

Statement on principal adverse impacts of investment decisions on sustainability factors

According to Annex 1, supplementing Regulation (EU) 2019/2088

Financial market participant: PROA CAPITAL DE INVERSIONES SGEIC, S.A. (Proa Capital Iberian Buyout Fund II)

Summary

PROA CAPITAL DE INVERSIONES SGEIC, S.A. (ProA Capital) considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of ProA Capital.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January to 31 December 2022 (compulsory) and 1 January to 31 December 2021 (voluntary).

At ProA, we believe that our strategy, processes, and active portfolio management have enabled us to transition from compliance to value creation by leveraging ESG best practices for sustainable growth. ProA not only integrates sustainability risks into its investment decisions but also considers the principal adverse impacts (PAIs) on the sustainability factors of its investment decisions.

ProA acts as a responsible investor, integrating sustainability risks and analysing principal adverse impacts on sustainability factors in each investment process stage.

Description of the principal adverse impacts on sustainability factors

Indicators applicable to Investments In Investee companies							
Adverse sustainability indicator	Metric	Impact 2022	Impact 2021	Explanation (evolution, trends and causes)	Actions taken, and actions planned and targets set for the next reference period		
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS							
1	GHG emissions	Scope 1 GHG emissions	Scope 1 GHG emissions	156.534,4	281.109,5	The companies under ProA Capital's portfolio have historically taken a more conservative approach towards measurement, analysis, and implementation of mitigation measures, lacking clear ambitions in terms of reduction targets and robust climate change strategies. Recognizing this, ProA Capital is currently focused on structuring and formalizing a strategic plan that prioritizes climate change and emission reductions as a key pillar. The aim is to encourage all companies to develop more defined climate change strategies and establish solid reduction targets over time.	ProA Capital remains committed to prioritizing emission reduction and energy efficiency measures as one of its core objectives. Building upon the progress achieved so far, ProA Capital aims to further strengthen its efforts in these areas. By implementing sustainable practices and investing in energy-efficient technologies, ProA Capital seeks to continually reduce carbon footprint within its portfolio and promote a more sustainable business model.
		Scope 2 GHG emissions	Scope 2 GHG emissions	3.375,0	4.442,6	Notably, the focus has been on addressing Scope 2 emissions. ProA Capital is actively working towards increasing the consumption of renewable energy. Initiatives such as the installation of photovoltaic panels and engaging external suppliers with a renewable origin guarantee are being pursued to support this objective.	The strategies implemented by ProA Capital have successfully contributed to the reduction of emissions, as reflected in the comprehensive analysis, measurement, and subsequent mitigation measures. By prioritizing renewable energy consumption, ProA Capital aligns its operations with sustainable practices and contributes to the transition to a greener and more environmentally friendly energy mix.
		Scope 3 GHG emissions	Scope 3 GHG emissions	73.003,9	57.270,1	Efforts are currently underway to calculate Scope 3 emissions, and it should be noted that some companies are still in the process of gathering the necessary data. The calculation of emissions within their value chains can be complex, which explains the initial lack of available data. As the calculations become more comprehensive, it is observed that emissions are increasing, not necessarily due to an actual increase in emissions, but rather due to a more accurate and comprehensive assessment of emissions across the value chain. Thus, the aim of ProA, is to understand negative impacts throughout the value chain of its portfolio, working together with the suppliers focusing on a responsible approach.	By implementing sustainable practices and adopting innovative technologies, ProA companies are actively contributing to the global effort to combat climate change and create a more sustainable future. This commitment reflects ProA Capital's dedication to environmental responsibility and its ongoing commitment to contribute to the global transition towards a low-carbon economy. As part of their commitment to sustainability, ProA Capital and its companies are actively involving their suppliers in their climate change strategies and initiatives. Efforts are being made to collaborate with suppliers to promote greater awareness and understanding of climate-related risks and opportunities.
		Total GHG emissions	Total GHG emissions	232.913,4	342.822,2	The total greenhouse gas emissions of ProA's companies have been consistently decreasing over the years, thanks to the proactive measures that ProA has been promoting across all its investee companies. These efforts have led to a significant reduction in emissions, demonstrating ProA's commitment to sustainability and environmental stewardship.	Furthermore, ProA Capital recognizes the importance of addressing associated climate risks, such as physical, regulatory, and transition risks, in a more detailed manner. Following the guidelines of the international Task Force on Climate-related Financial Disclosures (TCFD) standard, ProA Capital aims to enhance its understanding of these risks and develop appropriate strategies to manage them effectively.
Greenhouse gas emissions	2	Carbon footprint	Carbon footprint	1.238,4	1.537,8	Starting in 2020, ProA Capital initiated a concerted effort among its portfolio companies to conduct an in-depth analysis of their primary activities and emission sources. This analysis, facilitated by an external company, aimed to provide a comprehensive understanding of each company's emissions profile, enabling the formulation of a robust, long-term emissions reduction plan based on the obtained results. ProA Capital's approach has always been rooted in a sequential process of measurement, analysis, implementation of reduction measures, and continuous improvement over time.	In 2022, ProA Capital identified climate change as one of its top priorities at the portfolio level. As a result, both ProA Capital and its constituent companies have developed their own ESG strategies, with a specific focus on addressing climate change as a critical issue from 2023 onward. This entails prioritizing the identification and management of key climate change risks, as well as implementing appropriate mitigation measures that align with the unique circumstances and characteristics of each company.

Indicators applicable to investments in investee companies							
Adverse sustainability indicator	Metric	Impact 2022	Impact 2021	Explanation (evolution, trends and causes)	Actions taken, and actions planned and targets set for the next reference period		
3	<i>GHG intensity of investee companies</i>	GHG intensity of investee companies	843,4	1.341,4	The emissions intensity ratio of ProA companies continues to decline, indicating that despite their growth and increased emissions, they are becoming more efficient in their production processes. This reduction in emissions intensity is of great significance to ProA Capital, as it aligns with their core business values of enhancing community wealth, improving efficiency, and fostering job creation in the localities where they operate.	By prioritizing emissions efficiency, ProA companies are actively working towards minimizing their environmental impact while simultaneously driving economic growth and prosperity in the communities they serve. ProA's priority is to continue to reduce greenhouse gas emissions while improving production efficiency in the areas where it operates.	
	<i>Exposure to companies active in the fossil fuel sector</i>	Share of investments in companies active in the fossil fuel sector	36%	40%	Currently, only one company is active in the fossil fuel sector. For these companies operating within the fossil sector, efforts are being made to promote best practices that facilitate the sector's transition towards a more sustainable energy model.	Promoting best practices that facilitate the sector's transition towards a more sustainable energy model, includes initiatives aimed at reducing environmental impact, adopting cleaner technologies, and exploring renewable energy alternatives.	
	<i>Share of nonrenewable energy consumption and production</i>	Share of non-renewable energy consumption of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	55%	82%	As part of ProA's initiatives in 2021, Neolectra, one of ProA's investees, has conducted an energy efficiency assessment across the portfolio. It is an example of the framework of ProA: first measure, then assess to later implement measures as the promotion of renewable energy sources among its companies. This commitment is evident in the positive evolution of the energy efficiency indicator. Furthermore, ProA is actively encouraging the engagement of energy suppliers that provide a certified guarantee of renewable origin.	Continue implementing action plans for energy efficiency, including the adoption of hybrid cars and the installation of solar panels in the remaining companies. These actions align with ProA's commitment to promoting energy efficiency and sustainability across its portfolio of companies.	
		Share of 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	36%	40%			
6	<i>Energy consumption intensity per high impact climate sector</i>	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	39,6	40,7	The energy consumption of companies in high-impact climate sectors is decreasing as a result of the implementation of reduction measures. ProA is actively promoting specific strategies and plans to reduce consumption and improve energy efficiency, contributing to this positive trend.	The implementation of energy efficiency plans is being encouraged among the companies, which includes conducting a preliminary energy efficiency analysis and implementing specific measures aimed at reducing energy consumption and improving energy efficiency in the companies.	
Biodiversity	7	<i>Activities negatively affecting biodiversity sensitive areas</i>	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	0,0	ProA recognizes the significance of biodiversity conservation for its stakeholders, including investors. As part of this commitment, a comprehensive analysis has been conducted to assess the potential direct impact of its portfolio companies on biodiversity-sensitive areas. The analysis concluded that the negative impact is minimal. As a result, ProA is currently focusing on actions related to energy efficiency and climate change.	However, the asset manager acknowledges the importance of biodiversity protection and intends to prioritize corresponding initiatives in the future.
Water	8	<i>Emissions to water</i>	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0,01	0,10	ProA is aware of the risk of water stress. Therefore, within the strategic plans, the asset manager pursued the investees located in areas at greater risk of water stress have prioritized measures to address this challenge. The investees have recognized the importance of incorporating more efficient water management practices as a fundamental pillar of their sustainability strategy. These companies are taking proactive steps to reduce their water consumption, optimize water usage in their operations, and implement innovative solutions to minimize water waste.	In Spain, the companies that are most affected by water stress are taking water efficiency measures for their production processes. Specifically, investing in technologies and infrastructure that enable better water conservation and recycling, as well as exploring alternative water sources where feasible.
Waste	9	<i>Hazardous waste ratio</i>	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0,00	0,00	As part of ProA's strategy, priority will be given to addressing circular economy and improving waste management. The deployment of the companies' strategic plans include both for hazardous and non-hazardous waste, while extending the lifespan of products in production processes.	As the next objective for 2023, all companies within their strategic plan are prioritizing a more specific study of waste, with proper measurement and segregation, focusing on the product lifespan and waste reduction, minimizing losses, exploring by-products, reducing hazardous waste, implementing waste minimization plans, and promoting circular economy and product lifespan. This aligns with one of the main themes of ProA Capital, which is sustainable business.

Indicators applicable to investments in investee companies							
Adverse sustainability indicator		Metric	Impact 2022	Impact 2021	Explanation (evolution, trends and causes)	Actions taken, and actions planned and targets set for the next reference period	
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS							
Social and employee matters	10	<i>Violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises</i>	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%	0%	Currently, there have been no reported violations of the principles by any of the ProA companies in 2021 and 2022. Furthermore, no complaints or reports regarding violations of the principles have been received by any of the companies during the years 2021 and 2022. However, a comprehensive analysis of the impact of the value chain on the principles will be conducted to ensure a more holistic understanding of their implementation by the companies involved.	ProA will actively encourage companies to become signatories of international organizations, reaffirming their initial commitment to the principles. This will serve as a visible and public demonstration of their dedication to upholding these principles on a global scale.
	11	<i>Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises</i>	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	0%	0%	A code of conduct or code of ethics has been implemented across all ProA companies, setting forth the commitment to uphold and adhere to certain principles. Compliance with these principles has been thoroughly assessed for each company, and comprehensive control measures will be implemented and reviewed through action plans.	The aim is to ensure ongoing adherence to the code of conduct and to continuously strengthen the culture of ethical behaviour within the organizations, following the principles of international entities at all times. Companies are working on their responsible supplier code of conduct which is best practice mechanism to monitor compliance with UN Global Compact.
	12	<i>Unadjusted gender pay gap</i>	Average unadjusted gender pay gap of investee companies	2%	1%	ProA companies have been dedicated to fostering equality and inclusion for several years. The companies have taken proactive steps to ensure equal pay and reduce the gender pay gap, consistently going beyond the requirements set by Spanish regulations. ProA has played a pivotal role in developing and implementing equality plans, putting in place a range of measures to promote fairness and inclusivity.	These equality measures are currently being implemented, reflecting ProA's steadfast commitment to creating a workplace where all employees are treated equitably and have equal opportunities for growth and success.
	13	<i>Board gender diversity</i>	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	33%	32%	At ProA, promoting equality within the company is of utmost importance. This commitment extends beyond the workforce and encompasses the management and Board of Directors as well. ProA is dedicated to fostering a culture that embraces equality and diversity. Through these initiatives, ProA aims to create an inclusive environment that upholds the values of equality and diversity throughout all levels of the organization.	In order to comply with new regulations, such as the Directive on Gender Balance on Boards of Directors, efforts will be made to enhance gender diversity and inclusion on the Boards of Directors of ProA companies. Specifically, measures will be taken to incorporate more women and promote overall diversity within these leadership positions. This commitment reflects ProA's dedication to fostering an inclusive and representative corporate governance structure.
	14	<i>Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)</i>	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	0%	Companies are not exposed to controversial weapons.	During the initial screening process, ProA's team review excluded activities.

Indicators applicable to investments in investee companies							
Adverse sustainability indicator		Metric	Impact 2022	Impact 2021	Explanation (evolution, trends and causes)	Actions taken, and actions planned and targets set for the next reference period	
Other indicators for principal adverse impacts on sustainability factors							
Greenhouse gas emissions	Table II 4	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	42%	36%	ProA's portfolio companies, in alignment with their climate change strategies, are actively implementing emission reduction strategies and plans. Upon ProA's investment in a company, the process of structuring and formalizing more robust initiatives and plans for emissions reduction begins promptly. Aligned with and committed to the objectives of the Paris Agreement, ProA Capital and its companies prioritize emissions reduction strategies and promote resilience in mitigating climate change risks.	The companies under ProA Capital's purview have historically taken a more conservative approach towards measurement, analysis, and implementation of mitigation measures, lacking clear ambitions in terms of reduction targets and robust climate change strategies. Recognizing this, ProA Capital is currently focused on structuring and formalizing a strategic plan that prioritizes climate change and emission reductions as a key pillar. The aim is to encourage all companies to develop more defined climate change strategies and establish solid reduction targets over time.
Social and employee matters	Table III 1	Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy	0%	0%	Currently, companies have implemented robust processes to ensure the safety and health of their employees. Companies have implemented comprehensive policies and plans for preventing occupational accidents, accompanied by thorough occupational risk assessments. These assessments help identify potential hazards and establish appropriate prevention and mitigation measures to ensure the safety and well-being of employees.	ProA Capital is actively promoting the reduction of occupational accidents within its companies, placing a high priority on employee safety and health in their strategic plans. They closely monitor accident rates in the companies and aim to cultivate a culture of zero accidents in the near future.
Anti-corruption and anti-bribery	Table III 15	Lack of anti-corruption and anti-bribery policies	Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption	0%	0%	ProA aims to ensure that all policies are beyond all legal requirements in terms of anti-corruption and anti-bribery. Companies have policies in place to guarantee compliance.	ProA reached an agreement with a boutique specialized on governance to identify gaps and opportunities, states an action plan and conduct annual checks to ensure that the company keeps its framework and practices up to date.

Description of policies to identify and prioritise principal adverse impacts on sustainability factors

ProA Capital acts as a responsible investor, integrating sustainability risks and analysing principal adverse impacts on sustainability factors in each investment process stage. In line with its Responsible Investment Policy, which was updated in May 2023, ProA Capital incorporates sustainability risks and analyzes major adverse sustainability impacts when making investment decisions. ProA Capital goes beyond considering sustainability risks and also takes into account the principal adverse impacts (PAIs) on sustainability factors when evaluating investment options. This proactive approach of promoting environmental and social characteristics within its funds has resulted in Fund V being classified as an Article 8 fund under the EU Sustainable Finance Disclosure Regulation (SFDR).

In terms of measurement, transparency and communication, ProA Capital periodically provides investors with an ESG report detailing the progress made on Principal Adverse Impacts on Sustainability factors.

Furthermore, ProA Capital annually collects its key sustainability indicators, which were chosen in 2021 based on criteria such as financial materiality, ESG trends, investor demands, and applicable regulations, among others. These indicators are gathered on a yearly basis, with a particular focus on monthly reporting of priority ESG indicators. ProA Capital has already reported sustainability indicators, and as part of the same reporting process, it has included the principal adverse impacts (PAIs) that were previously not being captured by the companies in their own reporting procedures.

Engagement policies

Our conviction is that ESG is a lever for value creation, our objective is to maximize value at the exit, responding to the needs and expectations of our stakeholders and we want to have a positive impact on the locations and communities where we invest (Spain and Italy). To achieve this, ProA has embedded an Ownership Policy, which includes 6 strategic themes to be followed by the investees at the ESG level, with the objective of encouraging investees to enhance ESG risk management and cultivate sustainable business practices through active engagement. ProA highlights the responsibility of investee companies' corporate governance bodies to execute the ESG Action Plan and oversee principal adverse impacts. The plan is devised by the team, aided by external experts, relying on internal and external analyses, including the 100-day strategic plan and ProA's ESG strategy. The ESG Action Plan ProA is regularly monitored by the Board. The ESG and Investment Team provides quarterly reports to the Board of Directors. ESG performance and sustainability results are assessed using an exclusive ESG scoring system, considering pertinent KPIs. The ESG Team continually enhances its processes, integrating insights and industry best practices from the portfolio.

References to international standards

ProA Capital ensures compliance and enforcement of codes and standards through various mechanisms. Firstly, it has established a Responsible Investment Policy that outlines its commitment to responsible practices. Secondly, it implements robust due diligence processes to identify and assess both actual and potential negative impacts associated with its investments. To address these impacts, ProA Capital develops action plans aimed at stopping, preventing, and mitigating such negative effects. These plans are regularly monitored and reviewed by the ESG Committee.

Furthermore, the company prepares periodic information reports that detail how these impacts are being addressed. These reports are prepared in accordance with the relevant Disclosure Regulations to ensure transparency and accountability. ProA Capital and all its companies adhere to codes of responsible business conduct and comply with internationally recognized standards and norms for due diligence and disclosure. These include the UN Global Compact principles, the OECD Guidelines for Multinational Companies, the UNPRI Principles for Responsible Investment, or the Task Force on Climate related Financial Disclosures (TCFD). Portfolio companies must adhere to the values and principles outlined in the international frameworks that ProA is committed to operating within. Aligned with and committed to the objectives of the Paris Agreement, ProA Capital and its companies prioritize emissions reduction strategies and promote resilience in mitigating climate change risks. They recognize the importance of the TCFD climate risk disclosure standard and integrate it into their reporting practices. By doing so, they aim to strengthen their companies' emission reduction plans, enhance their capacity to adapt to and mitigate the effects of climate change, and contribute to a more sustainable future. Through these measures, ProA Capital and its companies demonstrate their dedication to responsible and sustainable business practices. They strive to align their strategies with global efforts to combat climate change, ensuring transparency, accountability, and resilience in the face of climate-related challenges. By employing these measures, ProA Capital upholds its commitment to responsible investment and actively works towards minimizing negative impacts while promoting sustainable practices across its portfolio.

Historical comparison

This is the inaugural year of reporting Principal Adverse Impacts (PAIs) for the year 2022. However, as a best practice, ProA Capital has taken into account the calculation of PAIs for the preceding year 2021 as well. This approach enables a comprehensive assessment of both years, allowing for a meaningful comparison of the data. By considering the PAIs for multiple years, ProA Capital aims to enhance the reliability and accuracy of its reporting, ensuring a comprehensive understanding of the incidents and their trends over time.

Notes

*There is one company in Fund II that derive revenues from the exploration, extraction and distribution of hard coal and lignite, liquid fossil fuels or gaseous fossil fuels.

*To address the indicator "lack of processes and compliance mechanisms for monitoring adherence to the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises", companies are required to report the following information: (Yes or no) (i) Signatory UN Global Compact, (ii) Code of Ethics that aligns with the 10 principles of the UN Global Compact; (iii) Responsible supply chain policy that aligns with the 10 principles of the UN Global Compact; (iv) Human rights Policy; (v) Human resources Policy; (vi) Environmental Policy and (vii) Anti-corruption Policy.

*Moyca reports hazardous waste data for the period between December 2021 and November 2022. We will update the number when possible. Scope 3 emissions aren't calculated for 2022.

Indicator 6 (Energy consumption intensity per high impact climate sector), the calculation is restricted to the energy consumption of the entities for their high impact climate sectors only, not the general entity-level energy consumption intensity of that company. As a first calculation, the companies hasn't disclose energy consumption per sector, these year the indicator is at entity level.

*Board gender diversity for each company has been calculated as: Number of female board members / Total number of board members.

For Delafruit, the gender pay gap for 2021 is measured from March 2021 to March 2022. The gender pay gap for 2022 is measured from March 2022 to December 2022, due to the change in fiscal year.