HCapital Partners

Responsible Investment Policy

November 2024

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1. Our vision on sustainable and responsible investment

HCapital's goal is to deliver adequate financial returns to investors while acting with integrity and taking a responsible approach to investment both in its internal operations and when dealing with its investors, portfolio companies, advisors, local communities, and society as a whole.

In doing so, HCapital is committed to integrate ESG factors into its investment process, most critically in the strategy and operations of its investees, contributing to the creation of resilient companies, operating under sustainable business models and adequate governance systems.

HCapital manages two investment strategies that cover different business stages, ranging from start-ups (Venture Capital) to mature businesses (Private Equity). We acknowledge that the approach to integrating ESG into the investment processes of Private Equity and Venture Capital differs. We recognize this distinction and have accordingly adapted our processes.

Within ESG, we primarily promote three themes:

- Gender pay-gap reduction

  HCapital 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 our strategy, as such, HCapital actively encourages its investees to develop and implement emission reduction plans, recognizing the urgency of addressing climate change and its impact on the business environment.

- Operational optimization

  Finally, 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.

2. Guiding Principles and Commitments

HCapital's commitment to ESG matters is embodied in the signing of the United Nations Principles for Responsible Investment ("**UNPRI**"), contributing to the Sustainable Development Goals 7, 8, 9, 12, and 13, and the commitment to combat Climate Change in alignment with the goals of the Paris Agreement.

2.1 Compliance with UNPRI

In 2020 HCapital became a signatory of the UNPRI. These Principles promote the integration of ESG factors into the investment process and portfolio monitoring of its signatories. Since their creation, the UNPRI have been adopted as a best-practice standard for ESG-factors integration in the private equity industry. As such, becoming a signatory was an important step for HCapital in enhancing its ESG practices and communicating such commitment to current and future investors.

In line with UNPRI's 6 principles, HCapital:

- *"Incorporates ESG issues into its investment analysis and decision-making processes"*
  HCapital has implemented negative filters excluding sectors with unsustainable business models or unreasonably high environmental footprints and limited options to improve during HCapital's holding period. HCapital has also implemented positive filters directing both its internal origination and those of its trusted advisors towards more sustainable and resilient business sectors. Additionally, HCapital conducts ESG due diligences and integrate their findings in its go-no-go decision-making process.

- *"Is an active owner and incorporates ESG issues into its ownership policies and practices"*
  HCapital seeks to integrate ESG issues into its portfolio companies' operations and strategy. Leveraging on UN's Sustainable Development Goals ("SDGs"), HCapital is committed to identifying the key areas where each investee may improve its ESG practices along with potential action plans to do so. HCapital also implements social and governance models that seek to maximize transparency, accountability, and fairness.

- *"Seeks to implement appropriate disclosure on ESG issues from its portfolio companies"*
  HCapital is committed to implementing adequate data collection and reporting routines within its portfolio companies. HCapital is also committed to reporting on ESG performance to its investors on a periodic basis.

- *"Promotes acceptance and implementation of the UNPRI within the investment industry"*
  Since becoming a signatory, HCapital has been communicating to its current and potential future investors (most of whom are financial market participants themselves) its commitment to manage investments in accordance with the UNPRI, thus playing a role in promoting the acceptance and implementation of the Principles within the industry. Additionally, HCapital communicates its ESG policy to third parties, namely, M&A advisors, auditing companies, legal advisors, among others.

- *"Works together to enhance its effectiveness in implementing the principles"*
  Since becoming a signatory HCapital has actively participated in sector-wide discussions on the integration of ESG practices.

- *"Reports on its activities and progress towards implementing the Principles"*
  HCapital reports on its activities and progress towards implementing UNPRI by completing the annual PRI signatory survey. HCapital also adapts its investees' ESG disclosure routines and templates to accommodate UNPRI's guidance and standards.

2.2 Contributing to the United Nations SDGs

UN's SDGs are a set of 17 goals adopted by its member states in 2015 to serve as a shared blueprint to guide global efforts to end all forms of poverty, fight inequality and address the most pressing environmental issues worldwide.

While the SDGs are not legally binding or indeed targeted at companies, the business community is expected to play a role in helping societies achieve them, as sustainability risks, such as extreme weather events, food security, biodiversity loss and ecosystems collapse resulting from economic activities, can also have material impacts on a company's operational costs, reputation, and profitability.

In this context, HCapital identified (i) 5 priority SDGs to help guide the implementation of its ESG objectives across its portfolio companies, and (ii) the respective areas of improvement and potential actions to help achieve progress in each of the 5 priority SDGs. These were identified according to the Company's value chain and those of its portfolio companies as well as their sectors of activity.

HCapital is committed to collecting periodic reports from its portfolio companies to measure and track the progress in the implementation of initiatives aiming at each of these 5 priority SDGs and those identified by portfolio companies.

***Figure 1** || HCapital's Priority SDGs*

HCapital's priority SDGs	Potential Initiatives
7 AFFORDABLE AND CLEAN ENERGY Affordable and Clean Energy	- Deployment of renewable energy sources. - Promotion of energy efficiency. - Optimization of power infrastructure investments. - Preparation of power grids to integrate an increasingly weight of intermittent renewable energy.
8 DECENT WORK AND ECONOMIC GROWTH Decent Work and Economic Growth	- Skills development programs moving down each company's supply chain. - Implementation of a firm policy against unfair hiring and recruitment practices, particularly of vulnerable groups. - Offering apprenticeship opportunities.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE Industry, Innovation, and Infrastructure	- Promotion of innovation across companies' operations and industrial processes. - Retrofit of existing infrastructure to make it more efficient and sustainable. - Assessment and monitorization of industrial processes' KPIs towards a more efficient use of resources.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION Responsible Consumption and Production	- Implementation of product portfolio analysis tools to assess their environmental and social footprint. - Reduction of waste and implementation of measures to ensure that non- recoverable materials are used to the fullest degree. - Reduction of manufacturing impact by reducing weight of virgin raw materials substituting these by recycled/upcycled materials.
13 CLIMATE ACTION Climate Action	- Reduction of GHG emissions across the entire value chain. - Investment in carbon capture and storage technologies to compensate for emissions created during the production cycle. - Promotion of renewable energy generation capacity on-site and improvement of energy efficiency.

2.3 Combatting Climate Change

HCapital recognizes the importance of the Paris Agreement, at COPS 21 which set out a global framework to limit global warming to well below 2°C, preferably to 1.5°C, compared to pre-industrial levels.

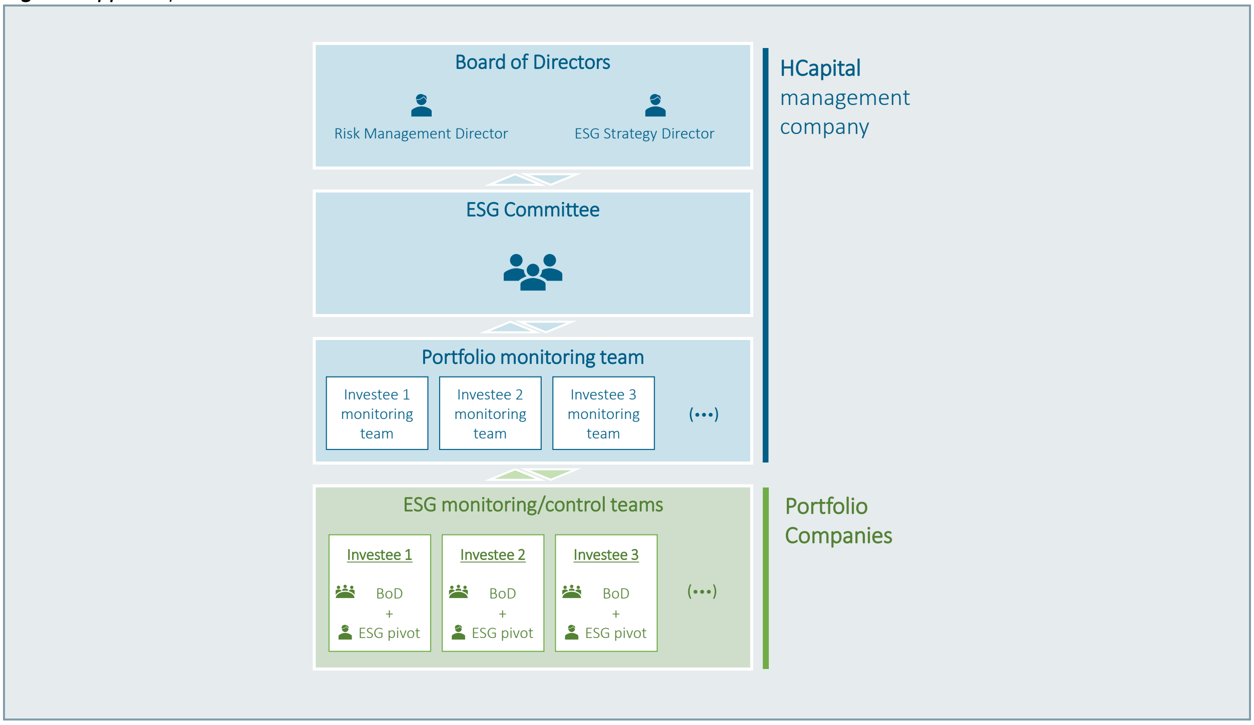
To support this objective, HCapital is committed to aligning its responsible investment strategy with these objectives, assessing climate change issues within its investment activities, and preparing to incorporate the recommendations of the Task Force on Climate-related Financial Disclosures ("**TCFD**") to improve and increase reporting of climate-related financial information.

3. ESG Governance

HCapital has implemented an ESG governance framework, which is underpinned by four key components:

- **Executive Board**: HCapital's Board is responsible for defining the Company's overall ESG strategy and managing the ESG-related risks. These are regularly monitored at the Board level, and the Board is receptive to contributions from the ESG Committee.
- **ESG Committee**: HCapital's ESG Committee is responsible for overseeing and coordinating ESG initiatives across both the management company and its portfolio companies and inform the Executive Board. It also ensures the dissemination of ESG practices already developed within the investees.
- **Portfolio Monitoring Teams:** The implementation of the ESG Committee's initiatives is coordinated with the portfolio monitoring team of each investee to ensure its adequacy and efficacy.
- **ESG Responsible/Pivot**: Within each investee company, HCapital appoints a dedicated ESG Responsible and bring ESG to the agenda at least once per semester at the investee's Board level. This dedicated ESG Responsible plays a critical role in actively managing ESG matters and in promoting the dissemination of ESG practices developed within portfolio companies.

Figure 2 *|| HCapital's ESG Governance Outline*



To support HCapital's governance structure, **annual routines for setting specific objectives and monitoring progress have been established** at the end of the year, ensuring that ESG considerations are seamlessly integrated into the operational framework of HCapital's investments.

When specialized knowledge is required, HCapital **engages an ESG consultant** who works in close collaboration with the ESG Committee and investment teams. This consultant offers guidance on best practices for ESG implementation and operations, thereby enhancing the Company's overall ESG performance.

Education is a fundamental element of HCapital's ESG strategy. **ESG training is provided to the Company's professionals at least once a year**, cultivating a continuous improvement in internal knowledge and effective application of ESG principles throughout the organization.

Finally, HCapital's dedication to ESG principles is embedded into its performance evaluation system, which in turn impacts the calculation of its professionals' variable compensation. This process includes an assessment of ESG strategy and targets established by the Board.

4. Incorporation of Sustainability Risks in the Investment Decision

HCapital is committed to responsible investing, which is reflected in its approach to integrating ESG considerations into every stage of our investment process. ESG performance is a main pillar of HCapital's core investment strategies.

This includes the identification and integration of sustainability risks and the evaluation of Principal Adverse Impacts (PAIs) associated with investment decisions.

HCapital's due diligence framework is designed to assess ESG risks for each potential investment. This process involves incorporating ESG-focused inquiries into initial assessments of target companies, ensuring that ESG considerations are a part of the discussion within Investment Consulting Committee's go/no-go decisions, and engaging specialized third parties to conduct formal ESG due diligence as deals progress to the due diligence phase. Through these measures, HCapital ensures that sustainability risks are thoroughly evaluated, aligning its investment strategy with its commitment to long-term value creation and sustainability.

In the following section, the specific investment processes for both our Private Equity and Venture Capital strategies are detailed, highlighting the considerations and practices that underpin each approach.

4.1 Pre-Deal – Screening – Exclusions

HCapital employs both "Negative Screening" an "Positive Screening" approaches to assess its investments:

- **Negative Screening:** HCapital originates investment opportunities through direct approaches, systematic database-driven searches, or collaborations with specialized M&A intermediaries. To align with ESG principles, HCapital has established exclusion criteria that disqualify companies with a history of inadequate supply chain auditing, industries with significant environmental impacts and limited potential for improvement, sectors with substantial direct or indirect ties to the fossil fuel industry, and those generating large quantities of non-recoverable waste, among others. HCapital has consciously chosen to omit certain activities from its investment portfolio that contradict its ethical standards and those of its stakeholders, as well as pose a high reputational risk (See excluded activities in Annex I).

- **Positive Screening/Filters:** HCapital has also implemented positive screening criteria to identify industries or companies with promising sustainable growth trajectories and those poised to benefit from the shift towards a more circular economy (*brown to green*).

4.2 ESG Due Diligence

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

4.2.1 Private Equity

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 may be to abandon the investment.

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

4.2.2 Venture Capital

Companies that meet HCapital's investment criteria and are not part of any excluded sectors undergo an **in-house ESG assessment** through a comprehensive **ESG risks and opportunities questionnaire**. This evaluation encompasses:

- A sector-specific review to pinpoint key ESG risks and potential opportunities, utilizing the SASB® standards to identify financially significant ESG risks within the sector.
- A company-specific analysis that focuses on the primary ESG risks and opportunities, with special attention to HCapital's ESG priorities, which include Labour Inequality, Climate Risk Mitigation and Operational Performance.

Should the analysis reveal any material risks, these findings are presented to the ESG Committee. The Committee then determines whether further external analysis is warranted or if the investment should be excluded.

4.3 Investment Decision

4.3.1 Private Equity

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. This Memorandum contains a section on key sustainability risks and mitigants, adverse impacts and ESG opportunities identified during due diligence.

4.3.2 Venture Capital

After completing due diligence, HCapital's team prepares the Investment Memorandum for the Investment Consulting Committee's approval. The memorandum highlights key sustainability risks and mitigants, adverse impacts, and ESG opportunities found during due diligence.

As a minority shareholder, HCapital has limited control over the investee's operations and governance. However, HCapital actively uses its shareholding rights to influence the management and Board to consider ESG factors in their strategies. HCapital also works with co-investors to align on ESG issues, aiming to address significant ESG risks after closing, ensure regular ESG data reporting, and discuss ESG at Board meetings at least once a year.

These efforts are designed to manage ESG risks and enhance ESG-driven value throughout the investment period.

4.4 Investment Phase

4.4.1 Private Equity

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.

4.4.2 Venture Capital

The ESG Committee will oversee the progress of investees by annually evaluating a set of KPIs. The results will guide the committee in determining the necessary engagement and improvement actions to be taken with the investees through regular communication.

4.5 Exit

4.5.1 Private Equity

At the exit stage, HCapital aims to share with prospective buyers the main outcomes achieved through the ESG initiatives undertaken during the investment period.

4.5.2 Venture Capital

At the exit stage, HCapital will conduct an ESG exit evaluation based on the initial ESG questionnaire, assessing the progress made during the investment period.

5. Transparency and Communication

Since coming into force, HCapital has been adapting its organization to comply with EU regulations 2019/2088 of November 27, 2019, and 2020/852 of June 18, 2020, and related legislation (commonly referred to as EU's SFDR and Taxonomy, respectively). HCapital's conviction is that its ESG policy is suitably structured to tackle the requirements arising from these regulations, including in what concerns reporting on SFDR's PAIs on a systematic manner.

Additionally, HCapital is committed as a signatory to the UNPRI, to report on its activities and progress in implementing the principles of responsible investment and as such, we routinely produce the UNPRI Transparency Report.

HCapital understands that transparency in ESG issues is also a responsibility of its investees, and will encourage, them to report on ESG matters to its stakeholders.

ANNEX 1: Restricted Sectors[1]

HCapital acknowledges and agrees that its funds shall not invest, guarantee or otherwise provide financial or other support, directly or indirectly, to companies or other entities:

A. whose business activity consists of an illegal economic activity (i.e. any production, trade or other activity, which is illegal under the laws or regulations applicable to the Fund or the relevant company or entity, including without limitation, human cloning for reproduction purposes); or

B. which substantially focus on:
   i. the production of and trade in tobacco and distilled alcoholic beverages and related products;
   ii. the financing of the production of and trade in weapons and ammunition of any kind, it being understood that this restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies;
   iii. casinos and equivalent enterprises;
   iv. the research, development or technical applications relating to electronic data programs or solutions, which
      a. Aim specifically at:
         - supporting any activity referred to under items (a) to (d) above;
         - internet gambling and online casinos; or
         - pornography,

         or
      b. Are intended to enable to illegally:
         - enter into electronic data networks; or
         - download electronic data.
   v. fossil fuel-based energy production and related activities, as follows:
      a. Coal mining, processing, transport and storage;
      b. Oil exploration & production, refining, transport, distribution and storage;
      c. Natural gas exploration & production, liquefaction, regasification, transport, distribution and storage;
      d. Electric power generation exceeding the Emissions Performance Standard (i.e. 250 grams of CO_2e per kWh of electricity), applicable to fossil fuel-fired power and cogeneration plants, geothermal and hydropower plants with large reservoirs.
   vi. energy-intensive and/or high CO_2-emitting industries, as follows:
      a. Manufacture of other inorganic basic chemicals (NACE 20.13)
      b. Manufacture of other organic basic chemicals (NACE 20.14)
      c. Manufacture of fertilisers and nitrogen compounds (NACE 20.15)
      d. Manufacture of plastics in primary forms (NACE 20.16)
      e. Manufacture of cement (NACE 23.51)
      f. Manufacture of basic iron and steel and of ferro-alloys (NACE 24.10)
      g. Manufacture of tubes, pipes, hollow profiles and related fittings, of steel (NACE 24.20)
      h. Manufacture of other products of first processing of steel (NACE 24.30, incl. 24.31-24.34)
      i. Aluminium production (NACE 24.42)
      j. Manufacture of conventionally-fuelled aircraft and related machinery (sub-activity of NACE 30.30)
      k. Conventionally-fuelled air transport and airports and service activities incidental to conventionally-fuelled air transportation (sub-activities of NACE 51.10, 51.21and 52.23).

[1] Source: 2010_EIF Guidelines on Restricted Sectors; egf-annex-xiii-paris-alignment.pdf (eif.org)

vii. Activities involving live animals for scientific and experimental purposes, including gene editing and the breeding of these animals.
viii. Projects in the mining sector
ix. Extraction of mineral deposits from the deep sea
x. Extraction or mining of conflict minerals and metals
xi. Waste incineration and collection, treatment and disposal of hazardous waste

Notwithstanding the above, investments in sectors mentioned in section (vi) items a) and k) included, shall be allowed if HCapital confirms that the specific final recipient transaction either (i) qualifies as environmentally sustainable investments as defined in the taxonomy for sustainable (Regulation (EU) 2020/852, as amended from time to time) as supplemented by the technical criteria established under the Taxonomy Delegated (Commission delegated Regulations (EU) supplementing Regulation (EU) 2020/852 or upcoming Taxonomy Delegated Acts, as amended from time to time, respectively), or (ii) is eligible under Climate Action & Environmental Sustainability (CA&ES) criteria for green financing

In addition, when providing support to the financing of the research, development or technical applications relating to (i) human cloning for research or therapeutic purposes or (ii) genetically modified organisms (GMOs), HCapital shall ensure the appropriate control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or GMOs. Notwithstanding the aforementioned, research activities (i) aiming at human cloning for reproductive purposes, (ii) intended to modify the genetic heritage of human beings which could make such changes heritable (excluding research relating to cancer treatment of gonads), and (iii) intended to create human embryos solely for the purpose of research or for the purpose of stem cell procurement, including by means of somatic cell nuclear transfer are also excluded (as referred to in Article 19 of the Regulation (EU) No 1291/213 of the European Parliament and of the Council establishing Horizon 2020).