

Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: **HCAPITAL II - FUNDO DE CAPITAL DE RISCO FECHADO**

Legal entity identifier: 25490014YKY0S5KMKP60

Environmental and/or social characteristics

Does this financial product have a sustainable investment objective? *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*



Yes



No



It will make a minimum of **sustainable investments with an environmental objective:** ___%



in economic activities that qualify as environmentally sustainable under the EU Taxonomy



in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



It will make a minimum of **sustainable investments with a social objective:** ___%



It **promotes Environmental/Social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments



with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy



with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy



with a social objective



It promotes E/S characteristics, but **will not make any sustainable investments**

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



What environmental and/or social characteristics are promoted by this financial product?

The Fund promotes environmental and social characteristics but does not aim at making exclusively sustainable investments. In portfolio selection, the Management Team shall devote special attention to their potential to contribute to environmental and/or social

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

objectives including but not limited to: gender-pay gap reduction, climate risk mitigation, operational optimization, and their capacity for sustainable growth and development, namely:

- 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, the investees are actively encouraged by HCapital 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 boosts profitability but also contributes to a more sustainable and resilient economy.

Negative social outcomes are also avoided by excluding investment involved in illegal economic activities, production of and trade in tobacco, alcoholic beverages and firearms, or gambling (Point 17.4 of the Fund Regulation).

The Fund does not use a reference benchmark for the purposes of attaining the ESG characteristics it promotes.

● ***What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?***

The sustainability indicators used to measure the attainment of the environmental or social characteristics promoted by this Fund include:

1. Consideration of the potential to contribute to environmental and/or social objectives including but not limited to: gender-pay gap reduction, climate risk mitigation, operational optimization, and their capacity for sustainable growth and development.
2. Exclusion of holdings in companies identified by the exclusion criteria set out in Point 17.4 of the Fund Regulation, as described above.

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
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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 CO2e 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 CO2e 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

- **What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?**

The Fund does not commit to holding Sustainable Investments, however, they may form part of the portfolio.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How do the sustainable investments that the financial product partially intends to make, not cause significant harm to any environmental or social sustainable investment objective?

Not applicable as this Fund does not commit to investing in Sustainable Investments, however, they may form part of the portfolio.

How have the indicators for adverse impacts on sustainability factors been taken into account?

Not applicable as this Fund does not commit to investing in Sustainable Investments, however, they may form part of the portfolio.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Not applicable as this Fund does not commit to investing in Sustainable Investments, however, they may form part of the portfolio.

The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.



Does this financial product consider principal adverse impacts on sustainability factors?

- ✘ Yes, the Fund considers material and potentially principal adverse impacts of its investments on sustainability factors pursuant to article 7 of the SFDR. These are identified during the due diligence phase and are actively managed throughout the investment period by defining and implementing actions that contribute to their reduction. Their evolution is measured through the annual calculation of 16 indicators set out in the Technical Development (RTS) of the SFDR. Information related to the principal adverse impacts is included in the Fund’s annual report to its investors, pursuant to article 11 of the SFDR.

No



What investment strategy does this financial product follow?

The Fund's objective is to invest its assets in securities and other assets representing risk capital within the widest possible meaning as may be permitted by the Applicable Law, with the aim of providing Unitholders with a favorable rate of return, while controlling risk and to achieve long term capital growth and/or income from investments., while promoting environmental and social characteristics pursuant to article 8 of the SFDR.

The Fund shall invest in private equity deals, focusing on expansion or buyout transactions.

The Fund shall invest in Portuguese and Spanish exporting or internationalized companies, with consolidated activity and a leading position in their business segment, own product, service or distribution network and a strong management team. Each Fund's investment should be associated to a new expansion cycle of the relevant Portfolio Company. The Fund shall only invest in companies which are classified as SMEs or Midcaps.

The Fund shall not invest in undertakings in difficulty, with the meaning ascribed in the European Commission Communication no. 2014/C 249/01 ("*Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty*"), as amended from time to time.

The Fund shall invest in Portugal an amount equivalent to two times the Committed Capital of the European Investment Fund (EIF) as fiduciary of IFD – Instituição Financeira de Desenvolvimento, S.A..

- ***What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?***

The binding elements of the investment strategy are as follows:

- a) Implementation of both positive negative and positive filters during the first go-no-go analysis;
- b) Conducting an ESG due diligence either internally by the Management Team or with the support of an external provider with expertise in the field;
- c) Presentation to the Consulting Board of key sustainability risks and mitigants, adverse impacts and ESG opportunities identified during due diligence.

- ***What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?***

Whilst the Fund applies exclusionary screens to avoid investment in the activities listed above, there is no commitment to reduce the scope of investments by a minimum rate.

The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance. compliance.



● **What is the policy to assess good governance practices of the investee companies?**

Good governance practices are assessed by conducting an ESG due diligence either internally by the Management Team or with the support of an external provider with expertise in the field, gathering data to identify companies which may not have satisfactory governance practices in relation to key performance indicators (KPIs) related to sound management structure, employee relations, remuneration of staff and tax compliance.

Where companies are identified as potentially having issues with regards to good governance, the companies are reviewed to ensure that, where the Management Team agrees with this external assessment, the Management Team is satisfied that the issuer has either taken remediation actions or will take remedial actions within a reasonable time frame based on the Management Team's direct engagement with the issuer. The Management Team may also decide to reduce exposure to such companies.

What is the asset allocation planned for this financial product?

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

● **How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?**

The Fund does not invest in derivatives.

Asset allocation describes the share of investments in specific assets.



To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

The Fund does not currently commit to invest more than 0% of its assets in sustainable investments with an environmental objective aligned with the EU Taxonomy, however, these investments may form part of the portfolio.

● **Does the financial product invest in fossil gas and/or nuclear energy related activities that comply with the EU Taxonomy¹?**

¹ Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

- Yes:
 - In fossil gas
 - In nuclear energy
- No

● **What is the minimum share of investments in transitional and enabling activities?**

The Fund does not commit to making investments in transitional and enabling activities, however, these investments may form part of the portfolio.



What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

The Fund does not commit to holding sustainable investments, however, they may form part of the portfolio.



What is the minimum share of socially sustainable investments?

The Fund does not commit to hold sustainable investments. However, they may form part of the portfolio.



What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

Not applicable.



Is a specific index designated as a reference benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?


No.

● **How is the reference benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?**

Not applicable.

● **How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?**

Not applicable.

 are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- ***How does the designated index differ from a relevant broad market index?***

Not applicable.

- ***Where can the methodology used for the calculation of the designated index be found?***

Not applicable.

Where can I find more product specific information online?



More product-specific information can be found on the website:

<https://hcapital.pt/esg/>