Product disclosure for financial products that promote environmental or social characteristics

Article 10 (1) SFDR, articles 25-36 RTS
QUALITAS EQUITY FUNDS, SGEIC, S.A.,
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For financial products promoting environmental or social characteristics, financial market participants shall publish the information referred to in Article 10 (1) of Regulation (EU) 2019/2088 and Articles 25 to 36 of this Regulation in the following order, consisting of all of the following sections:

a) Summary (Article 25)

QUALITAS MUTUAL PRIVATE EQUITY PROGRAM V, FCR ("Fund") discloses product sustainability information under Article 8 of Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR").
The Fund promotes environmental or social characteristics and does not aim to make sustainable investments.
On the one hand, it promotes the improvement of the integration process of environmental, social and good governance factors in the management of the private equities it invests in and, consequently, in the underlying companies. On the other hand, it promotes the contribution of the Fund's investments towards the Sustainable Development Goals (SDGs), mainly in SDGs 8,9,10,12,13 and 17.
The objective of the Fund is to generate value for its Participants through the subscription of investment commitments in other private equity entities in the primary or secondary market, and the undertaking of co-investments.

The strategy followed by the Manager to contribute to the improvement of ESG integration processes in the private equity entities in which it participates is an engagement strategy aimed at 100% of its investments and co-investments, which is implemented through continuous dialogue with the managers of the entities in which it invests or co-invests.

Engagement efforts are mainly carried out with the investee's management company during the Due Diligence, Contracting and Monitoring phases.

First, the Due Diligence phase consists of a questionnaire based on the recommendations of the Institutional Limited Partners Association (ILPA) including key questions on the alignment of the investee's investments with the SDGs and the recommendations of the TCFD. The responses to the questionnaire are discussed in a meeting in which a first dialogue is established on its level of integration of ESG factors in its investment processes and in the management of its investees.

Secondly, in the contracting phase, the asset manager ensures that the ESG commitments of the managers of the investees are materialized in a side letter. These commitments are to incorporate ESG criteria in the management of the portfolio, to report annually on its evolution and to report on any relevant ESG events that arise in the portfolio, and not to invest in the sectors included in the list of exclusions of Qualitas Funds.

Thirdly, with respect to the monitoring phase, the engagement effort is carried out through meetings and periodic follow-up calls. Each of the managers of the investees is asked for certain non-financial data and KPIs of their portfolio through a periodic survey. Where deemed necessary, additional documents are requested. In addition, the Fund uses a customized ESG scoring system and each SDG has been assigned its own KPI for measurement.

The portfolio KPIs data are checked with the investee's management company. The possible limitations of completeness and quality of the data analyzed could simply be operational, due to the chain of interlocutors in sending information, or due to a lack of information.

The Fund does not use a benchmark for the purpose of promoting environmental or social characteristics.

b) No sustainable investment objective (Article 26)

The financial product promotes environmental or social characteristics but does not have sustainable investments as their objective.

c) Environmental or social characteristics of the financial product (Article 27)

The main social and environmental aspect promoted by the Fund is the improvement in the integration processes of environmental, social and governance (ESG) factors in the management private equity entities in which the

Fund invests, and, as a consequence, the improvement in the ESG performance of the underlying companies.

The contribution of the Fund's investments to the Sustainable Development Goals (SDGs) is also promoted. Particularly, the following: decent work and economic growth (SDG 8), industry, innovation and infrastructure (SDG 9), reduced inequalities (SDG 10), responsible consumption and production (SDG 12), climate action (SDG 13), and partnerships to achieve the goals (SDG 17).

d)Investment strategy (Article 28)

The objective of the Fund is to generate value for its Participants through the subscription of investment commitments in other private equity entities in the primary or secondary market, and the undertaking of co-investments.

The strategy followed by the manager to contribute to the improvement of ESG integration processes in its investees is through engagement efforts and continuous dialogue with the managers of the entities in which it invests or co-invests.

Engagement efforts are mainly carried out with the investee's management company during the Due Diligence, Contracting and Monitoring phases.

In the case of co-investments, the engagement activity will be directed to the private equity entities with which it co-invests, promoting the elaboration of ESG Due Diligences and materializing in the agreements of partners the necessary actions to mitigate or manage the risks and opportunities identified.

Proportion of investments (Article 29)

100% of the Fund's investments made in private equity entities, regardless of whether they are made in the primary or secondary market, will be subject to the manager's engagement activity to improve its ESG integration processes and, as a result of the above, improving the ESG performance of the underlying companies.

In the case of co-investments, the engagement activity will be directed to 100% of the entities invested.

Sustainable investments in both direct exposures and co-investments will not be made.

Monitoring of environmental or social characteristics (Article 30)

In order to monitor the evolution of the ESG integration processes by the underlying funds, the asset manager requests certain non-financial data and KPIs of its portfolio from each of the managers of the investee entities through a periodic survey. This survey includes questions that fall into 5 main areas: Carbon Footprint, Waste Management, Supply Chain, Human Resources Management and Governance. In cases deemed necessary, additional documents such as Investment Memorandum, ESG audits or codes of conduct, among others, are requested. Based on the analysis of the information provided and the evolution of the different KPIs, improvement initiatives are identified in the ESG action plans of the investees. Improvement initiatives will be embedded into the engagement activity by meetings and periodic follow-up calls to drive implementation.

Methodologies for environmental or social characteristics (Article 31)

The improvement of the ESG integration processes of the management of the investee's entities is measured through the evolution of a Scoring that measures:

- The quality of ESG reporting.
- ESG performance for each investment opportunity.
- The existence of a team dedicated to ESG in the management company.
- The existence of an annual ESG committee.
- The performance of an ESG action beyond legal requirements.

Contribution to the SDGs is measured using the following indicators:

- SDG 8: aggregate job creation in the portfolio.
- SDG 9: evolution of investment in R&D.
- SDG 10: percentage of women on investment committees of investee managers.
- SDG 12: existence of circular economy practices.
- SDG 13: percentage of portfolio companies measuring carbon footprint.
- SDG 17: percentage of investee managers who are signatories to the United Nations Global Compact.

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Data sources and processing (Article 32)

The data sources used to achieve each of the environmental or social characteristics promoted by the Fund come from the investee's management through (i) periodic meetings where relevant information is requested for the calculation of the relevant indicators and (ii) submission of documentation.

The data is verified with the manager of the investee entity. There is no effective control model that check that the data provided by the investee's management is correct.

The proportion of data obtained by estimation depends on the indicator and its availability. Data estimates, if any, shall be calculated by extrapolating values or characteristics based on experience.

Limitations to the methodologies and data (Article 33)

The possible limitations of data integrity and quality may be simply operational due to the interlocutors’ chain of the information sent (the investees -investees’ manager - the manager) or by absence of information, where the data can be estimated. Although, these limitations will not affect compliance with the environmental or social characteristics promoted by the Fund.

Due Diligence (Article 34)

The Due Diligence phase is implemented through the completion of a questionnaire based on the recommendations of the Institutional Limited Partners Association (ILPA) on the main ESG aspects of the management of the investee. In addition, the questions include key issues on the alignment of the investee's investments with the primary and secondary SDGs and questions related to climate risk management in line with the recommendations of the TCFD.

The responses to the questionnaire are discussed with the company in a meeting in which a first dialogue is established on its level of integration of ESG factors in its investment processes and in the management of its investees. This work of Due Diligence generates positive impacts on the managers of the investee entities that try to meet the demands of their investors prioritizing, in this case, the demands of integration and management in terms of ESG and including them in their short-term action plans.

To ensure the correct adaptation of due diligence measures, Qualitas Funds has established an ESG working group, made up of representatives from different areas and varying degrees of experience and seniority, which oversees the integration of ESG throughout the process.

Engagement policies (Article 35)

Engagement activity is mainly accomplished with the manager of the investee's entity during the Due Diligence, Contracting and Monitoring phases, being the central strategy of the fund to achieve the defined environmental and social characteristics.

As mentioned in one of the previous points, during the Due Diligence phase, a first engagement dialogue is established with the manager of the investee entities.

Additionally, in the contracting phase, the asset manager ensures that the ESG commitments of the managers of the investee's entities are materialized in a side letter. These commitments are: (i) incorporate ESG criteria whilst portfolio's management, (ii) annual report on the evolution, (iii) report on any relevant ESG issues that arise at the portfolio and, (iv) not to invest in the sectors included in the list of Qualitas exclusions. The side letter also details the management procedure applicable to sustainability-related litigation in investee companies.

Finally, regarding the monitoring phase, engagement activity is carried out through meetings and periodic follow-up calls with the managers of the investee's entities.

Designated reference benchmark (Article 36)

No reference benchmark is defined.