager, so adequate regulation of this is one of the essential mechanisms for aligning the interests of the Manager and Investors.

APPLICABLE BEST PRACTICES

4.1. The Management Regulations must guarantee that the economic rights of the share in profits of the Manager are structured in a balanced way to motivate and encourage the Manager and also ensure that Investors’ interests are protected.

4.2. The Manager’s share in returns on the Fund (other than the management fee) should be received by them provided the Investors have firstly received the amount of the pay-ins made and the preferred return (where appropriate).

4.3. It can be agreed, in this respect, that before the Investors and the Manager distribute the corresponding earnings -after the receipt by the Investors of their capital and the preferred return-, that the Manager should receive a percentage return (catch up) based on the preferred return that the Investors would have received.

4.4. The annual reports sent to Investors must detail aspects such as the total amount accrued in favor of the Manager and the amount that must be distributed to Investors and the Manager.

4.5. The Management Regulations should address those cases in which the Manager has been able to receive excess compensation. This can be done through clawback clauses, by virtue of which the Manager may be required to return any excess compensation received (clawback). A mechanism that can ensure that return is the use of escrow accounts, where at least part of the compensation to which the Manager may be entitled would be deposited.
5. REINVESTMENT

RELEVANT ASPECTS
At the Manager’s discretion, the distributions received by the Fund from the investments it makes may be retained in the Fund itself, or be directly recovered from the Investors if they have already been distributed to them. This possibility can generate conflicts of interest between the Manager and Investors.

APPLICABLE BEST PRACTICES

6. EARNINGS FROM UNDERLYING INVESTMENTS (INVESTMENT RELATED FEES)

RELEVANT ASPECTS
Investee companies can generate other income for the Manager, and also for other firms or persons related to the Manager (such as employees, partners, advisers or other companies from their same group).

This type of income can be a source of additional earnings for the Manager (and other persons related to them) which must be properly regulated in the Management Regulations.

APPLICABLE BEST PRACTICES

6.1. The Investors shall be provided clear information on the nature and origin of all fees paid directly or indirectly by the underlying companies of the Fund, in the interest of the Manager or any firm or person related to them.

6.2. This income must be treated specifically for each Fund, so the Management Regulations should clearly define what should be understood by such income and how it should be treated. The annual reports of the Fund should also provide information on this matter.

6.3. In this regard, the Fund Management Regulations can establish that, according to the usual market practice, income derived from underlying investments received by the Manager is set off with the management fee, either in whole or in part. If this possibility is provided for, the amount of the compensation applied in relation to the income received and the management fee should be included in the regular information to Investors. The compensation percentage applied would therefore be reflected.
7. SETTING UP AND OPERATING EXPENSES

RELEVANT ASPECTS

The process of attracting investors and setting up the Fund can be costly, so it should be suitably regulated in the Management Regulations so that investors can assess its impact on profitability.

The above shall also apply in relation to the on-going costs of the Fund arising from its management and operation.

For this reason it is essential to provide an adequate level of transparency and to establish clear limits on the impact of the various expenses on the Fund.

APPLICABLE BEST PRACTICES

7.1. The Management Regulations must clearly establish what type of organizational and marketing expenses will be assumed by the Fund and their limit with respect to the total investment commitments.

7.2. Usually the setting up expenses assumed by the Fund include lawyers, accounting or administrative fees.

7.3. Likewise, the Management Regulations must list (not necessarily exhaustively) the operating expenses of the Fund, such as auditing, legal advice, taxes, payment of service providers, notaries and records, etc., as well as the amount of these expenses to be borne by the Fund itself. Any excess over that limit should be assumed by the Manager.

7.4. Fees accrued by third parties hired to find investors and for the placement of the Fund (placement fees) should not be included as Fund operating or setting up expenses.

8. CO-INVESTMENT (WITH THE MANAGER)

RELEVANT ASPECTS

On certain occasions, the Manager, their partners, directors or employees, can co-invest with the Fund, or make parallel investments, outside of it, in underlying companies.

These types of situations can give rise to conflicts of interest between the Manager and Investors.

APPLICABLE BEST PRACTICES

8.1. The Management Regulations must provide for, where appropriate, the possibility of the Manager (as well as their partners, directors or employees) being able to make co-investments with the Fund, indicating the conditions that must be met for that purpose.

8.2. The Management Regulations may require that such co-investment takes place only when it can occur at the same time and in the same terms (including with respect to the exit of the investment) in which the Fund can invest in the corresponding company or establish other conditions provided they comply with the obligation of transparency with respect to Investors.

8.3. The Manager should not invest in assets that are appropriate for the Fund through other investment vehicles unless those investments are to be made on a pro rata basis, in the same conditions and according to an objective criterion and defined in the Management Regulations.
9. CO-INVESTMENT (WITH INVESTORS)

RELEVANT ASPECTS

Investors may be interested in making parallel investments, outside the Fund, in underlying companies. The criteria used by the Manager when providing Investors with possibilities of co-investing with the Fund shall be determined and applied transparently.

APPLICABLE BEST PRACTICES

9.1. The conditions under which investors can co-invest with the Fund, as well as the criteria under which the Manager can offer them the possibility of co-investing with the Fund must be regulated in the Management Regulations.

9.2. Investors shall also be informed of any possible additional fee that the Manager can receive in relation to co-investments that they offer to Investors.
10. REPORTING

RELEVANT ASPECTS

Reports submitted periodically to Investors are one of the essential tools of transparency in relations between the Manager and Investors. They also allow exercise of control over the Manager’s activity.

APPLICABLE BEST PRACTICES

10.1. Investors shall also be provided with annual reports that include, among other aspects:
- investments made;
- the audited financial statements of the Fund;
- a breakdown of fees and expenses (at least covered by categories), particularly management and success fees, as well as income from underlying investments;
- an explanation of valuations, specifying the methodology used;
- an assessment of the environmental impact and corporate social responsibility of the underlying companies.

10.2. Investors shall also be provided with a quarterly report that includes, among other aspects:
- Unaudited quarterly profit and loss statement and balance sheet;
- fund leveraging plan, including commitments and unpaid balances of the financing facilities used;
- information on material changes in investments;
- comments of the management team on changes during the quarter.

10.3. Investors shall be provided with a summary of investments and divestments made by the Fund, including a breakdown of them, with the corresponding safeguarding of data that may be confidential.

10.4. The Manager will keep Investors informed of:
- any requirement or penalty imposed by the supervision authorities on the Manager or with respect to the Fund;
- material contingencies or responsibilities that arise or that are generated during the life of the Fund, and
- any material breach of any of the clauses of the Management Regulations.

10.5. Investors shall respect the confidentiality of any information they receive of that nature.
11. SUPERVISORY COMMITTEE

RELEVANT ASPECTS

The Supervisory Committee (in its many guides) is presented as a competent advisory body for resolving issues of governance of the Fund, as well as possible conflict of interest situations that may arise throughout the life thereof. Generally, it is a body consisting of the Fund’s major Investors. Subject to its proper running, the Supervisory Committee can be an especially relevant body for promoting and implementing good governance practices of the Fund.

APPLICABLE BEST PRACTICES

11.1. The need to provide for in the Management Regulations the setting up of a Supervisory Committee shall be assessed.

11.2. In such a case, the Management Regulations should establish the composition and duties of the Committee, which shall be mainly related to the valuation methodology of the Fund’s portfolio or the resolution of possible conflict of interest situations (such as, for example, related party transactions).

11.3. The Supervisory Committee cannot, at any time, replace the mandatory consent of the Investors provided for in the Management Regulations with regard to those matters that are the natural jurisdiction of the unitholders/shareholders meeting of the Fund.

11.4. The Supervisory Committee should ideally meet at least once a year, and may be convened whenever necessary, at the request of the Manager or its members.

11.5. The Manager shall communicate to the Supervisory Committee any transactions made by the Fund during the investment period that may give rise to potential conflicts of interest, as well as report any Fund transactions with third parties considered “related” (partners, directors or employees of the Manager).
12. REMOVAL OF THE MANAGER

**RELEVANT ASPECTS**

Investors must be able to remove the Manager, either if there is sufficient and objective cause to do so, or at their discretion (without cause).

The Manager may be entitled to compensation for that removal, depending on the cause that led to it.

**APPLICABLE BEST PRACTICES**

12.1. Investors shall have the right to remove the Manager, without any cause, at their discretion, through an enhanced majority of the unitholders/shareholders meeting of the Fund.

12.2. To remove the Manager without cause, provision shall be made for possible compensation to which the Manager might be entitled, as well as the possible payment of the success fee accrued until the removal, depending on when they were removed.

12.3. Similarly, Investors shall have the right to remove the Manager if legitimate grounds that must be regulated in the Management Regulations are found to exist, such as fraud, gross negligence, the committing of crimes of an economic nature related to the Manager’s activity, bankruptcy or material breach of their legal and contractual obligations. That removal shall be approved by an ordinary majority of the unitholders/shareholders meeting of the Fund.

12.4. In the event of the removal of the Manager with cause, the Manager should only be entitled to the management fee accrued until their removal.
13. KEY EXECUTIVE CLAUSES

RELEVANT ASPECTS

The investment team or the so-called “Key Men” or “Key Executives” is one of the most relevant aspects to be considered by a potential investor when deciding whether to invest in the Fund.

Key Executives must devote significant time to the management of the Fund. Therefore, any substantial change with respect to them can be regarded as a relevant change in the conditions of the Fund and should be treated as such in the Management Regulations.

In this regard, situations that give rise to a “Key Executive Event”, both in terms of the case that it generates and the circumstances that involve consequences for the Fund, must be determined; in particular when there are several Key Executives and only the departure of a certain number of them gives rise to the anticipated consequences for a “Key Executive Event”.

APPLICABLE BEST PRACTICES

13.1. The Management Regulations must include who the Key Executives are, if any.

13.2. The Key Executives shall inform all Investors of any case that can substantially affect their dedication to the Fund.

13.3. The Management Regulations must incorporate the corresponding clauses in case there are Key Executives:

- a detailed description of the cases of departure of Key Executive(s), normally linked to the lack of commitment to or material breach of their obligations and under what circumstances the situation implies a departure with consequences for the Fund, in particular in Funds with several Key Executives in which the departure of one or more of them might not have any consequence for the Fund;

- in the case of a Key Executive Event, if there is not a replacement for the Key Executive within a given period of time, provision must be made for the suspension of the investment period unless the Investors, by means of the appropriate majority established in the Management Regulations, agree its resumption, or accept the replacement of the outgoing Key Executive;

- If no replacement is named for the Key Executive in a reasonable period, measures must be taken, which may even include the dissolution and winding up of the Fund if so agreed by the Investors with the appropriate majority.

13.4. Any case of departure of a Key Executive shall be automatically reported to the Investors.
14. INVESTMENT POLICY

RELEVANT ASPECTS

The investment policy of the Fund is another key factor taken into account by potential investors when deciding to invest in the Fund. It is therefore essential that this is properly defined and regulated in the Management Regulations.

APPLICABLE BEST PRACTICES

14.1. The investment strategy must be clearly defined in the Management Regulations, determining the relevant jurisdictions, the type of underlying companies, as well as a list of excluded sectors in which the Fund cannot invest.

14.2. Investors shall be provided with a summary of investments made by the Fund, including a breakdown of them, with the corresponding safeguarding of data considered confidential.

15. FINANCING POLICY

RELEVANT ASPECTS

At present, it is typical that Funds make use of additional financing in the form of credit facilities. Financing is often used by the Manager for reasons of efficiency (e.g., to reduce the volume of pay-ins by Investors), to optimize the operational efficiency of the Fund, or to increase its investment capacity.

It is important that Investors understand the reason why this type of financing is sought, and the desirability of establishing the corresponding limitations for its use.

APPLICABLE BEST PRACTICES

15.1. The following points must be regulated in the Management Regulations:

- The intention of the Fund to use financing and general aspects of it. If financing is not expected to be used, it should nevertheless be indicated.
- The reasons for using financing, or for restricting its use (e.g., to finance investments of a temporary nature, to make additional investments, etc.).
- Information on the financing used and main terms thereof shall be included in the regular reports.

15.2. If it is deemed relevant, the Management Regulations may include the explanation of the possible effect of the financing on the internal rate of return (IRR) of the Fund.
16. MODIFICATION OF THE TERMS CONTAINED IN THE FUND DOCUMENTS

RELEVANT ASPECTS
Taking into account the long-term vocation of the Funds and, accordingly, the Investor’s commitment, the terms and the governance of the Fund must be clearly defined, albeit maintaining some flexibility to adapt the Fund to the corresponding circumstances. However, the introduction of constant changes in the Fund documentation can generate uncertainty in Investors, so the introduction of those changes must be sufficiently regulated.

APPLICABLE BEST PRACTICES
Any material modification of the terms of the Management Regulations shall be approved by a majority of the Investors, establishing enhanced majorities for any modifications that can be considered substantial.

17. INVESTMENT COMMITTEE

RELEVANT ASPECTS
Usually the Manager makes their investment and divestment decisions through an Investment Committee. This Committee may take the form of a Board of Directors of the Manager or be a specific body.

APPLICABLE BEST PRACTICES
17.1. The Management Regulations, in case of providing for the possibility of creating an Investment Committee, must regulate its operation and include a list of its members.
17.2. The Investment Committee should consist of the Key Executives, if any, senior managers or specialist advisers.
18. ESG (ENVIRONMENTAL, SOCIAL AND GOVERNANCE)

RELEVANT ASPECTS
The Manager should take into account environmental, social and governance factors ("ESG") when managing the underlying companies.

APPLICABLE BEST PRACTICES
18.1. The Management Regulations may include a section on the Fund’s commitment to the adoption of ESG measures.

18.2. In particular, in the analysis of investments and in the decision-making process during the life of the Fund, the Manager could undertake to take measures such as:

- incorporating ESG aspects in the policies and practices with Fund investors;
- requesting from the underlying companies in which the Fund invests that they publish appropriate information on ESG issues;
- supporting the adoption and dissemination of ESG measures in the sector where the investment is made;
- reporting on the businesses of the Fund and progress made by the Fund in implementing ESG aspects.
The investment conditions agreed with Investors can be the result of negotiations between the Manager and the potential Investor. Bearing in mind the diverse nature of the Investors, it is usual that, as a condition for investing in the Fund, some investors request specific conditions, preferential rights or economic benefits (e.g., being a member of the Supervisory Committee, having preferential access to co-investment opportunities, payment of a reduced management fee, etc.).

These agreements must comply with the specific regulations (Directive 2011/61/EU (AIFM)), which requires equal treatment of Investors in general terms.

The Manager shall keep Investors regularly informed on the level of fees and expenses charged to the Fund.

The regular reports sent to Investors must include a breakdown of fees and expenses (at least on a category basis) charged to the Fund.

Investors must be able to analyze that expenses incurred by the Fund comply with the provisions of the Management Regulations.

The investment conditions agreed with Investors can be the result of negotiations between the Manager and the potential Investor.

Bearing in mind the diverse nature of the Investors, it is usual that, as a condition for investing in the Fund, some investors request specific conditions, preferential rights or economic benefits (e.g., being a member of the Supervisory Committee, having preferential access to co-investment opportunities, payment of a reduced management fee, etc.).

These agreements must comply with the specific regulations (Directive 2011/61/EU (AIFM)), which requires equal treatment of Investors in general terms.

The Manager shall ensure that all Investors are treated fairly.

The Management Regulations can consider the possibility of establishing specific agreements with certain Investors (side letters), which must be accessible for Investors in the terms set forth in the applicable regulations.

The terms of the side letter must be justified in objective terms (e.g., by the amount committed by the Investor, experience and added value that they can contribute to the Fund, etc.).

In some cases, depending on the circumstances of the Investor, “most favored nation” clauses could be included in the side letter, under which the Investor would be granted a right to the conditions agreed in the side letter being considered equal to those ultimately granted by the Fund to other Investors and which, in turn, would favor the former.