
QUALITAS
FUNDS
Sustainability Report 2023

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# This year in a snapshot

**6** Funds of funds **1** Co-investment fund

(second co-investment fund launched in Q1 2024)

**€885M**

Raised

**40**

Dedicated professionals

**70**

Underlying fund managers

**90**

Underlying funds

**800**

Underlying companies

**65%** of underlying managers are signatories of the UN PRI

PRI Principles for Responsible Investment

**2** SFDR Article 8 funds registered as of Q4 2023

of which one was launched in 2023

**43%** of the workforce at Qualitas Funds are women

With women making up a significant portion of our workforce, we deeply care about their representation in our firm and are committed to creating opportunities for their growth and advancement

## Pro Bono

In 2023 we dedicated time and resources to the Pro Bono initiative where we continued to help the company Timpers with addressing some of their financing challenges

PRO BONO CAPITAL PRIVADO

## In 2023[1]

Portfolio companies

**57%**

calculated their carbon footprint

**26%**

have a decarbonization plan in place

**81%**

have created jobs

**53%**

have an ESG strategy in place

**100%**

of Qualitas Funds' workforce received ESG training

[1] Data for portfolio companies in Qualitas Funds V and VI

## Internal processes

Our top priority is to streamline our internal processes with ESG considerations and ensure seamless integration throughout our investment process

**We successfully created our ESG Committee in 2023**



**1.47 $tCO_2e$**

Scope 1 and 2 emissions

2023 has been the second year that Qualitas Funds measures its carbon footprint

# Introduction



# Message to our stakeholders

Dear Valued Stakeholders,

When we shared our 2022 ESG report, our aim was to reinforce your trust in us by showing that our dedication to society extends beyond just investments. In that report, we emphasised our commitment at Qualitas Funds to expanding sustainable investments. We aimed at making a substantial advancement in incorporating ESG principles into our investment process to tackle socio-economic challenges and to honour the promises made to our investors and the environment in which we operate.

A year has now passed since we made those declarations, and with the same confidence, we can inform you that we have entered a new phase with even greater ambitions. However, every significant leap forward requires some preparation, and to move ahead, we need to look back and rediscover our core identity.

When Qualitas Funds was established in 2015, our ESG journey began with the principle of “avoiding investments with negative impacts”, focusing on minimising potential adverse effects through exclusion policies. Today, we have progressed to a proactive ESG approach aimed at “doing good” by implementing strategies that foster positive impacts.

With the belief that our origins and foundation are based on creating this positive impact, we are stepping into a new era where actions speak louder than words and ideas come to life.

In 2023, we made significant strides in revamping our investment strategy. Internally, we established an ESG committee to ensure our investments align with our fiduciary duty and legal obligations, while also monitoring our ESG efforts across the board.

This commitment extends externally as well. We launched Qualitas Funds VI, our second Article 8 fund, further solidifying our legacy of sustainable investing and contributing to our overall strategy in this area. We maintain close engagement with our GPs, recognising that collaboration is essential for promoting responsible investment.

However, this message would be incomplete without acknowledging the dedication of the Qualitas Funds team - our most valuable resource. Our talented team’s passion for investment and commitment to environmental and social causes ensures we meet our goals in the short, medium, and long-term.

We appreciate your ongoing support and hope you find this report insightful.

Sincerely,

Eric Halvorson  Sergio García  Javier Alemán



# Our firm at a glance

At Qualitas Funds we are specialised in selecting and managing private equity investments. We identify the best-in-class European funds within the lower mid-market segment.

Our strategy provides all our stakeholders with three key benefits:

- **Exclusive access**
  We connect our clients and investors with “best-in-class” fund managers, offering a distinct advantage in a competitive market.
- **Strong returns**
  Our focus on high-performing funds aims to deliver attractive returns for our investors.
- **Downside protection**
  Our fund of funds strategy mitigates portfolio risk throughout the economic cycle.

## Our underlying investments



## Experienced team

At Qualitas Funds we leverage the extensive experience of our team in direct private equity investments to select the best fund managers. Our mission is to deliver consistent and excellent returns with a low risk profile, regardless of the broader economic climate.

**+300**
Years of cumulative experience among the entire team

**40**
Professionals

**885**
Million euros raised

**43% / 57%**
Percent of women to men ratio in the workforce

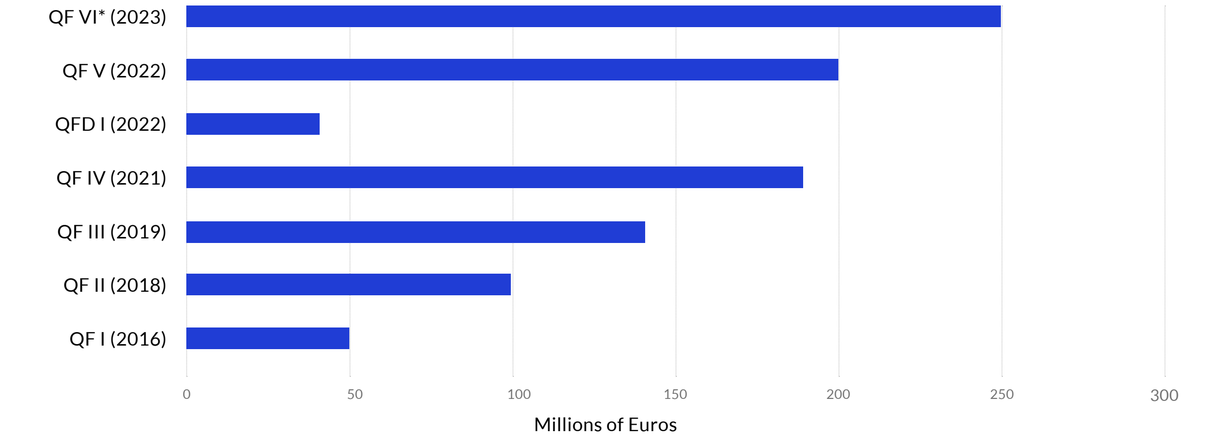
**70**
Underlying fund managers

**+1,300**
Investors

**800**
Portfolio companies

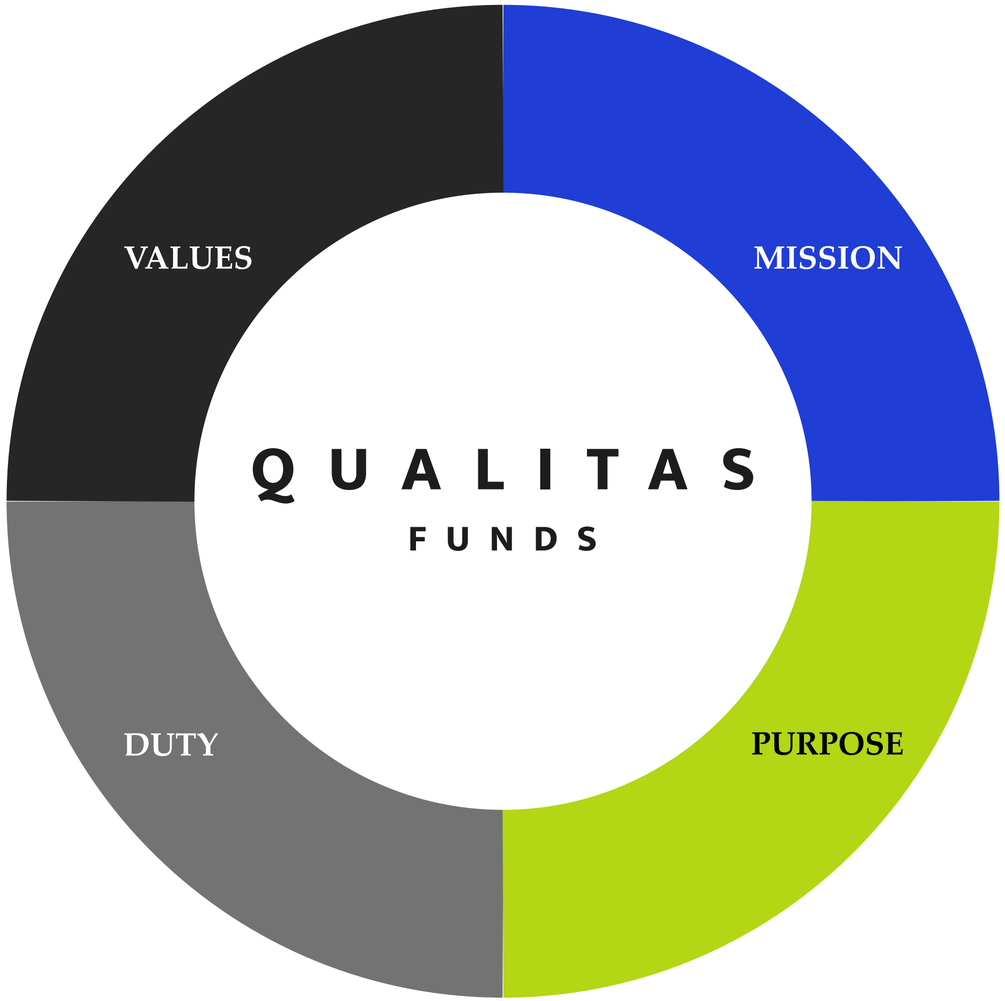
**7**
Funds launched

## Our funds (€M)




**This number represents the hard cap.*

# Our mission and values




**MISSION**
We strive to invest in the best performing funds by diversifying our portfolio across various regions, sectors, currencies, and teams that drive positive societal impact.

**PURPOSE**
We aim to consistently deliver excellent returns with a low risk profile throughout all stages of the economic cycle.

**DUTY**
As a trusted investor and a firm held to high standards, we go beyond simply complying with regulation.

We are committed to upholding the trust placed in us by acting with integrity and exceeding regulatory expectations in all our investment activities.

**VALUES**
We prioritise the importance of individuals, diversity, motivation, and long-term commitment to our project.

Therefore, in Qualitas Funds we ensure an alignment between our values and those of our stakeholders.

# Our mission and values

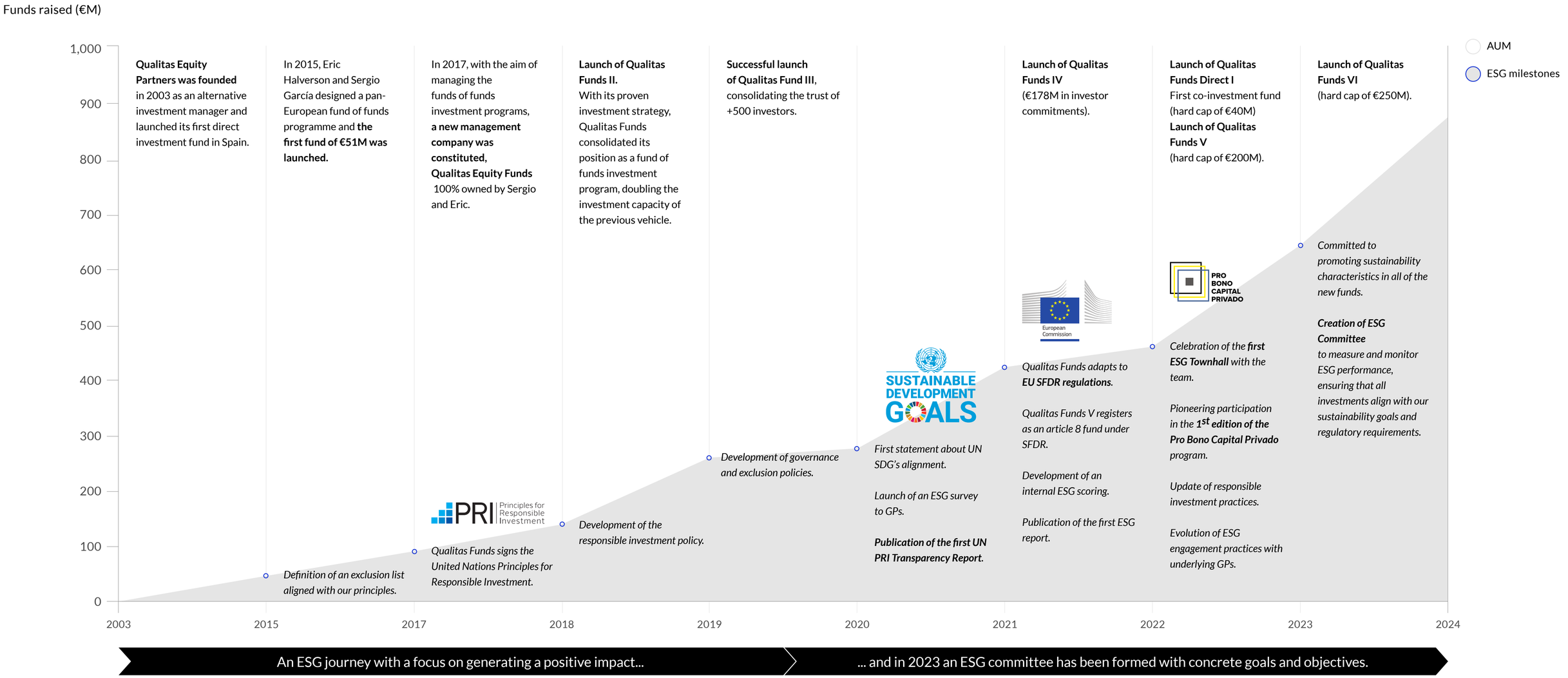
"We strive to be the premier partner in supporting leading investment funds and generating sustainable value with a lasting impact on society."

Our collaborative approach drives growth and development, ensuring success through strong partnerships. By collaborating with top funds, we further strengthen these relationships, enhancing our ability to support transformative ventures.

We back purposeful funds with solid business models, driving transformational projects through consolidation, international expansion, and management reinforcement.

We are dedicated to building a portfolio that drives significant societal impact. We focus on creating a legacy through investments that contribute to socio-economic progress and environmental protection, aligning our business goals with a commitment to positive change.

# Our journey


Funds raised (€M)
1,000
900
800
700
600
500
400
300
200
100
0
2003
2015
2017
2018
2019
2020
2021
2022
2023
2024
AUM
ESG milestones
Qualitas Equity Partners was founded in 2003 as an alternative investment manager and launched its first direct investment fund in Spain.
Definition of an exclusion list aligned with our principles.
In 2015, Eric Halverson and Sergio García designed a pan-European fund of funds programme and the first fund of €51M was launched.
In 2017, with the aim of managing the funds of funds investment programs, a new management company was constituted, Qualitas Equity Funds 100% owned by Sergio and Eric.
PRI Principles for Responsible Investment
Qualitas Funds signs the United Nations Principles for Responsible Investment.
Launch of Qualitas Funds II. With its proven investment strategy, Qualitas Funds consolidated its position as a fund of funds investment program, doubling the investment capacity of the previous vehicle.
Development of the responsible investment policy.
Successful launch of Qualitas Fund III, consolidating the trust of +500 investors.
Development of governance and exclusion policies.
SUSTAINABLE DEVELOPMENT GOALS
First statement about UN SDG's alignment.
Launch of an ESG survey to GPs.
Publication of the first UN PRI Transparency Report.
Launch of Qualitas Funds IV (€178M in investor commitments).
European Commission
Qualitas Funds adapts to EU SFDR regulations.
Qualitas Funds V registers as an article 8 fund under SFDR.
Development of an internal ESG scoring.
Publication of the first ESG report.
Launch of Qualitas Funds Direct I First co-investment fund (hard cap of €40M)
Launch of Qualitas Funds V (hard cap of €200M).
PRO BONO CAPITAL PRIVADO
Celebration of the first ESG Townhall with the team.
Pioneering participation in the 1st edition of the Pro Bono Capital Privado program.
Update of responsible investment practices.
Evolution of ESG engagement practices with underlying GPs.
Launch of Qualitas Funds VI (hard cap of €250M).
Committed to promoting sustainability characteristics in all of the new funds.
Creation of ESG Committee to measure and monitor ESG performance, ensuring that all investments align with our sustainability goals and regulatory requirements.
An ESG journey with a focus on generating a positive impact...
... and in 2023 an ESG committee has been formed with concrete goals and objectives.

# Our commitments



# How we engage with our GPs and enable value creation

At Qualitas Funds, we follow stringent investment criteria designed to promote sustainable and equitable growth, with the main objective of creating value through ESG. As a fund of funds, we evaluate potential investee funds through our sustainability lens.

These standards support our goal of achieving positive ESG outcomes alongside strong financial returns. Through our integrated reporting systems, we continuously improve our monitoring of ESG performance, ensuring accountability for ourselves and our investee funds, thereby enhancing the stability of financial markets. This level of transparency and responsibility helps us attract investors who prioritise sustainability and ESG commitments.

## Our ESG value creation pillars at fund level:

**1**
**Integrate ESG**

**2**
**Engage with GPs**

**3**
**Report**



# Interview with Lucía Carrasco

## Finance and Legal Director



"Active engagement with our underlying funds improves their ESG practices and can lead to **value creation**.
By assisting our portfolio in adopting best practices, we can **improve the performance and sustainability of the entire investment portfolio.**"

**Lucía Carrasco**
Finance and Legal Director

**Can you describe how Qualitas Funds integrates ESG factors into its investment strategies, particularly in collaboration with your GPs?**

Qualitas Funds integrates ESG factors into its investment strategies through a comprehensive approach that starts with rigorous due diligence and ongoing collaboration and communication with our investees. We prioritise transparency and alignment on ESG principles from the outset of our partnerships, ensuring that GPs understand and implement sustainable practices that resonate with our investment philosophy.

**How does Qualitas Funds ensure that its GPs adhere to ESG principles and meet your regulatory obligations such as those under SFDR?**

Compliance with regulatory obligations such as SFDR is not only a priority for Qualitas Funds, but a legal obligation. In 2023 we continued to improve our framework and data management systems to collect, analyse, and report ESG metrics across our portfolio. Regular training sessions and updates keep our GPs informed and aligned with the latest regulatory requirements, enabling us to meet SFDR obligations effectively.

**Given the lack of standardised ESG metrics, how do you navigate this challenge and ensure a consistent and comprehensive evaluation of ESG performance in your investments?**

Indeed, there is no universal set of metrics for ESG, which presents a significant challenge to fund of funds like ours. To address the challenge of data collection, we have developed our own standardised ESG metrics based on international best practices. These metrics ensure a consistent and comprehensive evaluation across all our investments. Additionally, we engage extensively with our GPs to help them understand and navigate this extra reporting burden. This collaboration not only aids in the accurate collection and reporting of ESG data but also promotes the integration of ESG considerations into their investment processes.

**What ESG best practices would you recommend to other funds of funds looking to enhance their sustainability efforts and create long-term value?**

We recommend prioritising robust reporting and transparency through standardised ESG metrics. Active engagement with your GPs ensures compliance with sustainability obligations. This collaboration enhances ESG integration and contributes to creating long-term value and a better world for future generations.

# Our commitment to the planet at Qualitas Funds and in our portfolio

## At Qualitas Funds...

Leading by example, we demonstrate our commitment by adopting sustainable practices at our very own offices, as well as measuring and reducing our carbon footprint.

Currently, the vast majority of our electricity is sourced from renewable energy, and our goal is to increase its share in our total electricity consumption.

## ... and in our underlying investments

We are continuously striving to increase the percentage of our underlying portfolio companies in Qualitas Funds V and VI that not only measure their carbon footprint but **also actively take steps to reduce it.**

We achieve this through close collaboration with asset managers, diligent monitoring of KPIs that track their progress, and our increasing commitment to transparent communication.

## Environmental responsibility at Qualitas Funds

**1.47 $tCO_2e$**

GHG emissions at Qualitas Funds stem exclusively from natural gas consumption (Scope 1).

**80%**

Renewable energy (certified with GoO[1]).

### Circular economy

Implemented the use of reusable water bottles in our office to reduce our environmental footprint and minimise waste. Our offices use pens that are made from 100% recycled materials and that can be refilled to minimise waste.

### Energy management

We promote remote working and low-carbon mobility to minimise our scope 1 emission contribution.

## Key milestones in Qualitas Funds V and VI

**57%**

of the underlying portfolio companies in QF V and VI **measure their carbon footprint.**

**26%**

of the underlying portfolio in QF V and VI **have a decarbonization plan in place.**

**26%**

of the underlying portfolio companies in QF V and VI **have a waste reduction plan in place.**

[1]*Guarantee of Origin*

# Our commitment to society at Qualitas Funds and in our portfolio

## At Qualitas Funds...

Qualitas Funds is dedicated to its team's well-being and having a positive societal impact, demonstrated through our collaborations with various initiatives and our engagement with our team. Our commitment is reflected in our efforts to foster a supportive work environment and contribute meaningfully to the community.

## ... and in our underlying investments

We are continuously striving to increase the percentage of our underlying portfolio companies that actively contribute to having a positive social impact. We achieve this through close collaboration with our underlying assets, diligent monitoring of KPIs that track their social impact, and our growing commitment to transparent communication.

## Championing diversity and talent development at Qualitas Funds

### Our commitment to our team

In 2023 we had:
- **2 team offsites**
- **2 teambuilding** events
- and **1 townhall** meeting

### Our partnerships and commitments

### Diversity, equity and inclusion

We enhanced our work environment and embraced our responsibility to promote inclusive labour practices by increasing opportunities for women and underrepresented groups in the financial sector.



### What the future holds at our firm

At Qualitas Funds, we plan to grow our team and embrace diversity, building on our proven track record while continually enhancing our workplace culture. Our aim is to attract talented individuals, ensure their happiness, and instil a sense of pride in their association with Qualitas Funds. By fostering an inclusive and supportive environment, we strive to make Qualitas Funds a place where employees are proud to work and contribute to our ongoing success.

## Key milestones in Qualitas Funds V and VI

**19%**

of the underlying portfolio companies in QF V and VI have a **R&D plan**.

**46%**

of the underlying portfolio companies in QF V and VI have an **equality plan**.

**81%**

of the underlying portfolio companies in QF V and VI **created jobs in 2023**.

# Deep dive into the Pro Bono initiative

- In 2023, Qualitas Funds participated in the inaugural formal edition of the Pro Bono Capital Privado program alongside seven other fund managers. Inspired by the Pro Bono concept in the legal sector, this program connects social impact projects with private equity players.
- Qualitas Funds emerged as a key agent, forging strong collaborative ties with the social company Timpers, which sought advice to navigate its financial obstacles.
- In 2023 we prioritised supporting the company with the implementation of best practice governance practices.

***In 2023, our focus was on assisting Timpers in implementing strong governance practices to optimise operations and mitigate potential setbacks arising from ineffective management.***

## How we began in 2022

| | |
|---|---|
| Kick off | Matching with the company and meeting the team. |
| Problem presentation | Once we met the team and discussed the business model, together we identified the main challenges. |

## To helping with this in 2023

| | |
|---|---|
| Strategy | New go-to-market strategy within the B2B channel for safety footwear, incorporating reduced working hours to enhance employee well-being and productivity. |
| Screening | Mapped potential clients by gaining insights into industry sectors and customer behaviour patterns. |
| Marketing | Enhance the commercial marketing teaser by leveraging the expertise of our skilled employees. |

TIMPERS

### “The most normal company in the world”



Timpers, a brand originating from Alicante, is renowned for its sneakers sold online. What sets Timpers apart is its strong commitment to social inclusivity, involving visually impaired individuals in the design process to ensure accessibility for everyone; emphasising a belief that barriers are meant to be overcome, Timpers employs staff with disabilities to demonstrate that abilities define individuals more than disabilities do.

Their vision is to set a social standard where people are valued for their capabilities, encapsulated in their motto, **“the most normal brand in the world.”**

We’ve partnered with Timpers to foster their growth as a company, while also gaining invaluable insights into the challenges facing SMEs in Spain and their specific sector.

PRO BONO CAPITAL PRIVADO

# Our commitment to good governance at Qualitas Funds and in our portfolio

## At Qualitas Funds...

At Qualitas Funds, we are deeply committed to strong governance practices as a cornerstone of our investment strategy. **Effective governance is essential for making informed decisions, managing risks, and ensuring alignment with our stakeholders' interests**. By upholding rigorous governance standards, we enhance transparency and trust, fostering a culture of accountability and ethical conduct. This commitment to governance not only safeguards our integrity but also drives sustainable value creation. This is underpinned by our regulatory package, which is essential for sound governance to minimise risks.

## ... and in our underlying investments

Strong governance in underlying investments is essential for the **stability and success of every investment**. It ensures transparency, mitigates risks, and optimises diversification. Additionally, it provides a framework for systematically evaluating performance, enabling informed decision-making and portfolio optimization.
**At Qualitas Funds, we seek to implement best governance practices in all our underlying investments.**

## Governance for growth: sustainability and compliance at QF

### Sustainability policies

Our ESG policy gathers the principles that drive Qualitas Funds' sustainable returns and aligns with our investors' values, shaping a responsible investment future. It is designed on the basis of the principles defined by the UN PRI (Principles for Responsible Investment).

### Frameworks and standards

Qualitas Funds has committed to some of the most important frameworks and standards worldwide. These include UN PRI, the SDGs, TCFD, and SFDR.

### Sustainable suppliers commitments

We have switched to a fruit supplier for our office that upholds strong CSR practices. Additionally, our coffee supplier has a program to recycle 100% of the used capsules. Our goal is to strengthen our supply chain and drive sustainability throughout our entire procurement process.




## Key milestones in Qualitas Funds V and VI

**64%**

of the underlying portfolio companies in QF V and VI have a **Code of Conduct**.

**53%**

of the underlying portfolio companies in QF V and VI have an **ESG strategy**.

**54%**

of the underlying funds in QF V and VI are classified as **Art.8 or Art.9 SFDR funds**.

# How we drive sustainability and accountability through our ESG Committee

The ESG Committee stands as the most significant improvement to our internal processes at Qualitas Funds, championing sustainability and accountability across all facets of our operations.

## The faces of our ESG Committee



**Sergio García**
President



**Emma Hernanz**
Secretary



**Lucía Carrasco**
Vocal



**Bernardo Marques Dos Santos**
Vocal

## Main functions

- Development of ESG policies and guidelines
- Integration of ESG into investment strategy
- ESG risks and opportunities assessment
- Monitoring ESG performance
- Information and transparency
- Training and awareness

Evaluation and continuous improvement

**ESG integration owes its success to the dedication of our team and their unwavering belief in our firm...**

**40**
Dedicated professionals

**3**
Promotions

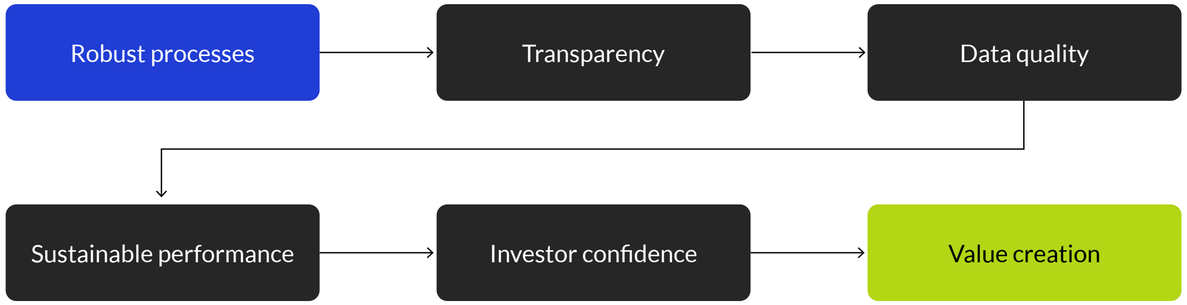
**9**
Nationalities

**100%**
Team invests in our funds

# Commitment to sustainability

At Qualitas Funds, we have committed to integrating ESG factors into our investment processes across all our new funds. By adhering to these standards, we aim to provide our investors with transparency and accountability, ensuring that our investments promote sustainable practices. Furthermore, in line with this commitment, our latest funds are classified as Article 8 under SFDR.

This commitment not only aligns us with European Union regulations but also supports our goal of generating long-term value through responsible investment strategies. We believe that responsible investments are crucial for achieving strong financial performance while positively contributing to society and the environment




# Our sustainable investment strategy

Qualitas Funds will seek to implement a customised and tailor-made strategy to achieve its ESG goals. This strategy is based on several key principles that will be applied in each transaction Qualitas Funds undertakes and integrated into the investment process:

**1. Environmental and/or social characteristics (E/S) promoted by Qualitas Funds**

- This includes good environmental practices, fair labour practices and robust corporate governance structure.

**2. Sustainability indicators used to measure the attainment of the E/S characteristics promoted**

- Scoring of the underlying fund manager.
- Indicators that will evaluate the fund manager/GP, and the ESG performance of the investee companies within the GP's portfolio.
- This assessment provides a comprehensive view of how effectively the fund manager oversees ESG performance.

**3. Binding elements of the investment strategy to attain each of the E/S characteristics promoted**

- Exclusion list.
- Due diligence.
- Annual monitoring and collection of sustainability indicators.

## Our funds that are already registered as Article 8

QUALITAS FUNDS

**2022** QF V

**2023** QF VI

## ESG roles carried out by the compliance officer for the new Qualitas Funds VI

- Constitution of the Fund as Article 8 SFDR
- Lead and supervise compliance activities
- Compliance improvements (GDPR, KYC/AML requirements)
- Lead monitoring of portfolio companies' SDGs

# Our ESG strategy



# ESG integration along our entire investment process

| | Sourcing | Triage | Scoring | In person DD | Commercial DD | Investment Committee | Legal DD | Monitoring |
|---|---|---|---|---|---|---|---|---|
| **Explanation** | | | | | | | | |
| | **List all opportunities received or identified.**<br>Record the origin with the most important information: Placement Agent/ QF proactively found/ Re-ups. | **Prioritise opportunities:**<br>• Re-ups go straight to a scoring update.<br>• All other opportunities are analysed to identify red and yellow flags. | **For funds that have passed the Triage stage:**<br>• In-depth analysis and initial scoring.<br>• Request additional information and access to VDR.<br>• Scoring is added to databaseyellow flags. | **Face-to-face interview with the investment team of the fund manager.** | **Analysing the opportunity in depth and preparing the Information Memorandum (IM).** | **Approve or reject the investment.** | **Carry out legal checks.** | **Monitor the company's performance through the chosen indicators.** |
| **Actions with a focus on ESG** | | | | | | | | |
| | Include in the pipeline only those funds that are transparent about their ESG policies and practices.<br>• Track impact investment awards.<br>• Constant contact with advisors.<br>• Ongoing engagement with impact funds. | We exclude those funds that invest in:<br>• Prostitution.<br>• Arms industry.<br>• Coal mining.<br>• Tobacco.<br>• Pornography.<br>• Human trafficking.<br>• Gambling.<br>• Gas extraction or industries with a high level of greenhouse gas generation. | Evaluate the KPI related to ESG included in the Scoring using the 5 dimensions:<br>• Quality of ESG reports.<br>• ESG DD for each identified opportunity.<br>• Team dedicated specifically to ESG.<br>• Annual ESG Committee.<br>• Efforts that go beyond legal requirements. | Ensure that the manager follows the following SDGs at both manager and underlying asset level:<br>• **SDG 8:** Decent work and economic growth.<br>• **SDG 9:** Industry, Innovation and Infrastructure.<br>• **SDG 10:** Reducing inequalities.<br>• **SDG 12:** Responsible consumption and production.<br>• **SDG 13:** Climate action.<br>• **SDG 17:** Partnerships for the goals. | • Track portfolio companies and identify which SDGs they are pursuing.<br>• Benchmark against Qualitas Funds portfolio companies and assess pro-forma ESG performance.<br>• Ensure that the GP makes, or at least will make, an annual ESG report with a high level of detail. | • Include the outcome of the comprehensive analysis of upstream DD in both the Early Warning and the IM.<br>• Ensure that there is a discussion point on ESG on the agenda and that this discussion is recorded in the minutes. | Seek a written commitment from managers to:<br>• Incorporate ESG in the management of their portfolios.<br>• Report annually on compliance.<br>• Report on the development of portfolio companies in implementing ESG activities.<br>• Refrain from investing in red flag sectors. | Monitoring on an annual basis using a scoring questionnaire. This questionnaire is sent to GPs, enabling the assessment of their management of ESG performance.<br>The collected ESG data and feedback from GPs allow for a consistent and thorough evaluation of investments, ensuring alignment with the Compartment's broader investment strategy and goals. |

# Our scoring system

In order to assess ESG factors, Qualitas Funds has created its own internal scoring system to obtain a true picture of the performance of its investments.

We aim to improve long-term performance by making investments more resilient and sustainable, while ensuring regulatory compliance and protecting the company's reputation.

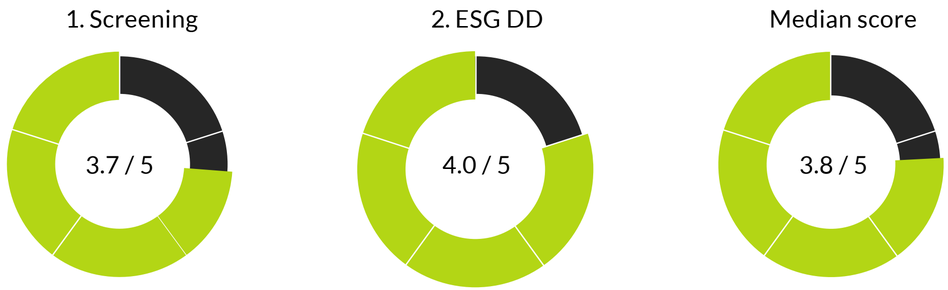
**This is achieved by evaluating 5 dimensions for our funds' investments:**

1. The quality of ESG reports.
2. Conducting an ESG due diligence for each investment opportunity.
3. The existence of a dedicated ESG team in the GP.
4. The existence of an annual ESG committee.
5. The implementation of ESG actions that go beyond legal compliance.

**While evaluating these two aspects for co-investments:**

1. ESG screening.
2. ESG due diligence.

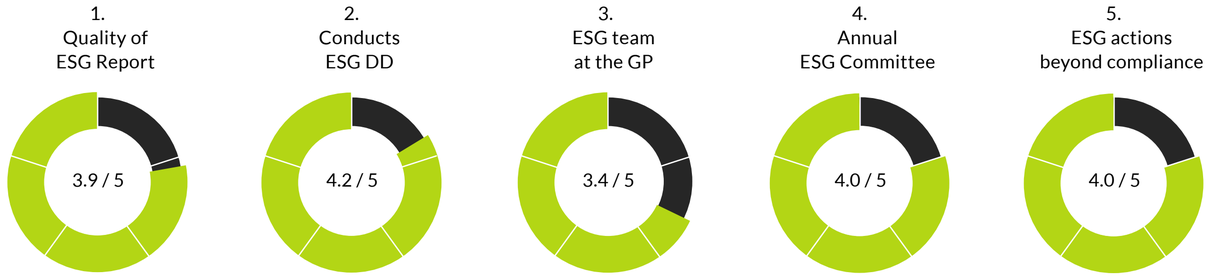
## Co-investments score[1]



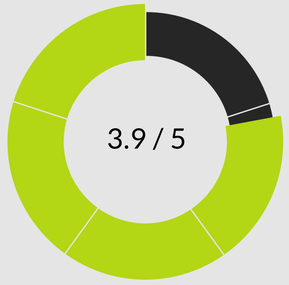

15 co-investments were completed in 2023

## Fund investments' scoring[2]

1. Quality of ESG quarterly and annual reports.
2. ESG due diligence for target companies.
3. Existence of a dedicated ESG team.
4. Yearly ESG committee and related yearly data collection.
5. Going beyond regional ESG regulatory requirements.




Overall performance of our portfolio across our 5 ESG dimensions.




[1] Values are displayed after applying a one-decimal-place rounding rule on both pages.

[2] Scores refer to all underlying funds of Qualitas Funds V and VI as of December 31st, 2023.

# Applying our scoring system

Our scoring system, which is applied to every investment we make, can help us determine the maturity scale of our portfolio's ESG performance and identify areas for further improvement and value creation.

Fund classification
**Art. 8**

verdane

Sustainability has been deeply ingrained in Verdane's Edda III fund since its inception, embedding itself in the culture and processes and forming an important part of the GP's investment proposition and strategy.

### Strategy

Verdane has taken concrete steps to prioritise ESG goals in the value-creation journeys of its portfolio companies:

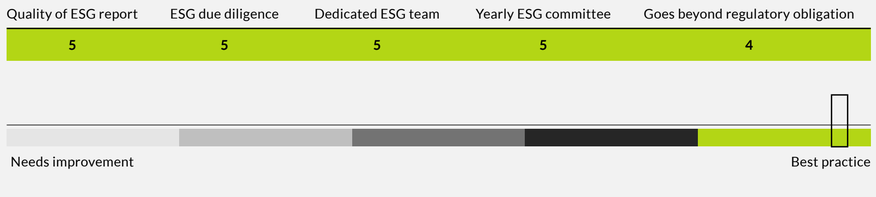
- Verdane has demonstrated their commitment to this strategy with the launch of a dedicated ESG team within the Elevate operational team, increased focus on impact metrics in deal due diligence processes and the launch of Verdane's newest ESG focused programme.

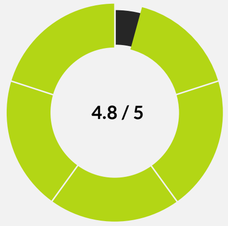
### Manager

- Verdane has set up a systematic framework for tracking and reporting relevant ESG data. This data is reported at Verdane's AGM.
- Recognising that a strategy addressing ESG yields both societal and financial benefits for stakeholders, Verdane has taken concrete steps to prioritise ESG goals in the value-creation journeys of portfolio companies. Verdane has a dedicated ESG team within the Elevate operational team.

### Portfolio companies

- Sustainability is an important part of Verdane's due diligence process and is integrated into the standard Deal Qualification Memorandum to facilitate Investment Committee discussions.




Fund classification
**Art. 8**

KESTER CAPITAL

Kester Capital III has developed a comprehensive ESG-focused strategy, resulting in significant improvement in their performance scores.

### Strategy

Kester integrates their ESG considerations into their deal making and portfolio stewardship by:

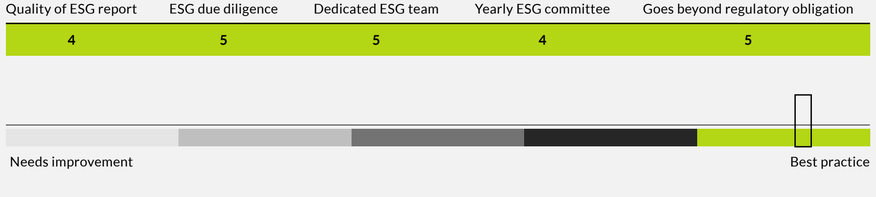
- Conducting identification, management and monitoring of ESG risks within their portfolio across all points of the investment cycle.
- Meeting ESG reporting requirements of their investors and reporting on their ESG management within their own governance structure.

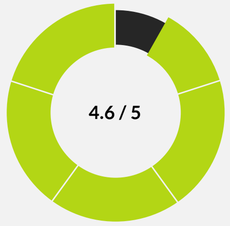
### Manager

- Kester has adopted an ESG framework to strengthen their ESG integration process. This framework is around eight ESG themes. The framework is used to structure their pre-deal processes, stewardship performance analysis and for reporting.
- Kester's focus on ESG at a firm level is further reinforced with a commitment to channel 10% of the generated carried interest to charitable purposes through the Kester Foundation. In addition, Kester III will be an Article 8 fund under SFDR.

### Portfolio companies

- Kester works to integrate ESG practices in their portfolio companies by focusing on their individual material themes.
- Based on questions around the eight themes, the GP calculates a risk assessment and action plan for each matter to address each of the themes. This is included in the IC paper for review before completion of each new investment.



# We contribute to global sustainable development

At Qualitas Funds, we are committed to promoting the United Nations Sustainable Development Goals (UN SDGs). Below is the contribution of the underlying investments of Qualitas Funds V and VI to the main SDGs we support:

## Primary SDGs




## Total contributions to the SDGs




| | |
|---|---|
| SDG 1 | 1 |
| SDG 2 | 2 |
| SDG 3 | 14 |
| SDG 4 | 2 |
| SDG 5 | 7 |
| SDG 6 | 2 |
| SDG 7 | 4 |
| SDG 8 | 29 |
| SDG 9 | 24 |
| SDG 10 | 11 |
| SDG 11 | 7 |
| SDG 12 | 19 |
| SDG 13 | 16 |
| SDG 14 | 1 |
| SDG 16 | 11 |
| SDG 17 | 6 |

## UN PRI

Since becoming signatories of the United Nations Principles for Responsible Investment (UN PRI) in 2020, we have been committed to embedding these principles into our investment processes. The UN PRI framework serves as an invaluable source of inspiration, guiding us in our continuous efforts to enhance our ESG performance and processes by:

- **Continuous improvement**
  Each year, we strive to elevate our ESG strategies and practices, surpassing the benchmarks set by our previous assessments. This dedication ensures we not only meet, but exceed the high standards expected by our stakeholders.
- **Long-term value creation**
  We believe that integrating ESG factors is crucial for creating long-term value and mitigating risks. Our commitment to responsible investment decisions reflects this understanding, ensuring sustainable and ethical practices.
- **Annual evaluation and commitment**
  The insights gained from our annual evaluation drive us to improve our processes and aim for a higher rating each year. This reflects our unwavering commitment to the principles of responsible investment.
- **Dedication to sustainability**
  In 2024, we reaffirm our pledge to the UN PRI principles, remaining at the forefront of responsible investing. Our pursuit of excellence ensures our ESG strategies continue to evolve, contributing to a more sustainable and equitable future.

Our journey with the UN PRI goes beyond compliance; it is about fostering a culture of responsibility and continuous improvement, ultimately benefiting our investors and the broader community.

*Signatory of:* PRI Principles for Responsible Investment

# Exceptional ESG initiatives across our funds

Using our scoring system, we identified several funds with exceptional ESG initiatives across our portfolio.

We want to highlight these efforts as we believe they can significantly enhance value creation throughout GPs' maturity in ESG practices.

We selected four funds that exemplify top-tier ESG management
(please refer to the next pages for the case studies):

HORIZON CAPITAL

Cardinal

Aliter Capital

AKSIA

**Thanks to our portfolio's outstanding ESG performance, we have gained valuable insights.**

**We believe that ESG should be embraced at all levels, rather than being a top-down philosophy.**

# Case study: Horizon Capital Fund II Climate change strategy

## Key data

| Year of foundation | Committed capital | Portfolio investments | |
|---|---|---|---|
| **2018** | **€220m*** | **6** | HORIZON CAPITAL |

| N° industries the fund has invested in | Targeted geography | Dedicated professionals |
|---|---|---|
| **4*** | **United Kingdom** | **15[1]** |

Horizon is a London-based manager that was founded in 2018 as a spin-off from Lyceum Capital, a former UK lower mid-market private equity firm. Horizon is an emerging manager that develops a strong buy-and-build strategy in the UK's mid-market segment, with a focus on technology and technology-enabled services.

Horizon Capital Fund II's sustainability approach is based on their ESG Measurement Framework, developed in 2020. The Framework highlights key ESG outcomes, including societal value and non-financial records, and aligns with SASB topics for technology and service companies, benchmarked against industry best practices. In addition, its ESG policy reflects its focus on sustainability factors throughout the investment process, differentiating between the phases of origination, due diligence, buy & build and exit.

SUSTAINABLE DEVELOPMENT GOALS | PRI Principles for Responsible Investment | SASB | ESG Report

**Horizon Capital Fund II data as of Q4 2023*

*[1]Source: Horizon Capital's website (Horizon)*

## Portfolio company case study

| Industry | Employees | Based in | |
|---|---|---|---|
| **Business services** | **+1,000** | **UK** | RIDGE |

**Invested by Horizon in 2023, Ridge is a multi-disciplinary built environment consultancy, serving public and private sector clients across a broad range of industries from 13 offices across the UK. Ridge's broad offering to clients, which includes architecture, building services, engineering, planning, surveying, sustainability and transport, will be expanded by investing in talent across its core disciplines as well as through new acquisitions.**

Ridge is currently conducting a comprehensive 360 Sustainability review to assess its carbon footprint across scopes 1, 2, and selected scope 3 emissions. This review aims to develop a tailored decarbonisation plan with specific targets to achieve carbon neutrality. This process prioritizes carbon reduction as part of a broader sustainability framework encompassing materials, resources and waste, biodiversity, wellbeing, community, and transport, each aimed at creating positive environmental and community impacts while fostering sustainable business practices.

### Ridge's contribution to the SDGs

7 AFFORDABLE AND CLEAN ENERGY — Through their sustainability and building services, Ridge contributes to energy efficiency and the integration of renewable energy in construction projects.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE — Ridge's expertise in engineering, architecture, and planning supports the development of resilient infrastructure, promotes innovation, and enhances industrial productivity in the built environment.

11 SUSTAINABLE CITIES AND COMMUNITIES — By offering services in urban planning, sustainable architecture, and transport, Ridge helps create more inclusive, safe, resilient, and sustainable cities and communities.

# Case study: Aliter II LP Climate change strategy

## Key data

| Year of foundation | Committed capital | Portfolio investments |
|---|---|---|
| **2016** | **€160m*** | **4*** |

| N° industries the fund has invested in | Targeted geography | Dedicated professionals |
|---|---|---|
| **2*** | **United Kingdom** | **10[1]** |

Aliter Capital is a private equity sponsor specialising in the B2B services sector within the UK's lower mid-market, with offices in Glasgow and London.

Aliter II LP is a fund that evaluates all portfolio companies annually against tailored ESG metrics managed by a third party. ESG considerations are integral to their investment and management processes, though they are not impact investors. Aliter's responsible investment policy involves integrating ESG into due diligence and the entire investment lifecycle. They exclude investments in illegal activities, weapons, and degrading human practices. Aliter ensures ESG issues are managed at the Board level in portfolio companies, promoting best practices to mitigate risks and enhance long-term value.

SUSTAINABLE DEVELOPMENT GOALS

ESG Report

**Aliter Fund II LP data as of Q4 2023*
*[1]Source: Aliter Capital's website (Aliter Capital)*

## Portfolio company case study

| Industry | Employees | Based in |
|---|---|---|
| **Technical services** | **+300** | **Scotland** |

Edwin James Group

**Invested by Aliter Capital in 2023, Edwin James Group is a multi-disciplinary engineering services provider, supporting customers across the UK in their built, process and digital environments. The business specialises in complex, regulated environments, helping clients automate critical processes, improve existing assets and expand operating capacity.**

EJG is committed to advancing environmental sustainability. They have successfully reduced emissions from their fleet by 9% and aim to achieve Net Zero by 2030, with a 50% reduction target by 2025, already having made significant strides in sourcing nearly 90% of office electricity from renewable sources. They are transitioning their fleet to electric vehicles, with 35% of company cars already electric. EJG is also mapping and quantifying scope 3 emissions across various categories, aiming for net zero by 2050. Additionally, they are progressing towards zero waste to landfill by 2030, diverting over 90% of waste.

### Edwin James Group's contribution to the SDGs




Edwin James Group contributes to affordable and clean energy by implementing energy-efficient solutions and renewable energy projects, optimizing energy use in buildings and industrial processes to promote clean energy and reduce carbon emissions.




Edwin James Group contributes to sustainable industry and innovation by providing engineering services that build resilient infrastructure, promote sustainable industrial practices, and foster innovation in energy and resource management.




Edwin James Group contributes to climate action by offering solutions that reduce greenhouse gas emissions and support businesses in transitioning to a low-carbon economy, directly addressing the challenges of climate change.

# Case study: Cardinal Ireland Partners Fund Diversity and inclusive approach

## Key data

| Year of foundation | Committed capital | Portfolio investments |
|---|---|---|
| **2003** | **€204m*** | **6*** |

Cardinal

| N° industries the fund has invested in | Targeted geography | Dedicated professionals |
|---|---|---|
| **5*** | **Ireland** | **13[1]** |

Established in 2003, Cardinal Group is an alternative investment firm based in Dublin, Ireland. The firm provides private equity capital, real estate, mezzanine finance and alternative lending to a range of business sectors including technology, food, healthcare, financial services and real estate.

Cardinal Fund II integrates ESG considerations throughout the investment cycle in its private equity investments. During the pre-investment due diligence stage, Cardinal considers ESG guidelines and engages internal and external expertise as needed. The group documents findings of ESG-related issues and incorporates them into the investment committee recommendations. Post-investment, Cardinal manages ESG risks and opportunities by monitoring progress through 100-day plans and supports portfolio companies in developing corrective action plans when necessary. The team encourages portfolio companies to raise ESG issues at board level and assist in external and internal ESG reporting where appropriate. Cardinal maintains performance standards and transparency by periodically reporting progress to portfolio company boards and applying judgment in assessing ESG risks and opportunities where local regulations are insufficient.

SUSTAINABLE DEVELOPMENT GOALS

ESG Report

**Cardinal Ireland Partners Fund data as of Q4 2023*
*[1]Source: Cardinal Capital's website (Cardinal Group)*

## Portfolio company case study

| Industry | Employees | Based in |
|---|---|---|
| **Healthcare services** | **100-300** | **Ireland** |

AshdaleCare Ireland

**Ashdale Care is a leading provider of children's residential care in Ireland, offering specialist care for children and young people with complex and challenging needs, delivered by a dedicated care staff.**

Ashdale Care promotes diversity by offering personalised support services that address various needs within the Irish community.

Care programs are tailored to individual physical and mental abilities, providing both home and residential care to ensure everyone can live independently and with dignity, regardless of their circumstances.

### Ashdale Care's contribution to the SDGs

3 GOOD HEALTH AND WELL-BEING

Ashdale Care supports the well-being of young people by providing high-quality care services that promote mental and emotional health in a safe and supportive environment.

8 DECENT WORK AND ECONOMIC GROWTH

Ashdale Care contributes to economic growth by creating job opportunities within the care sector, ensuring decent work conditions, and supporting professional development for its staff.

# Case study: Aksìa Capital V Good governance practices

## Key data

| Year of foundation | Committed capital | Portfolio investments |
|---|---|---|
| **1997** | **€275m*** | **10*** |

| N° industries the fund has invested in | Targeted geography | Dedicated professionals |
|---|---|---|
| **5*** | **Italy** | **20[1]** |

Aksìa is one of the most established private equity groups in Italy founded in 1997 and headquartered in Milan. Aksìa has over 20 years of experience investing in Italian small and middle market companies. The GP typically invests in family or founder owned business, unlocking opportunities often triggered by a succession event in which Aksìa supports the business in the transition process.

Aksìa Capital V has developed a robust ESG framework focusing on core elements: an ESG policy defining principles, objectives, and roles; integrated ESG governance with clear responsibilities for the management company and portfolio companies; and an ESG reporting system to monitor performance throughout the investment cycle. Significant enhancements included the appointment of an ESG Director within the Investment Team to oversee policy implementation and assist portfolio companies in the creation of action plans. Aksìa also established fund-level goals for each portfolio company and formulated a strategy to effectively manage climate-related risks. These initiatives underscore Aksìa's commitment to sustainable practices and governance across its operations.

SUSTAINABLE DEVELOPMENT GOALS | PRI Principles for Responsible Investment | ESG Policy | ESG Data Convergence Initiative | ESG Report

*Aksìa Capital V data as of Q4 2023*
[1]*Source: Aksìa's website (Aksia)*

## Portfolio company case study

| Industry | Employees | Based in |
|---|---|---|
| **Agricultural machinery** | **+200** | **Italy** |

**Invested in 2022, Scarabelli is a designer and provider of irrigation systems for the public and private sectors. The company specialises in irrigation systems for agriculture, sports, filtration stations, pumping stations, and fertigation stations, thereby providing customers with innovative technological tools for the enrichment of plants and soils.**

Good governance is integral to sustainable business practices, ensuring transparency, accountability, and ethical management throughout an organization. Scarabelli demonstrates a commitment to good governance by prioritizing local procurement, with nearly 100% of the Group's service suppliers based in Italy. This approach not only supports local businesses but also enhances supply chain management by fostering closer relationships with suppliers, reducing logistical complexities, and ensuring high-quality, reliable services. This local focus strengthens the company's overall operational efficiency and aligns with its broader sustainability and community engagement goals.

### Scarabelli's contribution to the SDGs

Scarabelli is committed to responsible consumption through the use of renewable energy and energy efficiency solutions.

Scarabelli is committed to creating quality jobs and fostering economic growth by supporting local supply chains with nearly 100% of the Group's service suppliers being based in Italy.

Scarabelli is dedicated to ensuring sustainable consumption and production through a wastewater reutilisation process.

# Going forward



# Our vision for the future

We commit to **continue:**

1. Analyse our investments' commitments to the SGDs.
2. Follow and enhance our ESG scoring system.

We strive to continue to **develop:**

A strong ESG governance structure through the creation of an ESG Committee and continue to strengthen our ESG team and expertise.

We understand our **key role** to:

- Add value to achieve best practices and actively work on engagement activities with our portfolio.
- Retain and attract the best talent, which is key to our success as a fund of funds.



"Our priority in 2024 is to strengthen our internal processes with the aim of further empowering our investees."

**Lucía Carrasco**
Finance and Legal Director

## A diverse pool of investors

We acknowledge the diversity among our investors and understand that their approaches to ESG topics vary based on geographical location.

We strive to accommodate these diverse needs. For instance, U.S. investors often prioritise social aspects, while some European investors are more focused on environmental concerns.

Our team is committed to understanding the various ESG regulations across different regions. This involves engaging with investors and collaborating with industry specialists, a key focus for the firm in 2024.

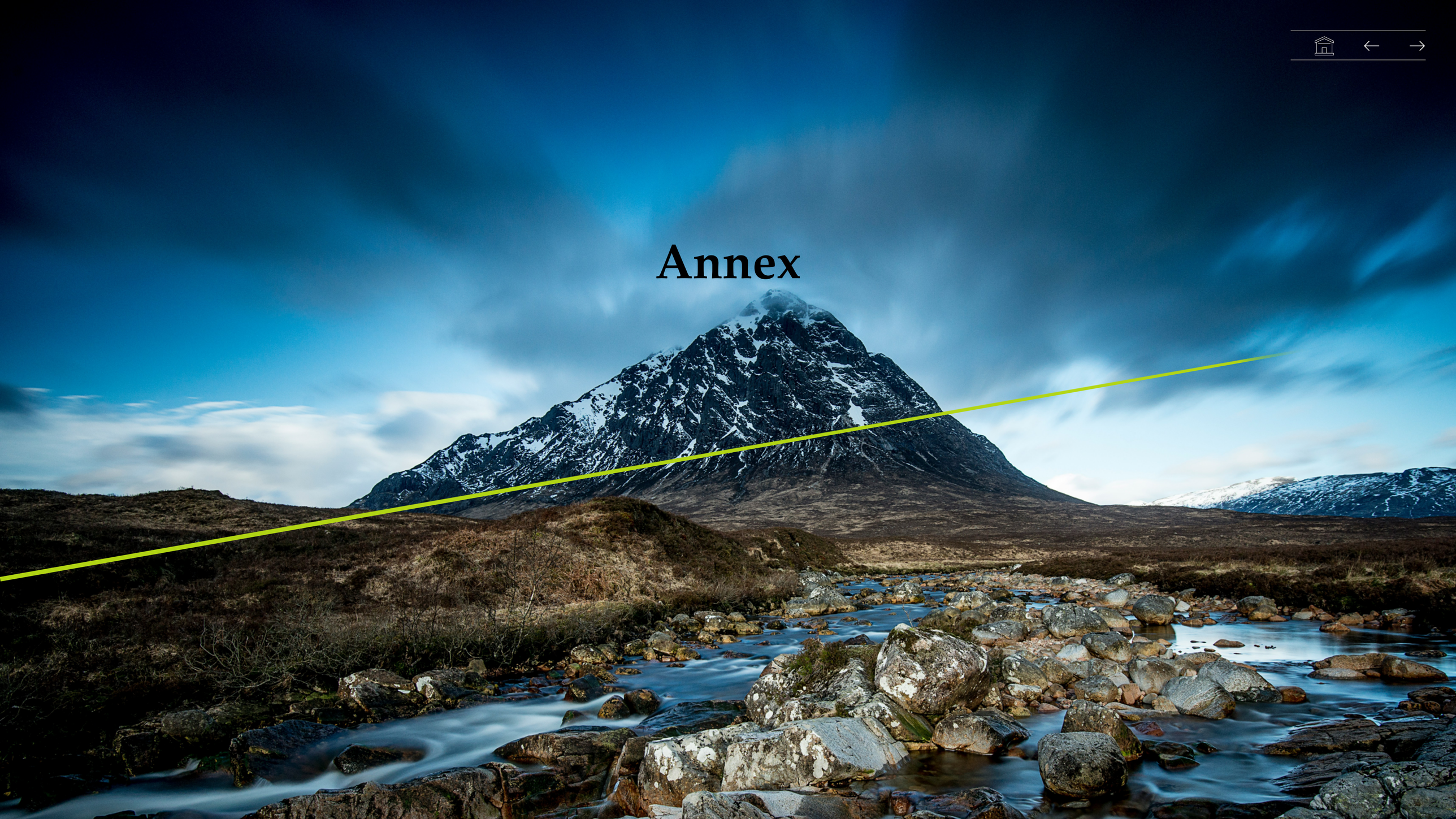
## Transparency and reporting

Qualitas Funds is dedicated to maintaining transparency in ESG, recognising its critical importance in a firm of our size and with a high degree of influence in other actors of the economy.

We understand the value of our ESG report and policies to our investors. Each year, we update and refine our processes to improve transparency and strengthen our governance practices.

In 2024, our priority is to continue to improve and establish robust internal processes.

# Annex



# Results of GP Questionnaire for Qualitas Funds V and VI*

| GP / Company | Question | Result |
|---|---|---|
| GP | Does your fund have a climate change strategy in place to address the potential risks and opportunities associated with climate change and promote sustainability? (Yes/No) | 42% |
| GP | Does your fund/management company have a diversity and inclusion (D+I) strategy in place? (Yes/No) | 63% |
| GP | How many portfolio companies do you have in this fund? (#) | 108 (total # of portfolio companies in QF V and VI) |
| Company | How many portfolio companies measure carbon footprint? (#) | 57% |
| Company | How many portfolio companies have in place a decarbonization plan? (#) | 26% |
| Company | How many portfolio companies have in place a waste reduction plan? (#) | 26% |
| Company | How many portfolio companies have in place a formal R+D plan? (#) | 19% |
| Company | How many portfolio companies have in place an equality plan? (#) | 46% |
| Company | How many portfolio companies created jobs in 2023? (#) | 81% |
| Company | How many portfolio companies have in place a Code of Conduct? (#) | 64% |
| Company | How many portfolio companies have an ESG Committee? | 29% |
| Company | How many portfolio companies have in place an ESG strategy or action plan? (#) | 53% |
| Company | How many portfolio companies promote public, public-private and civil society partnerships? (#) | 19% |
| GP | Are you a signatory of the UN PRI? (Yes/No) | 50% |
| GP | Do you have any Art. 8 or Art. 9 SFDR funds? (Yes/No) | 54% |
| GP | Do you have an ESG Committee at the fund manager level? (Yes/No) | 38% |

**Data presented from Q4 2023. Percentage in (Yes/No) questions refers to Yes answers.*

# QUALITAS
## FUNDS

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