

Website disclosures for the financial product promoting  
**Environmental and/or social characteristics**

**Product name**

Sherpa Capital Special Situations III Coinversión, FCR

**a) Summary**

**No sustainable investment objective:** This financial product promotes environmental and social (“E/S”) characteristics but does not have a sustainable investment objective.

**Environmental or social characteristics of the financial product:** Sherpa Capital Special Situations III Coinversión, FCR Fund (the “Fund”) is an Article 8 fund that encourages the improvement of environmental, social, and corporate governance (ESG) performance in the companies in which it invests. The main characteristics that the Fund aims to promote are the following:

- **Characteristic 1:** specifically the promotion of environmental policies at the level of the investee company, as well as the launch of sustainable products.
- **Characteristic 2:** specifically the promotion of employee development, along with working conditions that ensure a safe and stable work environment.
- **Characteristic 3:** specifically the promotion of collegial decision-making bodies, as well as gender diversity strategies within them, along with an appropriate regulatory framework for the size of the companies in which investments are made.

**Investment strategy:** The Fund’s objective is to generate value for its Participants through the acquisition of temporary stakes in companies whose business is located or conducted in Spain or Portugal. The Fund will invest in both equity and debt of companies with growth potential, driven by one or more of the following situations: a buy and build strategy, operational improvement, or multiple arbitrage.

The Fund also provides ongoing support for the improvement of the aforementioned ESG characteristics, which translates into four main lines of action: Exclusion List, Due Diligence process, Corporate Governance, and monitoring and measurement of Sustainability Indicators.

**Proportion of investments:** 51% of the Fund’s investments promote environmental and social characteristics in accordance with Article 8 of the SFDR, without pursuing a sustainable investment objective.

**Monitoring of environmental or social characteristics:** To monitor the environmental or social characteristics promoted by the Fund, two types of indicators are used: those common across the entire portfolio and those specific to each company. The common indicators are:

- **Environmental**, associated with Characteristic 1 include:
  - Presence of an environmental policy
  - Sustainable product
- **Social**, associated with Characteristic 2 include:
  - Participated companies with employee development plans (%)
  - Accident rate – frequency index
  - Accident rate – severity index
  - Absenteeism (%)
  - Value added per employee (EBITDA per employee)
- **Good governance**, associated with Characteristic 3 include:
  - Portfolio companies with an equality plan (%)

- Portfolio companies with a Board of Directors (%)
- Variable compensation linked to objectives for the management team
- Gender diversity on the Board of Directors (%)
- Companies with a supplier policy incorporating ESG criteria (%)
- Companies with an approved and implemented risk management policy incorporating ESG criteria (%)

The company-specific indicators are defined within the framework of an initial ESG maturity assessment carried out by an external consulting firm.

**Methodologies:** The Fund promotes these characteristics through the following binding elements:

1. Exclusion list: Each opportunity is evaluated to ensure it does not belong to sectors/activities prohibited by the Responsible Investment Policy.
2. ESG Due Diligence: In the pre-investment analysis phase, which includes:
  - Verification of compliance with the Responsible Investment Policy.
  - Evaluation of financial materiality
  - Identification of company-specific ESG risks and impacts.
3. Holding period: Once the investment is made, the management company...
  - Defines common and company-specific ESG KPIs
  - Carries out annual measurement and monitoring of these KPIs
  - Presents periodic reports to the Board of each portfolio company and promotes improvement actions based on the results

**Sources and data processing:** The Fund maintains regular interaction with portfolio companies in order to monitor their progress. Information is collected directly from each company, and the KPIs are obtained through a data request addressed to the responsible individual within the organization.

**Limitations of methodologies and data:** The main limitations include: (i) limited ability to measure or report on portfolio companies, (ii) varying reporting periods and group scopes, (iii) human errors, and (iv) human errors due to the use of email and Excel in data collection. Sherpa Capital intends to progressively improve information-gathering processes to enhance data quality and minimize these limitations.

**Due Diligence:** During this Due Diligence process, all ESG-related risks and opportunities that affect or could potentially affect the company will be assessed. Specifically, the Due Diligence covers the following points: alignment with the Responsible Investment Policy, including whether the company belongs to the list of excluded activities; an evaluation of financial materiality; and a company-specific analysis of the main ESG risks and impacts. The conclusions of this report will be incorporated into the Investment Memorandum, which will be presented to the Investment Committee for consideration in the final investment decision.

**Engagement policies:** The Fund's management approach toward its portfolio companies is based on active engagement to ensure the success of ESG strategies. This is carried out in two ways: through the influence gained by holding majority positions in the companies, and through our active engagement model, whereby we effectively influence strategic and operational decision-making. Once the transaction is completed, efforts will be made to implement the necessary adjustments to ensure proper governance within the company.

**Designated benchmark index:** The Fund has not designated a benchmark index.

## **b) No sustainable investment objective**

This financial product promotes environmental or social characteristics but does not have a sustainable investment objective.

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

The Fund promotes, as part of its investment strategy, the improvement of environmental, social, and corporate governance (ESG) performance of the companies in which it invests.

The Fund targets companies facing strategic, operational, and financial challenges, and which therefore require a partner to help them overcome these successfully. In this process, Sherpa integrates environmental, social, and governance factors into the investment process, seeking to generate long-term financial value while contributing to the achievement of the following characteristics:

- **Characteristic 1:** Environmental aspects, specifically the promotion of the existence of environmental policies at the portfolio company level, as well as the launch of sustainable products.
- **Characteristic 2:** Social aspects, specifically the promotion of employee development, as well as working conditions that ensure a safe and stable work environment.
- **Characteristic 3:** Governance aspects, specifically the promotion of the existence of collegiate decision-making bodies, as well as gender diversity strategies within these bodies, along with an appropriate regulatory framework suited to the size of the investee companies. In summary, efforts will be made to implement the necessary adjustments to ensure proper governance within the company.

(Together, the “**Characteristics**”).

## **d) Investment strategy**

The Fund’s objective is to generate value for its investors by taking temporary ownership stakes in companies in accordance with its Investment Policy, with a focus on businesses located or operating in Spain or Portugal. The Fund will invest in both equity and debt of companies with growth potential due to one or more of the following circumstances: buy and build strategy, operational improvement, or multiple arbitrage. Likewise, it will not invest in companies that fall within the sectors listed in the Fund’s exclusion list.

The Fund’s management approach is based on providing ongoing support to promote the development and implementation of ESG strategies in the companies we invest in. This is achieved in two ways:

- through the influence derived from exercising the political rights associated with majority positions in the companies in which the Fund invests.
- through our active engagement model, in which we effectively influence strategic and operational decision-making.

The investment process designed to support the promotion of the Characteristics consists of four main steps:

- **Exclusion list:** Prior to investment, a negative screening of the target company is carried out to verify that it does not fall within any of the excluded investment sectors outlined in Sherpa's Responsible Investment Policy. If the company meets the Fund's investment criteria, it is presented to the Investment Committee and, if a favorable decision is reached, the Due Diligence process is initiated.
- **Due Diligence:** At this stage, an ESG Due Diligence report is prepared and presented to the Investment Committee. The memorandum will include any matters that need to be addressed in order to mitigate ESG risks or capitalize on ESG opportunities.
- **Corporate governance:** Once the transaction is completed, efforts will be made to implement the necessary changes to ensure proper governance within the company. In addition, the Fund will ensure that portfolio companies have an ESG governance structure in place that allows for the periodic measurement of selected KPIs.
- **Sustainability indicators:** For each company in the portfolio, specific and tailored sustainability indicators will be defined, in addition to those common to the entire portfolio. These indicators will be measured and monitored in order to evaluate the progress made in the responsible management of the investee companies and to demonstrate their advancement in ESG matters. Furthermore, at least on an annual basis, periodic reporting will be presented to the Boards of the portfolio companies, along with an analysis of the results obtained and the identification of improvement actions.

#### e) Proportion of investments

The Fund expects that 51% of its investments will promote environmental and social characteristics in accordance with Article 8 of the SFDR.

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

With the aim of effectively supervising, measuring, and monitoring the improvement in ESG performance of the investee companies, Sherpa has defined a series of indicators divided into two levels: the first, KPIs that are common across the entire portfolio, and the second, company-specific KPIs.

The common indicators are measured in the companies at a minimum annual frequency and are differentiated between environmental, social, and governance indicators, forming the first level of KPIs:

- **Environmental**, associated with Characteristic 1 include:
  - Presence of an environmental policy
  - Sustainable product
- **Social**, associated with Characteristic 2 include:
  - Participated companies with employee development plans (%)
  - Accident rate – frequency index
  - Accident rate – severity index
  - Absenteeism (%)
  - Value added per employee (EBITDA per employee)

- **Good governance**, associated with Characteristic 3 include:
  - Portfolio companies with an equality plan (%)
  - Portfolio companies with a Board of Directors (%)
  - Variable compensation linked to objectives for the management team
  - Gender diversity on the Board of Directors (%)
  - Companies with a supplier policy incorporating ESG criteria (%)
  - Companies with an approved and implemented risk management policy incorporating ESG criteria (%)

The second level of indicators, those specific to each company, are defined as part of an initial ESG maturity assessment conducted by an external consultancy. In this context, a number of areas are identified—including those determined to be underdeveloped—and indicators are assigned to monitor progress. These indicators are divided into environmental, social, and governance categories. The process of identifying areas for improvement and conducting continuous monitoring over time aims to achieve measurable enhancements and early detection in the event of any deviations.

## g) Methodologies

The binding elements of the investment strategy aimed at improving the ESG performance of the companies are:

1. **Exclusion list:** During the pre-investment phase, the Fund reviews each investment opportunity against its exclusion list, ensuring that no investment is active in the sectors or activities detailed in said list. The Fund's exclusion list can be found in Sherpa Capital's Responsible Investment Policy.
2. **Due Diligence:** During the pre-investment phase, ESG-related Due Diligence is carried out, addressing the following points: (i) alignment with the Responsible Investment Policy, specifying whether the company belongs to the list of excluded activities, (ii) analysis of financial materiality, and (iii) company-specific analysis of the main ESG risks and impacts.

The Due Diligence process concludes with a report that outlines the main sustainability risks and adverse events. This report is discussed by the Investment Committee prior to making the investment decision. If material risks or adverse events have been identified, the Fund requires the target investment company to implement immediate measures to manage the risk and halt the negative impact being generated.

3. **Holding period:** During this period, the Management Company will integrate ESG aspects into the management of the portfolio companies to ensure compliance with the characteristics promoted by the Fund through: (i) the definition of KPIs that are common to the portfolio and company-specific KPIs selected during the Due Diligence phase; (ii) annual measurement and monitoring of the aforementioned KPIs; and (iii) KPI control, including periodic presentation of reports to the Boards of the portfolio companies, analysis of the results obtained, and determination of improvement actions.

## h) Data sources and processing

1. **Data Sources:** The data is obtained directly from the portfolio companies through a series of questionnaires.

2. **Data quality:** Sherpa has engaged an external advisor to review the information and ensure the quality of the data. If insufficient data quality is detected, the ESG team works with the portfolio company to iterate the data until it is accurate and conducts an internal validation.
3. **Data processing:** The data obtained from the portfolio companies is processed by Sherpa's ESG team with the support of an external advisor. The data is collected through a questionnaire and processed using various tools.
4. **Data estimation:** Sherpa Capital relies on actual data and will seek to minimize the use of estimations, subject to the limitations outlined below.

#### i) Limitations to methodologies and data

The limitations of the aforementioned methodologies and data include, among others:

- Limited capacity to measure or report on portfolio companies.
- Different reporting periods and group scopes.
- Human errors in data submission.
- Data collection via email and Excel, which may lead to human errors..

We hope to improve data quality and minimize these limitations as we refine the data collection process.

#### j) Due Diligence

This due diligence analysis will assess all ESG-related risks and opportunities that affect or may potentially affect the company. Specifically, the Due Diligence addresses the following points:

- Alignment with the Responsible Investment Policy, specifying whether the company belongs to the list of excluded activities. The exclusion list consists of the following sectors:
  1. Companies engaged in the production and commercialization of tobacco, distilled alcoholic beverages, and related products.
  2. Companies involved in financing the manufacture and commercialization of weapons, ammunition, and related products.
  3. Casinos, gambling operations, and similar companies.
  4. Companies involved in the research, development, and technical application of electronic data programs or solutions used to support any activity related to the areas described in items 1 and 3; internet gambling and online casinos; pornography; or unlawful access to electronic data networks for the illegal download of electronic data.
- Analysis of financial materiality.
- Company-specific analysis of key ESG risks and impacts.

The conclusions of the ESG due diligence report, which include the results of key sustainability risks and adverse sustainability events that may affect the investment decision will be incorporated into the Investment Memorandum submitted to the Investment Committee, including any matters that need to be addressed to mitigate risks or capitalize on ESG opportunities.

If ESG-related risks or adverse events have been identified, the company will be requested to immediately cease the negative impacts or to implement specific measures for risk management.

#### **k) Engagement policies**

Basically, the Fund's management approach toward its portfolio companies involves active engagement to ensure the successful implementation of ESG strategies, as well as Sherpa's ESG policy. This is carried out primarily in two ways:

- Through the influence gained by exercising political rights stemming from majority positions in the companies in which the Fund invests.
- Through our active engagement model, whereby we effectively influence strategic and operational decision-making.

Once the transaction is completed, efforts will be made to implement the necessary adjustments to ensure appropriate governance within the company, based on the governance risks identified during the Due Diligence phase. This will allow, among other things, the periodic evaluation of the indicators referenced both common and company-specific.

The ultimate goal of measuring these indicators is to reduce negative impacts and enhance contributions to the environment, people, and other stakeholders. These indicators will be measured and monitored in order to evaluate the progress in the responsible management of the portfolio companies and to demonstrate their advancement in ESG matters. This KPI monitoring will be conducted through the periodic presentation of reports to the Boards of the portfolio companies, as well as through the analysis of the results obtained and the determination of improvement actions.

#### **l) Designated reference benchmark**

No reference index has been designated to meet the environmental and social characteristics promoted by Sherpa Capital Special Situations III Coinversión, FCR