Sustainability-related information

SC SUSTAINABLE EXPANSION FUND III PLUS, FCRE

SC SUSTAINABLE EXPANSION III, FCRE, SA

This document provides information about the financial product in accordance with the Sustainable Finance Disclosure Regulation (SFDR). The information contained in this document is required by the regulation to promote transparency and understanding of the sustainability-related characteristics and/or the objectives and risks of this financial product, and is not for advertising or marketing purposes.

A. Summary

Summary of the information contained in the different sections of this document.

The financial product (hereinafter, the "Fund"), managed by SUMA CAPITAL S.G.E.I.C., S.A. (hereinafter, the "Management Company"), promotes environmental or social characteristics in accordance with Article 8 of the Sustainable Finance Disclosure Regulation (SFDR). Although it does not have sustainable investment as its exclusive objective, the Fund will make a minimum proportion of 30% of sustainable investments pursuant to Article 2(17) of the SFDR Regulation over its life, calculated on the basis of cumulative invested capital. All of the Fund's investments will be aligned with the environmental or social characteristics promoted.

The Fund will invest in small and medium-sized enterprises (SMEs) which, through their economic activities or the implementation of Sustainability Roadmaps, contribute to environmental or social objectives identified through the United Nations Sustainable Development Goals. In particular, all Investee Companies will establish a Decarbonisation Plan covering Scope 1 and Scope 2 emissions, with the aim of achieving an average reduction of 25% within five years at Fund level, following the methodology established by the GHG Protocol. The Fund will also use its best efforts to establish reduction targets for Scope 3 emissions where such emissions are material to the Investee Company.

The selection of investments will include a due diligence process carried out with the involvement of independent external experts, in which the contribution of the Investee Companies to the characteristics promoted, their capacity to measure such contribution and the management of the sustainability aspects specific to their activity will be analysed. On the basis of the conclusions of the analysis, the Fund and the Investee Company will draw up an action plan to improve its performance and to strengthen the environmental or social characteristics promoted by the Fund.

The Management Company has its own methodology for monitoring its investments' performance, based on common indicators for the portfolio as a whole and specific indicators defined according to the materiality and impact of each Investee Company. The metrics monitored include environmental, social and governance performance and impact indicators, as well as indicators established by the SFDR Regulation. Each Investee Company will have key sustainability indicators and associated targets, the achievement of which will be monitored by the Management Company on a quarterly and annual basis, alongside financial results. In addition, the Fund has established a Sustainability Advisory Committee of the Fund, composed of independent experts, which defines indicators and targets associated with the achievement of the sustainable investment objectives and verifies their fulfilment on an annual basis.

Furthermore, the Fund supports the Investee Companies in the definition and implementation of their Sustainability Roadmaps and in the progressive improvement of their management and reporting capabilities. To this end, specific sustainability responsibilities are assigned within each Investee Company. The Fund actively participates in the oversight of operations and promotes the adoption of good governance practices, sustainability policies and appropriate control measures to manage the risks and impacts identified.

B. No sustainable investment objective

The Fund promotes environmental or social characteristics but does not aim exclusively to make sustainable investments. Nevertheless, it will make a minimum proportion of 30% of sustainable investments pursuant to Article 2(17) of the SFDR Regulation over its life, calculated on the basis of cumulative invested capital. These investments must contribute to an environmental or social objective, not cause significant harm to any other environmental or social objective and be made in Portfolio Companies that implement good governance practices. The contribution to the sustainable investment objectives will be based on investing in SMEs whose economic activities contribute to environmental or social objectives identified through the framework of the United Nations Sustainable Development Goals.

To ensure that sustainable investments do not cause significant harm to the other sustainable investment objectives, the Fund will carry out, prior to the investment, a due diligence process that includes the review and assessment of the main sustainability risks and opportunities and the identification of the principal adverse impacts generated by the activities of the Investee Companies. The Fund will establish measures to mitigate the adverse effects identified and will monitor the corresponding indicators during portfolio management, establishing disclosure obligations for the Investee Companies.

Furthermore, the Fund's sustainable investments will be aligned with the OECD Guidelines for Multinational Enterprises and with the United Nations Guiding Principles on Business and Human Rights. The Fund will take into account exposure to companies in respect of which there is evidence of violations of such guidelines or which lack adequate policies or mechanisms to ensure compliance with them. It will also promote that the good governance policies of the Investee Companies are aligned with these standards, including the fundamental conventions of the International Labour Organisation and the International Bill of Human Rights.

In the portfolio management phase, the Fund will monitor on a quarterly and annual basis the sustainability indicators, including the principal adverse impacts (PAIs) of the SFDR, and will disclose them to stakeholders. The implementation of the Management Company's reporting framework is one of the tools used by the Fund to identify and monitor the negative impacts of portfolio investments, both for sustainable and non-sustainable investments, and to follow up on the corrective measures to be implemented.

C. Environmental or social characteristics of the financial product

Description of the environmental or social characteristics promoted by the financial product.

The Fund promotes environmental and social characteristics by investing in SMEs whose activities contribute to environmental or social objectives identified through the framework of the United Nations Sustainable Development Goals (SDGs). Although the Fund does not have sustainable investment as

its exclusive objective, it undertakes to maintain a minimum proportion of 30% of sustainable investments pursuant to Article 2(17) of the SFDR Regulation over its life and to ensure that all of its investments are aligned with the environmental or social characteristics promoted.

The promotion of environmental or social characteristics is achieved through investment in SMEs which, through their economic activities and/or the implementation of Sustainability Roadmaps, contribute to environmental and/or social objectives. Among the environmental characteristics promoted by the Fund, the contribution to the transition to a low-carbon economy stands out. To this end, the Investee Companies will establish Decarbonisation Plans that include greenhouse gas emission reduction targets for Scope 1 and Scope 2. The Fund aims to achieve an average reduction of 25% in such emissions within 5 years, calculated in accordance with the GHG Protocol methodology. Furthermore, where material to the activity, the Fund will use its best efforts to promote the definition and monitoring of targets relating to Scope 3 emissions.

The characteristics promoted are aligned with various United Nations SDGs and are assessed through sustainability indicators relating, among other aspects, to greenhouse gas emissions, energy efficiency, employment, diversity, equal opportunities, occupational health and safety, regulatory compliance policies and the implementation of sustainability policies and management systems.

100% of the investments made by the Fund will promote the environmental or social characteristics of one or more of these SDGs, either through their core activity or through transformation processes carried out during the support period, which will be overseen annually by the Independent Sustainability Advisory Committee of the Fund.

D. Investment strategy

Description of the investment strategy used to comply with the environmental or social characteristics promoted by the financial product.

The Fund's investment strategy is based on the identification, selection and support of small and medium-sized enterprises with value creation potential through the improvement of their sustainability performance.

The Fund will invest in companies that contribute, or have the capacity to contribute demonstrably, to environmental or social objectives identified through the United Nations Sustainable Development Goals (SDGs) and that make it possible to drive measurable improvements through the application of specific sustainability plans. 100% of the Fund's investments will promote the environmental or social characteristics defined by the financial product.

As part of the investment strategy, the Fund integrates the consideration of sustainability risks and of the principal adverse impacts on sustainability factors into the processes of analysis, investment decision-making and portfolio monitoring. Furthermore, it applies exclusion criteria that limit investment in certain activities incompatible with its environmental or social characteristics, including activities related to tobacco, certain weapons-related activities, gambling, human rights violations, corruption or money laundering.

Prior to each investment, the Fund carries out a sustainability due diligence process with the support of independent external experts where necessary. This analysis assesses the potential contribution of the Investee Company to the environmental or social characteristics promoted by the Fund, its capacity

to measure such contribution and its management of the Sustainability Criteria relevant to its activity. The assessment covers, among other aspects:

- Management of emissions, energy, natural resources and waste.
- Climate and transition risks.
- Regulatory compliance and environmental best practices.
- Human rights and working conditions.
- Diversity, equality and inclusion.
- Occupational health and safety.
- Business integrity and regulatory compliance.
- Corporate governance structures and risk management.

Where the prior analysis identifies opportunities for improvement in sustainability matters, this does not necessarily entail the exclusion of the investment. The Fund will establish a Sustainability Roadmap with specific improvement targets that will be monitored during the investment period.

Policy to assess the good governance practices of investee companies, regarding governance structures, employee relations, staff remuneration and compliance with obligations.

The assessment of good governance practices forms part of the pre-investment analysis process and of the subsequent monitoring of the Portfolio Companies. The Fund assesses aspects relating to business integrity, regulatory compliance systems, corporate governance structure, risk management, business continuity, management of conflicts of interest, labour relations, alignment of incentives and compliance with legal and tax obligations.

Following the investment, the Fund maintains a presence on the governing bodies of the Portfolio Companies in order to oversee the proper implementation of the agreed measures, verify that good governance practices are maintained and promote the continuous improvement of the sustainability criteria relevant to each investment.

As part of the Fund's investment policy, a due diligence process with specialised external resources or an internal sustainability review, as appropriate, will be carried out to identify the governance risks and opportunities of each Investee Company. This process will assess, among other aspects, good governance practices, regulatory compliance, ethical and integrity matters, whistleblowing channels and the existence of adequate policies and mechanisms to manage environmental, social and governance risks.

During the portfolio management phase, the Fund will ensure that good governance practices are maintained and that the sustainability criteria are implemented. The governing body of each Portfolio Company will have ultimate responsibility for their oversight and may delegate certain functions to a Sustainability Manager or other internal roles. Furthermore, the development of the sustainability policies that are material for each company will be promoted, including, among others, environmental, human resources, diversity and equality, procurement and supply chain policies.

The investment agreements will include sustainability-related information and reporting obligations, as well as the commitment to appoint a Sustainability Manager and to establish mechanisms to review the strategy and key indicators. The Fund will take an active part in the business and in the oversight of the operations of the Portfolio Companies, exercising its monitoring and influence capacity in

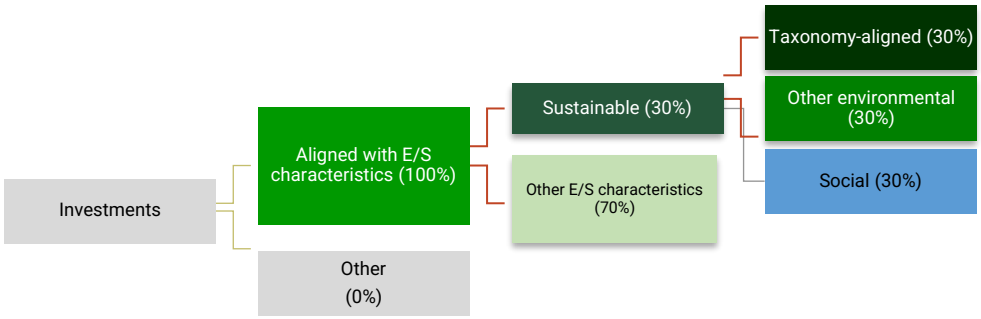
accordance with its percentage shareholding and with the mechanisms customary in this type of investment.

E. Proportion of investments

100% of the Fund's assets will be invested in investments aligned with the environmental or social characteristics promoted by the Fund. Although the Fund does not aim to make exclusively sustainable investments, it will maintain a minimum proportion of 30% of sustainable investments pursuant to Article 2(17) of the SFDR Regulation over its life.

The Fund does not commit to a minimum proportion of sustainable investments aligned with the EU Taxonomy. However, the Management Company will assess annually the eligibility and potential alignment of the economic activities of the Portfolio Companies, with the aim of promoting a progressive increase in such alignment over the life of the Fund. Nor will the Fund make sustainable investments with a social objective.

The Asset Allocation Table is presented below:



F. Monitoring of environmental or social characteristics

Description of how the environmental or social characteristics promoted by the product are monitored throughout the life of the financial product and the sustainability indicators used to measure the effective promotion of each such environmental or social characteristic, as well as the related internal or external monitoring mechanisms.

The Management Company, through its proprietary evaluation methodology, periodically monitors the promotion of environmental and social characteristics and the contribution of sustainable investments to the environmental objectives defined by the Fund. This methodology is applied throughout the different stages of the investment cycle, from the identification and initial assessment of the Portfolio Companies through to divestment.

The agreements entered into between the Fund and the Portfolio Companies establish periodic reporting obligations for financial and non-financial information, enabling the assessment of performance against environmental, social and governance criteria and the measurement of the investments' contribution to the Fund's objectives.

The monitoring system combines two categories of indicators: (i) common indicators for the portfolio as a whole, including indicators established by the SFDR Regulation, its principal adverse impacts and the Management Company's own indicators, and (ii) specific indicators for each Portfolio Company, selected on the basis of their materiality, business model and impact potential.

The indicators monitored include, among others, the following:

- Renewable and non-renewable energy consumption;
- Scope 1, 2 and 3 greenhouse gas emissions;
- Implementation of certified environmental, quality or health and safety management systems;
- Number of employees;
- Workforce diversity and turnover;
- Occupational accident rate;
- Presence of codes of conduct and human rights protection mechanisms;
- Presence of regulatory compliance policies and whistleblowing channels.

Given the early stage of development of the Portfolio Companies, monitoring also considers progress against the objectives and metrics defined ex ante and the degree of implementation of the Sustainability Roadmaps established for each company. Where an investment is considered sustainable on the basis of a projected positive environmental contribution, pursuant to Article 2(17) of the SFDR Regulation, the Management Company will periodically monitor the evolution of the indicators used to justify such contribution and the company's progress towards the expected results.

Where the level of maturity or the resources of a Portfolio Company do not allow complete data to be obtained, estimates based on activity data and internationally recognised standards may be used. These estimates will be expressly identified and accompanied by the corresponding methodological explanations. The Fund will support the Portfolio Companies in the progressive improvement of their measurement and reporting systems.

G. Methodologies

Description of the methodologies to measure how the environmental or social characteristics promoted by the financial product are met.

To ensure that the Fund invests in companies that contribute to the achievement of the defined Sustainability Criteria, a due diligence process with specialised external resources or an internal sustainability review, as appropriate, will be carried out. This analysis will assess whether the Portfolio Companies have a clear intention to promote the environmental and social characteristics defined by the Fund, are able to periodically measure their performance and contribution and have the capacity to adequately manage the Sustainability Criteria specific to their activity. Where the size of the Portfolio Company does not allow an external due diligence process to be carried out, the Management Company will use a proprietary tool covering the materiality analysis, governance practices, contribution to the SDGs, potential alignment with the EU Taxonomy and principal adverse impacts. The sustainability analysis will assess the performance of the Portfolio Companies in the following aspects, among others:

- **Environmental**: contribution to decarbonisation and to the transition to a circular economy, energy efficiency, use of renewable energy, resource and waste management, greenhouse gas emissions, climate risks and potential alignment with the EU Taxonomy.

- **Social**: compliance with labour and human rights regulations, employment conditions, diversity and equality, occupational health and safety and minimum social safeguards.
- **Governance**: governance structure, corporate integrity, regulatory compliance, ethical matters, risk management, sustainability policies and availability of whistleblowing channels.

If the analysis concludes that the starting point of a Portfolio Company is not optimal, this will not necessarily entail the exclusion of the opportunity. The relevance of the deficiencies identified, the level of risk and the company's capacity to implement corrective measures will be considered. Given the early stage of development of the companies, the Fund may establish reasonable transition periods and assess their projected environmental contribution, provided that it is quantifiable and verifiable and that objectives and metrics have been defined *ex ante*.

For each investment, a Sustainability Roadmap will be established based on the risks and opportunities identified and on the recommendations of the Investment Committee. The Roadmap will include progressive improvement actions, progress objectives and indicators and, where applicable, a theory of change explaining how the company's activity will contribute to one or more environmental objectives in the medium or long term. Each Portfolio Company will appoint a Sustainability Manager responsible for coordinating the implementation of the Roadmap, analysing the evolution of the indicators and reporting its progress to the governing body, which will retain ultimate responsibility for its oversight.

The Management Company has a proprietary methodology for monitoring investments, which will be applied throughout the entire investment cycle, from the identification of the opportunity through to divestment. The methodology combines common indicators for the entire portfolio, based on the SFDR Regulation and on the Management Company's own metrics, with specific indicators for each Portfolio Company, selected on the basis of their financial materiality, positive impact, contribution to environmental objectives, size, maturity and resources. The indicators monitored include environmental, social and governance performance metrics, impact indicators and the principal adverse impacts of the SFDR Regulation.

The performance of the Portfolio Companies and of the Fund in relation to the promotion of environmental and social characteristics will be monitored at least annually. Where the level of maturity or the resources of a company prevent complete data from being obtained, estimates built on activity data and internationally recognised standards may be used. These estimates will be identified as such in the Fund's reports and accompanied by supporting methodological notes. The Fund will support the Portfolio Companies in the implementation of action plans aimed at progressively improving their measurement and reporting capacity.

Furthermore, the Fund has established a Sustainability Advisory Committee composed of independent experts in the fields of corporate sustainability, decarbonisation towards Net Zero and impact measurement, which defines indicators and targets associated with the achievement of the sustainable investment objective for each investment made by the Fund. On an annual basis, the Committee verifies compliance with the established objectives and proposes corrective measures to ensure the achievement of the defined sustainable investment objectives.

H. Data sources and processing

Description of the data sources used to achieve each of the environmental or social characteristics promoted by the financial product, the measures taken to ensure data quality, how the data are processed and the proportion of data that have been obtained by estimation.

Performance metrics and indicators will be provided mainly by the management teams of the Portfolio Companies and may be sourced from their information systems, from published information or from external providers. The Fund will review and consolidate the data received and may request clarifications or supporting evidence to verify their consistency and traceability. Where complete information is not available, estimates based on activity data and internationally recognised standards may be used, which will be duly identified and justified.

I. Limitations to methodologies and data

Description of the limitations of the methodologies and data sources mentioned; and how these limitations do not affect the way in which the environmental or social characteristics promoted by the financial product are met.

The size, early stage of development and resources of the Portfolio Companies may limit the availability, quality and comparability of certain data. Furthermore, the information provided by these companies or by their providers may not have been verified by independent third parties. To prevent these limitations from affecting the monitoring of the environmental or social characteristics, the Fund will apply the controls described above and will support the progressive improvement of measurement and reporting systems.

J. Due diligence

Description of the due diligence measures taken in respect of the underlying assets of the financial product, including external and internal controls over such due diligence.

The due diligence measures adopted by the Fund, including internal controls and, where appropriate, the involvement of specialised external resources, are detailed in section “G. Methodologies”.

K. Engagement policies

Description of the engagement policies applied where engagement is part of the environmental or social strategy, including management procedures applicable to sustainability-related litigation in investee companies.

The Management Company will maintain an ongoing dialogue with the Portfolio Companies and will actively participate in the oversight of their operations, within the influence mechanisms corresponding to its position as a minority investor. Where a breach, a significant adverse impact or sustainability-related litigation is identified, it will assess its impact and promote the implementation and monitoring of the appropriate corrective measures.

L. Designated reference benchmark

Description of whether a reference benchmark has been designated to meet the environmental or social characteristics promoted by the financial product, and how that reference benchmark matches the environmental or social characteristics promoted by the financial product, including the input data, the methodologies used to select that data, the rebalancing methodologies and how the reference benchmark is calculated.

The Fund has not designated a reference benchmark to meet the environmental or social characteristics promoted by the Fund.