HCapital
YOUR EQUITY PARTNER

Statement related to HCapital's obligations as set out in Article 4. of EU Regulation 2088/2019 ("SFDR")

1. Financial Market Participant identification

This statement concerns HCapital Partners SCR, S.A. ("**HCapital**"), a private equity firm established in Portugal, with tax number 510.674.852, regulated by the Portuguese Securities Market Commission.

LEI number: 2221004IJK9MMWJIQL05.

2. Summary

HCapital considers Principal Adverse Impacts ("**PAI**") of its investment decisions on sustainability factors, namely for its Private Equity segment (please check HCapital's website for further details on HCapital's business areas). The present statement is the consolidated statement on principal adverse impacts on sustainability factors of HCapital and its investees, namely Solzaima, Quantal, Icebel, PPP, Lival and AVK (check section 3 for description of relevant scope exclusions).

This statement on PAI covers the reference period from January 1, 2023, to December 31, 2023. It contains both SFDR's compulsory PAI indicators (stated in Table 1 of Annex I of SFDR) and HCapital's elected non-compulsory indicators (stated in Tables 2 and 3 of Annex I of SFDR). HCapital has identified the applicable PAIs and seeks to have its portfolio companies reporting on these on a systematized and periodic manner.

3. Description of the principal adverse impacts on sustainability factors

3.1 PAI indicators

In Figure 1 below the SFDR Annex I Table 1 Climate and Other Environment-related Indicators are presented along with key highlights concerning actions taken and planned:

Figure 1 || *Climate and Other Environment-related Indicators*

Topic		Metric	Impact 2023	Impact 2022	Explanation	Actions taken/planned
Greenhouse gas emissions	1. GHG emissions (data is presented as tons of CO2e, weighted by each investees' value of investment over its Enterprise Value, as required in Annex I of SFDR)	Scope 1 GHG emissions	251	234	Evolution in scope 1 GHG emissions is highly related with changes in portfolio composition, with Solzaima no longer accounted for in 2023 on the one hand, and the inclusion of AVK and Lival data in 2023 only, on the other hand. Scope 1 emissions are highly concentrated in Lival, PPP and AVK distribution fleets, together accounting for 69.5% of scope 1 emissions, with Quantal's fleet representing 13.7% of emissions.	Direct emissions reduction measures focused on reducing emissions from fleet vehicles, for instance by migrating towards hybrid or fully electric car fleets. These measures are continuously under analysis by management teams and being taken in the context of fleet replacement plans across the portfolio.

Topic		Metric	Impact 2023	Impact 2022	Explanation	Actions taken/planned
		Scope 2 GHG emissions	117	75	Scope 2 emissions represent 32% of Scope 1 + Scope 2 emissions. These are related to electricity contracts currently not incorporating 100% renewable energy. Quantal's lower incorporation of renewable energy sources in 2023 contributed to the increase in GHG. This has been however counteracted by the Company's decision to double its PV panels installed area. This investment was concluded late in 2023 and shall have a positive impact on 2024's GHG emissions.	Measures implemented included (i) PV panels: doubling of Quantal's capacity in late 2023; first time installation in Icebel and AVK in 2023 and early 2024 respectively; (ii) negotiation with energy suppliers to increase incorporation of renewable energy in supply, and (iii) efficiency measures applied across the portfolio to reduce energy consumption.
		Scope 3 GHG emissions	n.a.	n.a.	n.a.	n.a.
		Total GHG emissions	369	309	n.a.	n.a.
	2. Carbon footprint (Data refers to total GHG Emissions divided by Current Value of Investments in €M)	Carbon footprint	10	17	A significant decrease was achieved in 2023 on a per-EUR-invested basis, as total investment under consideration in 2023 reached EUR 37.8 million, or 105% above 2022's EUR 18.4 million figure.	n.a.
	3. GHG intensity of investee companies (Data refers to the sum of each investee's GHG Emissions weighted by its revenues in €M)	GHG intensity of investee companies	12	15	A significant decrease was achieved in 2023 on a per-EUR-of-revenue basis, as total portfolio revenue under consideration in 2023 reached EUR 87 million, or 16% above 2022's EUR 75 million figure.	n.a.
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	0%	0%	No investees are active in the fossil fuel sector	n.a.
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	39%	28%	Energy consumed by the HCapital and its investees is mostly sourced from renewable sources. Notwithstanding, in 2023 Quantal's supplier was less able to incorporate renewable energy sources in its supply than in 2022.	PV panels were installed in Quantal and Icebel further reducing non-renewable energy dependency, although this is expected to be materialized only in 2024 as Quantal's production comes into cruise speed.

Topic		Metric	Impact 2023	Impact 2022	Explanation	Actions taken/planned
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	Manufacturing: 0.075	Manufacturing: 0.074	All investees belong to the manufacturing segment.	n.a.
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0%	0%	No investees have sites/operations located in or near to biodiversity-sensitive areas	n.a.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0.0	0.0	HCapital and its investee companies do not produce material emissions to water	n.a.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	3.1	5.2	Hazardous waste is mostly related to PPP's diluents and solvents used in the flexographic production process along with Lival's cardboard waste materials. The increase in waste was mostly generated by the inclusion of Lival's data in 2023. However, waste per EUR invested was much lower in 2023 as the portfolio expanded towards low-waste-producing companies.	All hazardous waste is channeled to be treated by specialized waste management operators. PPP's waste generation was also made more efficient in 2023, increasing c.55% less than revenues, due to efficiency measures implemented by the management team.

In the Figure 2 below the SFDR Annex I Table 1 Social, Employee, Human Rights, Anti-corruption and Anti-bribery Indicators are presented along with key highlights concerning actions taken and planned:

Figure 2 || *Social, Employee, Human Rights, Anti-corruption and Anti-bribery*

Topic		Metric	Impact 2023	Impact 2022	Explanation	Actions taken/planned
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%	0%	No investees have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	n.a.

Topic		Metric	Impact 2023	Impact 2022	Explanation	Actions taken/planned
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	17%	0%	Increase in 2023 is related to companies recently added to HCapital's portfolio which are still to implement policies to monitor compliance with UNGC principles.	Measures focused on implementing these procedures across the portfolio are under analysis by HCapital.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	0.92	0.94	Small gap as a result of inclusive measures across the portfolio	n.a.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	0.36	0.44	In 2023 there was some decrease in women representation in board's across HCapital's portfolio, mostly related to the investment in AVK and Lival, whose boards are more balanced toward men.	Measures focused on increasing the balance of women to men Board positions across the portfolio are under analysis by HCapital.
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.0%	0.0%	No investees are involved in the manufacture or selling of controversial weapons	n.a.

In the Figure 3 below the SFDR Annex I Tables 2 and 3's optional PAI indicators are presented along with key highlights concerning actions taken and planned:

Figure 3 || Optional indicators

Topic		Metric	Impact 2023	Impact 2022	Explanation	Actions taken/planned
Emissions	1. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	0%	0%	All investees have some sort of carbon reducing initiatives, such as increase in production efficiency, implementation of PV panels, shift towards EV vehicles among others	n.a.
Water, waste and material emissions	2. Water usage and recycling	Average amount of water consumed by the investee companies (in cubic meters) per million EUR of revenue of investee companies	170	179	Water consumption intensity reduced in 2023, mostly a result of efficiency measures implemented across the portfolio and the divestment from Solzaima, the most water-intensive company in the portfolio due to its painting line. All water produced is currently being managed by authorized specialized waste managers.	n.a.

Topic		Metric	Impact 2023	Impact 2022	Explanation	Actions taken/planned
Social and employee matters	3. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy	0%	0%	All companies in the portfolio have implemented a workplace accident prevention policy.	n.a.
	4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)	17%	20%	Focus on ESG DD and respective post-Transaction resolution measures have contributed to achieve a higher percentage of companies in portfolio with supplier code of conduct.	HCapital will promote the adoption of supplier codes of conduct in companies which currently do not have it in place and in new portfolio companies

3.2 PAI data collection exclusions

Two distinct PAI data collection policies exist in relation to the business area to which the investees belong, namely, whether it belongs to the Private Equity or the Venture Capital area (please check HCapital's website for further details on each):

1. Private Equity: PAIs are collected on a quarterly basis for all investees[1] and discussed in the Board of Directors of each.
2. Venture Capital: in the case of Venture Capital funds' investees, PAI data is neither collected nor monitored since the investments made by HCapital in this area:
   i. Have a scope focused on four segments of activity (namely Energy Efficiency, Innovation of Productive Processes, Smart Territories and Data & Connectivity), which, by nature, are associated with activities with a reduced ESG impact.
   ii. Target small start-ups, with scarce resources and reduced ability to respond to the data collection and analysis requirements needed to monitor PAIs.
   iii. Are materialized through small equity positions in the target companies, typically less than one third of the share capital, conferring less ability to influence strategic decision-making on ESG issues.

4. Description of policies to identify and prioritise PAIs

HCapital's Board of Directors approved its Internal Regulation in March 2023, whereby it defines the policies to identify and address the PAI on sustainability factors, with emphasis on the following[2]:

1. Negative filters:

   HCapital originates transactions either directly, through database-centred origination exercises, or through third-party entities specializing in M&A. Regarding these two routes of dealflow origination, exclusion rules have been implemented to ensure better alignment with ESG principles, avoiding companies with a proven history of supply chain management deficiencies, sectors with a heavy environmental footprint and limited

[1] An exception was made to Hoooked in 2022, given that the company has gone through a sizable reorganization process in 2023, and NWCC, Millasur and Vidrexport whose investment was completed late in 2023, with HCapital still in the process of implementing reporting routines in each of these companies.

[2] Currently, only the Private Equity segment is subject to formal DD processes on ESG matters.

capacity for improvement during HCapital's investment period, sectors heavily exposed, directly or indirectly, to the fossil fuel industry, sectors that produce high volumes of non-recoverable waste, among others.

2. Positive Filters:

   HCapital has also introduced positive filters relating to sectors or companies that have sustainable future growth prospects and will benefit from the transition to a more circular economy. These opportunities are discussed on a regular basis in HCapital's deal origination committees.

3. Due diligence:

   HCapital has implemented several steps in its analysis that ensure due diligence is performed regarding the ESG risk of each target[3]. As such, (i) ESG-based questions are included in HCapital's preliminary questions and responses to the target companies; (ii) an ESG analysis and discussion is conducted at the Investment Committee for the go/no-go decision; and (iii) formal ESG due diligence processes are conducted with specialized third parties when the transaction reaches the due diligence stage.

   Given HCapital's commitment to meet strict ESG criteria upon completion of the Transaction, a poor ESG due diligence outcome, either in terms of the risks identified or the difficulty in improving the target company's ESG performance during HCapital's investment period, may ultimately lead to a decision not to proceed.

These policies are integral to both HCapital's Risk Management and Control and ESG areas. Thus, these policies are the primary responsibility of HCapital’s Director with the respective ESG role – who is supported by two HCapital team members, under his supervision, in the implementation of the measures decided by the Board of Directors – and, complementarily, by the Risk Management and Control area, within the scope of its supervision responsibility for the Firm's global risk.

The non-compulsory PAI indicators presented in the table above were chosen based on their perceived impact on HCapital's portfolio companies.

The data presented in this report was collected by portfolio companies' quality, environmental, operations and/or finance departments, in coordination with each respective executive team. In some instances, specialized external services providers were consulted in collecting these indicators.

5. Engagement policies

HCapital’s engagement policies vary in accordance with each investee’s business area and ESG development stage. At HCapital’s level, a semi-annual follow-up is carried out through discussion and approval of key matters concerning ESG policies at the Firm’s Board of Directors’ meetings. These decisions mostly concern the Firm’s investees as these comprise the most relevant part of HCapital’s ESG footprint.

At the investees’ level, a follow-up is made at least quarterly through discussion and approval of key matters concerning ESG at each investee’s Board of Directors’ meetings. Two distinct engagement policies exist in relation to the business area to which the investees belong, namely, whether it belongs to the Private Equity or the Venture Capital area (please consult HCapital’s website for further details on each):

1. Private Equity:

   Discussions on ESG matters are supported, in the case of Private Equity fund’s investees, by data on key ESG metrics and their evolution. These KPIs are collected on a quarterly basis and respect the criteria of the PAIs, even though they are not limited to the SFDR’s scope but rather adapted to each investee’s reality.

   Decisions taken at the BoD level include a broad scope of ESG performance-enhancing measures, from investment decisions targeting a decrease in GHG emissions or an increase in energy efficiency, to decisions

[3] Currently, only the Private Equity segment is subject to formal DD processes on ESG matters.

targeting workplace conditions, application to certifications (notably ISO 14001), gender equality and supply chain control improvements.

HCapital also promotes the implementation of Sustainability Policies at the portfolio companies' level. Organizational changes were also implemented across the portfolio to ensure ownership and accountability for ESG decision-making at each company.

When deemed appropriate, HCapital promotes the appointment of specialized third parties to help portfolio companies on developing their own sustainability strategies and on managing its field work and implementation.

2. Venture Capital:

   Due to the less mature nature of the investees, their lower ESG footprint and their focus on improving efficiency in energy, mobility and industrial sectors, discussions on ESG matters are centred, above all, on more qualitative matters with no reliance on formal KPI measurement.

6. References to international standards

HCapital is a signatory of the United Nations Principles for Responsible Investment since September 2020. In addition, HCapital aligns its Sustainability policy with the Sustainable Development Goals established by the United Nations and promotes the application of this internationally recognized framework as a guidebook for establishing sustainability policies within its portfolio companies.