

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 NEW IDEAS II - FUNDO DE CAPITAL DE RISCO FECHADO**

Legal entity identifier: 254900Y7M75Y9S6R7S35

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**



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

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.

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 sees an equitable and fairly compensated workforce as fundamental to a healthy work environment, sustainable development, and social cohesion.
- Climate risk mitigation: Climate risk mitigation is central to the Fund's strategy, which, according to the Fund Regulation, invests in companies that promote energy transition and business model innovation. Additionally, 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, as per the Fund's Regulations, investment in companies involved in illegal economic activities, activities that restrict individual rights and freedoms or violate human rights, production of and trade in tobacco and alcoholic beverages, or gambling.

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 the Fund's Regulations.

In particular, the following indicators 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
Workplace accidents incidence	Number of workplace accidents 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 vs. the average number of workers
Training hours (no.)	Average number of training hours per employed worker

Environmental Characteristics:

Scopes 1 and 2 GHG emissions	Tonnes of CO2e emitted per portfolio company broken down into Scope 1 and Scope 2 emissions
Energy consumed	Total energy consumption in KWh 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 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 in cubic meters, per turnover and/or per worker
Emissions to water	Kgs of hazardous materials emitted to water
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, even if 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, even if 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, even if 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. Where possible, 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 Unitholders, pursuant to article 11 of the SFDR.

No

What investment strategy does this financial product follow?

In accordance with its Regulations, the Fund invests in SMEs in the early stages of growth – namely Pre-Seed, Seed, Pre-Series A and Series A –, with business models supported by innovative and scalable products/services, technologies, processes or distribution channels.

The Fund invests primarily in companies in the industrial, transport and logistics, and services sectors, whose activities promote:

- i. energy transition, and/or
- ii. innovation in business models for (a) large infrastructures (such as cities, energy networks, telecommunications and data networks, mobility and logistics operations), and (b) industrial operations and service providers.

The Fund favours investments through capital increases in SMEs in the above-mentioned strategic sectors, with business models oriented towards internationalisation, promoting their growth and expansion, notably by financing the development of new business areas and products/services, increasing production capacity and strengthening management teams, while promoting environmental and social characteristics pursuant to article 8 of the SFDR.

The Fund's participation in each company shall be achieved through the use of equity and quasi-equity instruments, as defined in Commission Communication 2014/C19/04 of 22 January 2014. In geographical terms, the Fund may allocate up to 30% of its capital to investments in companies based outside Portugal.

● ***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 Investment 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.

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

The investment Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

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.

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. Data is gathered 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, these are reviewed to ensure that the Management Team is satisfied that the issue has either been remedied or will remedial actions will be taken within a reasonable time frame based. 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?**

Yes:

In fossil gas

In nuclear energy

No

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.

- **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.

- **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?**

 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.

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/>