

Statement on principal adverse impacts of investment decisions on sustainability factors

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

Summary

Diana Capital SGEIC S.A considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Diana Capital.

This statement regarding the principal adverse impacts on sustainability factors covers the reference period from January 1, 2022, to December 31, 2023.

Diana Capital considers the principal adverse impacts or potentially material incidences of the fund's investments on sustainability factors. During the Due Diligence phase, the main negative externalities generated by the investment are qualitatively assessed. Once in the portfolio, they are monitored through the annual calculation of the 16 indicators established in the RTS of the Disclosure Regulation. Regular monitoring must be followed by corrective measures to minimize them as much as possible. Information on the principal adverse impacts on sustainability factors is integrated into the periodic information that investors must receive and on the entity's website in the terms described in the SFDR and the RTS.

Description of the principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies

| Adverse sustainability indicator | | Metric | Impact 2023 | Impact 2022 | Explanation (evolution, trends and causes) | Actions taken, and actions planned and targets set for the next reference period | | |
|---|---|--|---|-----------------------|--|---|--|--|
| CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS | | | | | | | | |
| Greenhouse gas emissions | 1 | GHG emissions | Scope 1 GHG emissions | Scope 1 GHG emissions | 1.379,29 | 1.335,74 | The increase in total Scope 1 emissions is mainly due to the rise in production volume at a company. | Diana Capital will continue to promote measures aimed at minimizing Scope 1 emissions for all its portfolio companies. |
| | | Scope 2 GHG emissions | Scope 2 GHG emissions | 496,05 | 392,82 | The increase in total Scope 2 emissions is mainly due to the the rise in production volume at a company. | Diana Capital will continue to drive strategies focused on reducing Scope 2 emissions across all its associated companies, prioritizing the procurement of energy from renewable sources as a key measure to achieve this goal. | |
| | | Scope 3 GHG emissions | Scope 3 GHG emissions | N/D | N/D | As in the previous year, there is no information available on Scope 3 emissions. | Diana Capital will work with its portfolio companies to report on Scope 3 GHG emission. | |
| | | Total GHG emissions | Total GHG emissions | 1.875,34 | 1.728,56 | Greenhouse gas emissions have experienced an increase mainly due to the the rise in production volume at a company. | Diana Capital will continue to promote that all companies in its portfolio measure their carbon footprint and implement reduction plans. Among the recommended measures are the replacement of fossil energy sources with renewables and the implementation of energy efficiency plans. | |
| | 2 | Carbon footprint | Carbon footprint | 24,05 | 27,67 | The carbon footprint has decreased as a result of the increase in the total value of the investment portfolio. | Diana Capital will continue to promote that all companies in its portfolio measure their carbon footprint and implement reduction plans. Among the recommended measures are, the replacement of fossil energy sources with renewables and the implementation of energy efficiency plans. | |
| | 3 | GHG intensity of investee companies | GHG intensity of investee companies | 24,80 | 32,72 | The GHG intensity of the companies in which investments are made decreased by 6 percentage points, reflecting an improvement in GHG emission efficiency compared to revenue. | Diana Capital will work to improve the emission intensity ratio of its companies, focusing on long-term emission reduction. | |
| | 4 | Exposure to companies active in the fossil fuel sector | Share of investments in companies active in the fossil fuel sector | 0 | 0 | As in the previous year, none of the portfolio companies operate in the fossil fuel sector. | In compliance with its Responsible Investment Policy, Diana Capital will maintain its decision not to invest in activities related to fossil fuel extraction. | |
| | 5 | Share of nonrenewable energy consumption and production | Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources | 0,50 | 0,54 | The proportion of nonrenewable energy consumption has experienced a modest decrease, despite an overall increase in energy usage, due to a shift towards renewable sources. This trend is particularly notable in one company, which has reported a 39.5% increase in the adoption of renewable energy. | Diana Capital will continue to actively promote the adoption of renewable energy sources in its portfolio companies. | |
| | 6 | Energy consumption intensity per high impact climate sector | Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector | 0,23 | 0,20 | As in the previous year, energy consumption has remained stable. | Diana Capital will continue to take measures to reduce energy consumption intensity. | |
| Biodiversity | 7 | Activities negatively affecting biodiversity sensitive areas | Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas | 0 | 0 | As in the previous year, none of the portfolio companies negatively impact sensitive areas in terms of biodiversity. | Diana Capital recognizes the importance of preserving biodiversity and maintains its commitment to undertake future initiatives in this regard. | |
| Water | 8 | Emissions to water | Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average | 0,01 | 0,01 | Water emissions have remained stable compared to last year. | Diana Capital will continue to monitor water emissions to maintain this indicator at zero. | |
| Waste | 9 | Hazardous waste ratio | Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average | 1,82 | 0,67 | The increase in the amount of hazardous waste in 2023 is due to a change in the frequency of waste management by an investee compared to the previous year, making the two figures not directly comparable. | Diana Capital will promote measures to reduce the generation of hazardous waste and ensure it is managed more frequently. | |

| INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS | | | | | | | |
|--|--------------|---|--|-----|-----|---|---|
| Social and employee matters | 10 | Violations of UN Global Compact principles and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises | Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 0% | 0% | Just as in the previous year, none of the portfolio companies have been involved in violations of the principles of the UNGC or the OECD Guidelines for Multinational Enterprises. | Diana Capital will strive to ensure its portfolio companies become signatories of international organizations to publicly demonstrate their commitment to international standards and corresponding obligations. |
| | 11 | Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises | Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 23% | 28% | The percentage of investments in companies without compliance processes has slightly decreased due to the increase in the current value of Lappi's investment and because Lappi is the company that lacks such processes. | Diana Capital will work to ensure its portfolio companies have compliance processes and mechanisms aligned with the principles of the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises. |
| | 12 | Unadjusted gender pay gap | Average unadjusted gender pay gap of investee companies | 13% | 12% | The gender pay gap remains the same as in 2022; however, the percentage has slightly increased due to changes in the valuation of the investees. | Diana Capital will actively promote equal pay to reduce salary differences between men and women. |
| | 13 | Board gender diversity | Average ratio of female to male board members in investee companies, expressed as a percentage of all board members | 18% | 18% | There have been no changes compared to the previous year regarding board gender diversity. | Diana Capital will actively promote gender diversity on the board. |
| | 14 | Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons) | Share of investments in investee companies involved in the manufacture or selling of controversial weapons | 0% | 0% | Just as in the previous year, none of the portfolio companies are engaged in the manufacture or sale of controversial weapons. | Diana Capital will continue to comply with its responsible investment policy, which excludes financing the manufacture and trade of all types of weapons and ammunition. |
| INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS | | | | | | | |
| Greenhouse gas emissions | Table II 4 | Investments in companies without carbon emission reduction initiatives | Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement | 49% | 60% | The companies that do not have emission reduction initiatives are the same as in 2022; however, the percentage of investments in companies without such initiatives has decreased due to changes in the valuation of the investees. | Diana Capital will encourage all companies in its portfolio to measure their carbon footprint and implement reduction plans. Among the recommended measures are the replacement of fossil fuel sources with renewable energy and the implementation of energy efficiency plans. |
| Anti-corruption and anti-bribery | Table III 15 | Lack of anti-corruption and anti-bribery policies | Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption | 51% | 40% | The companies that lack anti-corruption and anti-bribery policies are the same as in 2022; however, the percentage of investments in companies without an anti-corruption and anti-bribery policy has increased due to changes in the valuation of the investees. | Diana Capital will continue to promote measures to ensure that its portfolio companies implement a comprehensive Criminal Compliance package, formalizing policies governing conflicts of interest, risk management, ESG processes, and bribery and corruption controls, and appointing a Compliance Officer. |

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

Diana Capital acts as a responsible investor by integrating sustainability risks and analyzing the principal adverse impacts on sustainability factors at each stage of the investment process. Diana Capital takes into account the principal adverse impacts (PAIs) on the sustainability factors of its investment decisions within the meaning of article 4.1 of the Regulation. These are identified during the due diligence phase and are actively managed throughout the investment period by defining and implementing actions that contribute to their reduction. Their evolution is measured through the annual calculation of 16 indicators set out in the Technical Development (RTS) of the Disclosure Regulation. A questionnaire containing specific ESG indicators is used to evaluate, measure, and monitor the improvement of ESG performance in the investees. These indicators are measured at least annually to track the evolution of their ESG performance, the information to calculate the indicators is obtained directly from the investee companies.

Engagement policies

Diana Capital maintains a continuous and constructive dialogue with its portfolio companies through regular meetings with the board of directors and management. These engagements serve as a platform to propose and implement improvements based on the monitoring of principal adverse impacts. Diana Capital places special emphasis on the following key areas:

Firstly, the company prioritizes the contribution of its portfolio companies to the decarbonization process of the economy. By actively encouraging all portfolio companies to assess their carbon footprint and develop reduction plans, Diana Capital drives sustainable practices. The action plans recommended by the company involve transitioning from fossil fuel energy sources to renewable alternatives and adopting energy efficiency measures. These initiatives align with the broader goal of combating climate change.

Secondly, Diana Capital diligently monitors employment outcomes for each portfolio company, underscoring its commitment to job creation. Through annual reports, Diana Capital evaluates indicators such as turnover rates and conducts satisfaction surveys. This thorough monitoring ensures a complete understanding of the employment landscape of the portfolio companies, facilitating targeted interventions and improvements.

Lastly, Diana Capital champions equality, diversity, and inclusion across all its portfolio companies. As an active member of the Board of Directors of each portfolio company, Diana Capital promotes the implementation of policies that foster a culture of equality, diversity, and inclusion. By closely tracking indicators such as youth employment, socially excluded groups, and people with different abilities, Diana Capital ensures progress and accountability in these areas.

Through its multifaceted approach, Diana Capital collaborates with its portfolio companies to drive positive change, decarbonize the economy, foster job creation, and promote equality, diversity, and inclusion.

References to international standards

Diana Capital and all its companies adhere to codes of responsible business conduct and comply with internationally recognized standards and norms for due diligence and disclosure. These include the principles of the UN Global Compact, the OECD Guidelines for Multinational Companies, and the UNPRI Principles for Responsible Investment. Diana Capital carries out its activities and manages its portfolio companies in accordance with the principles recognized in major international agreements. Mainly those signed within the framework of the United Nations, the International Labor Organization, or the OECD, which guide their actions in respect to the environment, human rights, and legality.

When investing and managing its investees, Diana Capital pays special attention to the contribution of the investment to the process of decarbonisation of the economy, the promotion of equality, diversity and inclusion in the employment policies of the investees and, strengthening mechanisms to ensure good corporate governance and control. In this sense, Diana Capital can align his investment with the Paris Agreement's objectives like climate change mitigation. Diana Capital believes that active management of environmental, social and governance factors, such as those mentioned above, contribute to the value creation process of investees, help to better manage risks and generate a positive contribution to the Sustainable Development Goals. Through the implementation of these performance improvements in the portfolio companies, we aim to make a significant contribution to the Sustainable Development Goals, with a particular focus on: SDG 5: Gender Equality, SDG 8: Decent Work and Economic Growth, SDG 9: Industry, innovation and infrastructure, SDG 10: Reduced inequalities, SDG 13: Climate Action and SDG 16: Peace, Justice, and Strong Institutions.

Historical comparison

The adverse impact report on sustainability for Diana Capital for the period of 2023 compared to 2022 presents advancements in some areas.

The indicators show an increase in Scope 1 and 2 greenhouse gas (GHG) emissions, primarily attributed to one company that accounts for 92% of the total Scope 1 emissions, with a 25% increase due to a rise in production volume. Despite this, the carbon footprint has decreased, reflecting an increase in the total value of the portfolio's investments. Diana Capital is committed to promoting carbon footprint measurement and the implementation of reduction plans, focusing on the substitution of fossil fuels with renewable energies and energy efficiency.

GHG intensity has decreased, reflecting an improvement in emission efficiency compared to revenue. Furthermore, Diana Capital has maintained its policy of not investing in fossil fuel sector companies and has promoted the adoption of renewable energies. Regarding biodiversity, no activities have been reported that negatively affect sensitive areas, and the commitment to undertake initiatives to preserve it remains. There have been no water emissions, and the generation of hazardous waste has increased; Diana Capital will continue to monitor and promote measures to manage these aspects responsibly.

In the social and labor sphere, there have been no violations of the principles of the United Nations Global Compact or the OECD Guidelines for Multinational Enterprises. Diana Capital will continue to promote equal pay and gender diversity in senior management.

No investments have been made in companies related to the manufacture or sale of controversial weapons, and there has been a decrease in the percentage of investments in companies without carbon emission reduction initiatives. In the fight against corruption and bribery, the percentage of those that do have them has increased. Diana Capital emphasizes the importance of implementing comprehensive criminal compliance policies and the designation of a Compliance Officer.

In summary, Diana Capital demonstrates an ongoing commitment to sustainability and social responsibility, promoting transparency and continuous improvement in its portfolio of companies. While facing challenges the Asset Manager company is actively taking steps to address these issues and encourage sustainable and ethical business practices.