

## MAGNUM CAPITAL IV SCA SICAV-RAIF

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### Sustainability-related disclosures

#### a) Summary

MAGNUM CAPITAL IV SCA SICAV-RAIF (the "Fund") promotes environmental and social characteristics within its investment strategy, pursuing the improvement towards a responsible management of environmental, social and corporate governance (ESG) criteria in the portfolio companies. Depending on the type of investment (sector, size, level of maturity of sustainability business-practices, etc.), the Fund will identify the most suitable Environmental and/or Social characteristics to be promoted.

The Fund also supports the SDGs (Sustainable Development Goals), which represent a call to action to end poverty, protect the planet and ensure peace and prosperity for all. Indeed, the Fund has identified the following SDGs to which it can contribute by promoting the previously defined Environmental and Social characteristics: SDG 5 – Gender Equality, SDG 6 – Clean Water and Sanitation, SDG 7 – Affordable and Clean Energy, SDG 8 – Decent Work and Economic Growth, SDG 10 – Reduced Inequalities, SDG 12 – Responsible Consumption and Production, and SDG 13 – Climate Action.

Moreover, the Fund takes into consideration the Principal Adverse Impacts (PAIs) by measuring and evaluating the performance of a series of metrics and indicators to identify possible negative impacts on the environment and/or society as a result of the investments made. The consideration and management of PAIs is ultimately aimed at reducing these adverse impacts through the implementation of corrective measures, whenever possible.

Investments that promote environmental and/or social characteristics will apply to the majority of the portfolio companies, with a minimum proportion of **75% of the fund's investible assets**<sup>1</sup>. The Fund neither seeks to make any sustainable investments with a social and/or environmental objective in accordance with the definition of the applicable Regulation (EU) 2019/88, nor in environmentally sustainable investments in accordance with the EU Taxonomy.

The investment strategy is mainly based on the improvement of the ESG performance of the portfolio companies which is carried out through the engagement with the management team and through the influence derived from the political rights held on the Board of Directors of the portfolio company.

No reference benchmark has been designated for the purpose of attaining the environmental and social characteristics promoted.

#### b) No sustainable investment objective

The Fund promotes environmental or social characteristics but does not intend to make any sustainable investment.

#### c) Environmental or social characteristics of the financial product

The Fund understands by sustainable business practices the following issues, and therefore promotes the following environmental and social characteristics:

##### • Environmental issues:

- **Overall environmental strategy and related policies:** refers to a company's strategy and governance regarding environmental issues.
- **Energy management:** this addresses company's management of energy consumption, efficiency and intensity, and energy mix.
- **GHG emissions:** this addresses greenhouse gas emissions that a company generates through its operations.
- **Water and wastewater management:** this category addresses a company's water use, water consumption, wastewater generation, and other impacts of operations on water resources.

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<sup>1</sup> "Investible Assets": shall mean the capital committed to the Fund that is available for the purposes of completing investments.

- **Waste and hazardous materials management:** this addresses environmental issues associated with waste generated by the company.
- **Ecological impacts:** this category addresses impacts on ecosystems and biodiversity, and is related with circular economy practices, land conservation and use of raw materials.
- **Other environmental characteristics** determined from time to time at the discretion of the Fund in accordance with its investment strategy.
- **Social issues:**
  - **Labour practices:** this category addresses the company's ability to uphold commonly accepted labour standards in the workplace, including compliance with labour laws and internationally accepted norms and standards.
  - **Employee Health and Safety:** this addresses a company's ability to create and maintain a safe and healthy workplace environment, by implementing safety management plans and developing training requirements for employees.
  - **Employee diversity and inclusion:** this addresses a company's ability to ensure that its culture and hiring and promotion practices embrace the building of a diverse and inclusive workforce.
  - **Data security:** this category addresses management of risks related to collection, retention, and use of sensitive, confidential, and/or proprietary customer or user data.
  - **Community relations:** this addresses the management of the relationship between a company's businesses and the communities in which they operate, including but not limited to, management of direct and indirect impacts on core human rights.
  - **Other social characteristics** determined from time to time at the discretion of the Fund in accordance with its investment strategy.

This is a non-exhaustive list of some priority factors that are commonly considered during the engagement with portfolio companies.

The Fund also supports the SDGs (Sustainable Development Goals), which represent a call to action to end poverty, protect the planet and ensure peace and prosperity for all. Indeed, the Fund has identified the following SDGs to which it can contribute by promoting the previously defined environmental and social characteristics:

- SDG 5 - Gender Equality
- SDG 6 - Clean Water and Sanitation
- SDG 7 - Affordable and Clean Energy
- SDG 8 - Decent Work and Economic Growth
- SDG 10 - Reduced Inequalities
- SDG 12 - Responsible Consumption and Production
- SDG 13 - Climate Action

#### d) Investment strategy

The investment strategy is mainly based on the improvement of the ESG performance of the portfolio companies which is carried out through the engagement with the management team and through the influence derived from the political rights held on the Board of Directors of the portfolio company.

The Fund aims to:

- (a) invest mainly in sectors where previous track-record is extensive, like (i) healthcare and wellness, (ii) industrials, (iii) B2B services and (iv) education;
- (b) invest mainly in companies and sectors that correlate with the following “investment themes”: demographic changes and their socioeconomic implications; (ii) raised environmental awareness and responsible consumption concerns and (iii) digital transitions;
- (c) seek opportunities where value creation can be mainly driven by organic growth (based on a differentiated product or service offering) or inorganic growth (buy and build opportunities to consolidate sectors and create market leaders in the relevant niche);

- (d) seek portfolio companies where positive impact can be generated by systematically introducing professional practices around environmental management, social impact and governance; and
- (e) source transactions mainly from the primary market (family - or entrepreneur-owned companies), where the impact of the objectives described in (a) to (d) above can be the highest.

Moreover, In the ESG analysis of the Portfolio Companies, good governance practices are analyzed. At the outset, the Fund will conduct a due diligence process to identify governance risks in each new investment opportunity of the Fund, using specialized external resources where necessary. This due diligence process will consider the assessment of good governance practices, including, but not limited to, the following aspects: corporate integrity, the existence of internal compliance and regulatory compliance programs, the governance structure (board of directors, management committee(s), monitoring committees, etc.), the business continuity, the conflict of interests management, the existence of an antibribery and corruption policy or code, etc.

**e) Proportion of investments**

Investments that promote environmental and/or social characteristics will apply to the majority of the portfolio companies, with a minimum proportion of 75% of the fund's investible assets. The Fund neither seeks to make any sustainable investments with a social and/or environmental objective in accordance with the definition of the applicable Regulation (EU) 2019/88, nor in environmentally sustainable investments in accordance with the EU Taxonomy.

**f) Monitoring of environmental or social characteristics**

To guarantee the promotion of the sustainable characteristics during the life cycle of an investment, several internal control processes are set up for measuring, monitoring and managing ESG related issues. The management team monitors these on an ongoing basis and implements remedial actions where required. Once the investment is made, and control is taken, ESG opportunities and risks identified during the due diligence process are considered for inclusion within a post-acquisition action plan. These plans **establish strategic objectives for sustainability outcomes, action plans and targets, and enhance corporate governance. Specific climate, social and governance action plans are tailored to sector and geography**, bringing focus to the unique risk profiles in each sector and geographical location.

To assess, measure and monitor the achievement of the promoted Environmental and Social characteristics the Fund can consider the following KPIs, among others:

- **Associated environmental indicators:**
  - **Overall environmental strategy and related policies:** existence of environmental policies (Y/N), existence of Net Zero commitments (Y/N), and others.
  - **Energy management:** energy consumption (GWh), % of non-renewable energy consumption, and others.
  - **GHG emissions:** GHG emissions, Carbon Footprint, GHG intensity, and others.
  - **Water and wastewater management:** water consumption (m3), emissions to water, and others.
  - **Waste and hazardous materials management:** tonnes of waste managed, % of hazardous waste generated, and others.
  - **Ecological impacts:** lack of biodiversity policies (if legally required), exposure to sites/operations located in or near to biodiversity-sensitive areas, and others.
- **Associated social indicators:**
  - **Labour practices:** lack of accident prevention policies, and others .
  - **Employee Health and Safety:** number of accidents at work, number of training hours for employees, and others.
  - **Employee diversity and inclusion:** share of women in the workforce, number of women in management positions, number of women on the board, wage gap, number of incidents of discrimination, and others.
  - **Data security:** number of litigations arising from data protection issues, number of incidents related to cybersecurity, number of incidents related to cybersecurity, and others.

- **Community relations:** number of incidents or litigations related with Community relations, and others.

The Fund does not require that all investments that promote environmental and/or social characteristics report on all the above indicators. The management team will determine which indicators or KPIs are more significant to evidence the attainment of the Social and Environmental characteristics promoted.

The KPIs previously mentioned are implemented for baseline measurement, ongoing monitoring and active management to drive performance toward achievement of top and bottom-line objectives for consolidating opportunities and effective risk mitigation.

#### **g) Methodologies for environmental or social characteristics**

The Fund is committed to promoting Environmental and Social characteristics by implementing an ESG model throughout all phases of the investment cycle (i.e. from pre-investment to divestment) which ultimately pursues portfolio companies to improve their business practices related to sustainability issues.

The ESG model starts with the application of the **negative screening process**.

Secondly, the management team starts an **ESG due diligence process** based on a **double-materiality approach**: financial materiality and impact materiality.

- To identify ESG factors from a financial materiality perspective within each of the industries, SASB framework and methodology is applied.
- Besides the impact ESG factors might have on companies' business, the Fund also considers the potential effect that investments may have on the environment and society. This is one of the first steps for Principal Adverse Impacts consideration.

Additionally, before an investment decision is made, the Fund identifies **how the companies contribute to the SDGs** previously defined, as well as how correlated the investments are with the sustainable investment themes defined.

#### **h) Data sources and processing**

In order to achieve the sustainable characteristics promoted, the Fund uses the data provided by investee companies as its main source of information. This information is collected in different ways: (i) through specific requests for information to the companies, (ii) through the implementation of specific due diligences and (iii) through the use of third-party platforms that allow for more efficient and secure collection and management of sustainability information. The quality of the information is constantly checked and verified by permanently engaging with the investees. Data is rarely estimated, and therefore, the proportion of data that is estimated should remain low.

Once the information is collected, the Fund uses its own ESG data collection and management tools, where both qualitative and quantitative data is saved. Additionally, Magnum uses a software that provides a solution to efficiently address sustainability issues, with a more in-depth focus on environmental factors. This software is called Dcycle and it is one of the only two carbon-footprint measuring European companies certified by TÜV Rheinland as per ISO 14964. With this platform, Magnum can better set, measure, track, verify and communicate its environmental objectives, performance and strategy.

#### **i) Limitations to methodologies and data**

It is considered that the data sources used by the Fund offer sufficient information to allow the promotion of sustainable characteristics.

However, if any of the sources of information were not sufficient, or were not available, the Fund may use alternative sources of information (such as, for example, the participation or services of third-party analysis entities) to ensure that sufficient information is always available.

#### **j) Due diligence**

The management team employs internal due diligence procedures to manage investments in accordance with the financial and sustainability criteria defined by the Fund. These due diligence procedures are applied both prior to making an investment and during the time this investment is part of the portfolio.

Likewise, for an investment to be considered in line with the defined sustainable criteria, it must comply with the requirements established in the entity's Sustainability Policy. This helps determine whether

investments are in line with overall sustainability principles and ensures that they follow the Policy. Magnum's Sustainability Policy is available on its website.

**k) Engagement policies**

Investment stewardship through active ownership begins when control is taken. Sustainability opportunities and risks identified during the due diligence process are considered for inclusion within the 100-days post-acquisition plan. These plans establish strategic objectives for sustainability outcomes, action plans and targets, and enhance corporate governance.

Specific climate, social and governance action plans are tailored to sector and geography, bringing focus to the unique risk profiles in each sector and geographical location. Specifically, climate risks (physical, transition and regulatory), potential controversies and opportunities are managed through adaptation or mitigation measures.

Throughout the holding period, investment stewardship continues with active engagement on ESG performance on sustainability impacts and outcomes, issues and targets, including risks, opportunities and incidents, as identified from the outset during the pre-investment evaluation. Ensuring thorough compliance with SFDR regulatory reporting requirements for data collection related to portfolio performance on the sustainability characteristics of the investments is a key ongoing objective of the investment team.

**l) Designated reference benchmark**

No reference benchmark has been designated for the purpose of attaining the environmental and social characteristics promoted.

Version	Date	Summary of main changes
1	September 2024	-