

HCapital Partners

Website product disclosure for financial products that promote environmental or social characteristics

Information pursuant to Article 10 of Regulation EU 2019/2088 of the European Parliament – Sustainable Finance Disclosures Regulation (SFDR)

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A. Preliminary note

This information is related to **HCapital II Fundo de Capital de Risco Fechado**, registered and regulated by the Portuguese Securities Commission (“**CMVM**”) under number 1646, with LEI code number 25490014YKY0S5KMKP60 (“**HCapital II**” or “**Fund**”).

This information is disclosed pursuant to Article no. 10 of Regulation (EU) 2019/2088 of the European Parliament – Sustainable Finance Disclosure Regulation (the “**SFDR**”) – and Chapter IV of SFDR’s supplementing Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 (the “**CDR**”), along with their respective amendments, when applicable.

B. Summary (Article 25)

No sustainable investment goals

The Fund promotes environmental and social characteristics pursuant to article 8 of the SFDR. The Fund does not aim at making exclusively pure sustainable investments pursuant to article 9 of the SFDR and will not be aligned with the selection criteria established under Regulation (EU) 2020/852 of the European Parliament (“**Taxonomy Regulation**”).

Environmental or social characteristics of the Fund

The Fund’s strategy focuses on enhancing portfolio companies’ ESG performance by prioritizing three major goals, namely: (i) gender pay-gap reduction, (ii) climate risk mitigation, and (iii) operational optimization. These goals align with specific Sustainable Development Goals (“**SDGs**”), including Gender Equality (SDG 5), Affordable and Clean Energy (SDG 7), Decent Work and Economic Growth (SDG 8), Industry, Innovation and Infrastructure (SDG 9), Responsible Consumption and Production (SDG 12), and Climate Action (SDG 13).

Investment Strategy

The Fund’s investment strategy involves selecting private equity investments that, not only fit the financial objectives and positioning of the Fund, but also demonstrate a commitment to environmental and social characteristics, together forming the Fund’s Investment Policy. It aims for all investments to promote these characteristics in line with article 8 of the SFDR. HCapital monitors the promoted characteristics using sustainability indicators and an ESG governance framework, ensuring transparency and adherence to ESG objectives.

Proportion of investments

100% of the Fund’s investments promote environmental and social characteristics pursuant to article 8 of the SFDR.

Monitoring of environmental or social characteristics

Methodologies to measure environmental and social characteristics include SFDR’s Principal Adverse Impacts (“**PAIs**”) indicators such as the unadjusted gender pay-gap, board gender diversity, carbon footprint, and energy consumption intensity. Additional company-specific KPIs are selected in accordance with the Due Diligence performed to each investee and their respective ESG impact. These metrics along with ESG objectives set for each portfolio company are measured and monitored over time and against industry benchmarks.

Data sources and processing and their respective limitations

Data for these measurements is primarily gathered from the portfolio companies themselves, with estimates made when necessary. Market data is also used, based on the information databases used by HCapital (e.g. Refinitiv and Informa) to perform benchmark analysis. Limitations to this methodology may arise when (i) companies are unable to collect the required KPIs; (ii) in the case of recent acquisitions concerning companies which have not yet implemented ESG processes that support the collection of valid data; and (iii) when there is no available market data. HCapital

understands that this may not prevent the achievement of environmental or social characteristics, so it works side by side with its portfolio companies' management teams and, when needed, with external advisors to support the implementation of the ESG characteristics.

Due Diligence

ESG due diligence, both performed internally and/or with the support of external advisors, is conducted on potential investments to assess risks and opportunities, with recommendations for mitigating sustainability risks.

Engagement policies

Engagement policies during the investment phase involve active management and value creation, with ESG measures implemented in portfolio companies.

Designated reference benchmark

HCapital does not use a designated reference benchmark due to the nature of its private equity investments.

Sem objetivos de investimento sustentável

O Fundo promove características ambientais e sociais de acordo com o artigo 8.º da SFDR. O Fundo não tem como objetivo fazer exclusivamente investimentos puramente sustentáveis de acordo com o artigo 9.º da SFDR e não estará alinhado com os critérios de seleção estabelecidos pelo Regulamento (UE) 2020/852 do Parlamento Europeu ("Regulamento de Taxonomia").

Características ambientais ou sociais do Fundo

A estratégia do Fundo centra-se em melhorar o desempenho ESG das empresas do portfólio, priorizando três grandes objetivos, a saber: (i) redução da diferença salarial de género, (ii) mitigação de riscos climáticos e (iii) otimização operacional. Estes objetivos estão alinhados com Objetivos de Desenvolvimento Sustentável ("ODS") específicos, incluindo Igualdade de Género (ODS 5), Energia Acessível e Limpa (ODS 7), Trabalho Decente e Crescimento Económico (ODS 8), Indústria, Inovação e Infraestrutura (ODS 9), Consumo e Produção Responsáveis (ODS 12) e Ação Climática (ODS 13).

Estratégia de Investimento

A estratégia de investimento do Fundo envolve a seleção de investimentos em *private equity* que, além de atenderem aos objetivos financeiros e ao posicionamento do Fundo, também demonstrem um compromisso com características ambientais e sociais, formando assim a Política de Investimento do Fundo. O objetivo é que todos os investimentos promovam essas características em linha com o artigo 8.º da SFDR. A HCapital monitoriza as características promovidas usando indicadores de sustentabilidade e um *framework* de *governance* ESG, garantindo transparência e adesão aos objetivos ESG.

Proporção de investimentos

100% dos investimentos do Fundo promovem características ambientais e sociais de acordo com o artigo 8.º da SFDR.

Monitoramento das características ambientais ou sociais

As metodologias para medir características ambientais e sociais incluem os indicadores de Principais Impactos Adversos ("PAIs") da SFDR, como a diferença salarial de género não ajustada, diversidade de género nas equipas executivas, pegada de carbono e intensidade de consumo de energia. Indicadores-chave de desempenho (KPIs) específicos de cada empresa são selecionados de acordo com a Due Diligence realizada em cada participada e seu

respetivo impacto ESG. Essas métricas, juntamente com os objetivos ESG definidos para cada empresa do portfólio, são medidas e monitorizadas ao longo do tempo e em comparação com *benchmarks* da indústria.

Fontes de dados e processamento e suas respectivas limitações

Os dados para estas medições são principalmente recolhidos pelas próprias empresas do portfólio, recorrendo-se a estimativas quando necessário. Dados de mercado recolhidos em bases de dados também podem ser utilizados pela HCapital (por exemplo, Refinitiv e Informa) para realizar análises comparativas. As limitações desta metodologia centram-se em (i) casos em que empresas não conseguem recolher os KPIs necessários; (ii) casos de aquisições recentes de empresas que ainda não implementaram processos ESG que suportem a recolha de dados válidos; e (iii) quando não há dados de mercado disponíveis. A HCapital entende que isso não impede a prossecução dos seus objetivos de promoção de características ambientais ou sociais, uma vez que, consoante as limitações encontradas, a HCapital adapta o seu trabalho conjunto com as equipas de gestão das empresas do portfólio, recorrendo, quando necessário, a consultores externos para apoiar a implementação dessas características.

Due Diligence

A due diligence de ESG, realizada internamente e/ou com o apoio de consultores externos, é conduzida em potenciais investimentos para avaliar riscos e oportunidades, com recomendações para mitigar riscos de sustentabilidade.

Políticas de engagement

As políticas de *engagement* durante a fase de investimento envolvem a gestão ativa e criação de valor, com medidas ESG implementadas nas empresas do portfólio.

Benchmark de referência designado

A HCapital não utiliza um *benchmark* de referência designado uma vez que realiza investimentos na área de capital de risco.

C. No sustainable investment objective (Article 26)

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

D. Environmental or social characteristics of the financial product (Article 27)

The strategy of the Fund is to enhance the ESG performance of its portfolio companies with a focus on HCapital's priorities:

- **Gender pay-gap reduction:** The Fund favours the promotion of social and labour equality, with a particular emphasis on gender pay equality and the reduction of the pay gap between hierarchies. HCapital is convinced that an equitable and fairly compensated workforce is fundamental to a healthy work environment, sustainable development, and social cohesion.
- **Climate risk mitigation:** Climate risk mitigation is central to the Fund's strategy. As such, its investees are actively encouraged to develop and implement emission reduction plans, recognizing the urgency of addressing climate change and its impact on the business environment.
- **Operational optimization:** HCapital believes that positive social impact is underpinned by continuous improvement in the operating performance of the companies in which it invests. By optimizing management and performance, HCapital not only works to improve profitability but also contributes to a more sustainable and resilient economy, namely through a compensation policy that attends to the company's growth.

Through this active management of the ESG characteristics of its portfolio companies, the Fund aims to further contribute to the achievement of the following goals within the Sustainable Development Goals (SDGs):

- SDG 5: Gender equality
- SDG 7: Affordable and Clean Energy
- SDG 8: Decent Work and Economic Growth
- SDG 9: Industry, Innovation, and Infrastructure
- SDG 12: Responsible Consumption and Production
- SDG 13: Climate Action

E. Investment strategy (Article 28)

The investment strategy of the Fund is centred on private equity investments that, not only fit the Fund's financial objectives and positioning, but also promote environmental and social characteristics, together forming the Fund's Investment Policy. The strategy involves a rigorous selection process where investments are evaluated for their potential to contribute to gender pay-gap reduction, climate risk mitigation, and operational optimization.

The tools used by the Fund to ensure alignment with this investment strategy include (see [HCapital's sustainability policy](#) for further details):

- Pre-deal screening and exclusion: implementation of both negative and positive filters to ensure alignment of dealflow with the Fund's investment strategy.
- ESG Due Diligence: target companies that meet the Fund's investment criteria and are not part of any excluded sectors undergo an ESG Due Diligence conducted either internally by HCapital's investment team or with the support of an external provider with expertise in the field.
- Investment Consulting Committee review: after completing the due diligence process, the transaction team prepares the Investment Memorandum and presents it to the Investment Consulting Committee for a final transaction discussion prior to Board approval, contemplating key sustainability risks and mitigants, adverse impacts and ESG opportunities identified during due diligence.

The Fund prioritizes companies that demonstrate a commitment to HCapital's elected ESG focus areas and possess the capacity for sustainable growth and development. By actively engaging with its investee post-transaction, the Fund ensures that its investment strategy is not only aligned with financial performance goals, but also with responsible and sustainable business practices.

F. Proportion of investments (Article 29)

It is envisaged that 100% of the Fund's investments will promote environmental and social characteristics in accordance with article 8 of the SFDR, without aiming to make exclusively pure sustainable investments.

G. Monitoring of environmental or social characteristics (Article 30)

HCapital measures the achievement of the Fund's environmental and social features characteristics in the following way:

- i. Due diligence stage: HCapital assesses the ESG characteristics of each portfolio company, including risks, mitigants, and opportunities.

- ii. Investment period: HCapital monitors the environmental and social characteristics promoted by the Fund using established sustainability indicators. These indicators not only track HCapital's elected ESG focus areas, namely gender pay-gap reduction, climate risk mitigation, and operational optimization, but also other critical ESG areas identified for each portfolio company during the due diligence stage. On a quarterly basis, the KPIs of each portfolio company are assessed and from this assessment, HCapital's investment team members determine the level of subsequent involvement.

HCapital's ESG governance framework, including the ESG Committee and Portfolio Monitoring Teams, oversees the implementation and effectiveness of ESG initiatives across the investment lifecycle. The outcome of these reports is included in the Fund's reports to investors and in HCapital's annual sustainability report.

H. Methodologies for environmental or social characteristics (Article 31)

To measure the attainment of the environmental and social characteristics promoted by the Fund, the sustainability indicators are aligned with HCapital's priorities, which include gender pay-gap reduction, climate risk mitigation, and operational optimization.

The Principal Adverse Impacts (PAIs) will be used as the key indicators to assess these areas, ensuring that the Fund's investments are contributing positively to these aspects of environmental and social performance. In particular, the following indicators will measure the attainment of each of the environmental and social characteristics promoted by the Fund:

Social characteristics

Unadjusted pay gap	Ratio of female to male workers unadjusted average remuneration
Executive team female representation	Ratio of female to male board members
Workplace accidents (no.)	Number of workplace accidents per quarter
Workplace accidents incidence	Number of workplace accidents per quarter per worker employed
Absenteeism rate (%)	Ratio of number of hours effectively worked over total number of hours available assuming no absences from employees
Employees' turnover rate (%)	Percentage of workers leaving the company at each quarter vs. the average number of workers during the quarter
Training hours (no.)	Average number of training hours per employed worker on any given quarter

Environmental characteristics

Scopes 1 and 2-GHG emissions	Tonnes of CO ₂ e emitted during the quarter per portfolio company broken down into Scope 1 and Scope 2 emissions
Energy consumed	Total energy consumption in KWh during the quarter per portfolio company
Renewable energy consumption	% of total energy consumed originated from renewable sources, both internally produced and acquired
In-house renewable energy production	Total energy produced internally from renewable sources during the quarter in KWh
GHG emissions saved from in-house renewable energy production	Tonnes of CO ₂ e emissions avoided by producing renewable energy in-house
Water consumption intensity	Total water consumed during the quarter in cubic meters, per turnover and/or per worker
Emissions to water	Kgs of hazardous materials emitted to water during the quarter
Hazardous waste materials	Kgs of hazardous waste materials produced

Governance characteristics

Implementation of supplier, AML, human rights-defence, and whistleblowing codes of conduct
Implementation of workplace accidents prevention policy
Ensure non-involvement in the manufacture or sale of controversial weapons
Ensure no for violations of UN's Global Compact Principles and/or OECD's Guidelines for Multinational Enterprises

I. Data sources and processing (Article 32)

Data for ESG performance measurement is primarily gathered from the portfolio companies themselves, with estimates made when necessary. Market data is also used, based on the information databases used by HCapital (e.g. Refinitiv and Informa) to perform benchmark analysis. Currently, the data is undergoing a thorough internal review process.

HCapital's ESG Committee is responsible for overseeing and coordinating ESG data sources and processing of data in its portfolio companies and inform the Executive Board on potential data quality issues. It also ensures the dissemination of ESG practices already developed within the investees.

J. Limitations to the methodologies and data (Article 33)

In some instances, it may not be feasible to acquire the necessary data for calculating the indicators of the investee. Most common cases include:

- i. Inability of a portfolio company to put in place processes and procedures to ensure internal collection of required KPIs.
- ii. Recent acquisition of a portfolio company which, consequently, has not been able yet to implement the ESG processes required by HCapital.
- iii. Unavailability of robust market data.

In these cases, the Fund will require the portfolio company to request support from specialized third parties. The absence of data for measuring the indicators does not, therefore, prevent the investee from attaining the social or environmental characteristics.

K. Due Diligence (Article 34)

Companies that meet HCapital's investment criteria and are not part of any excluded sectors undergo an ESG Due Diligence.

The ESG Due Diligence will be conducted either internally by HCapital's investment team or with the support of an external provider with expertise in the field and will cover the analysis of the following risks and opportunities:

- Respect for the human rights of workers.
- Maintenance of safe and healthy working conditions for employees and contractors.
- Fair treatment of employees.
- Prudent and responsible environmental management of operations through efficient use of natural resources and mitigation of environmental risks and damage.
- Analysis and management of climate risk.
- Defence of the right to freedom of association and collective bargaining.

- Respect for the health, safety, and well-being of those affected by business activities.
- Maintenance of high standards of business integrity, avoidance of corruption in all its forms, and compliance with applicable anti-bribery, fraud, and money laundering laws and regulations.
- Application of sound corporate governance by establishing clearly defined responsibilities, procedures, and controls, and adherence to best corporate governance practices.
- Following a policy of inclusion and diversity.
- Analysis of the principal adverse impacts of the opportunity.

The results of the analysis are included in a report of conclusions and recommendations that contains (i) the details of the main sustainability risks and significant adverse sustainability impacts for investment decision-making and (ii) recommendations to mitigate sustainability risks, to reduce or eliminate significant adverse impacts, and to exploit potential opportunities found during the investment period.

In cases where the due diligence identifies material sustainability risks or significant adverse impacts, remedial actions may be implemented, such as inclusion in the transaction's legal documentation of remediation obligations by the seller/target company. HCapital will require the potential investee to commit to implementing appropriate measures to mitigate such risks.

While HCapital will support its investee in correcting risks by developing action plans with appropriate objectives, timelines, and resources, if the ESG risks identified are high and mitigation is unfeasible, the decision will be to abandon the investment.

The results of the ESG Due Diligence are integrated into all relevant documentation for decision-making.

L. Engagement policies (Article 35)

During the investment phase, at least two investment professionals monitor each investee, with at least one senior member of the investment team sitting on its Board of Directors. Each portfolio monitoring team member will be involved in key operational and strategic decisions, ensuring active management and value creation for the company. Additionally, the monitoring team will ensure the implementation of the following common ESG measures to their relevant portfolio companies:

- Adoption of HCapital's ESG policy by the portfolio company.
- Appointment of an ESG Responsible within the portfolio company.
- Inclusion of ESG topics on the agenda for at least two board meetings per year.
- Approval of ESG measures within the framework of the business plan for the company during HCapital's holding period.
- Definition and calculation of ESG KPIs that allow for the measurement of PAIs and monitoring of progress made. These KPIs will include those that measure the portfolio's exposure to climate risk, particularly in companies where this is material. Subsequently, an analysis of the information provided by the KPIs will be conducted to measure the company's performance relative to its industry.

The primary goal is to ensure the commitment of the portfolio companies' executive teams. To achieve this, quarterly and annual reports are used to track ESG initiatives and the KPIs established in each investee's business plan.

M. Designated reference benchmark (Article 36)

As a private equity fund, the Fund does not use a designated reference benchmark due to the nature of its investments.