

CORPORATE CLIMATE REPORTING 2023

*2023 Oquendo Climate-related Performance and
Risk Assessment (OCPRA) in line with
recommendations from the Task Force on
Climate-related Financial Disclosures (TFCD)*

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ESG Committee Statement



Rocío Goenechea , Partner & COO, Head of Investor Relations

"Oquendo is playing an increasing role in financing the green economy through our responsible investment."

The materialization of climate-related risks and opportunities increases the need for adaptation and mitigation measures. In order to properly identify, monitor, and anticipate climate-related impact in the investments completed we are launching our first annual Oquendo Climate-related Performance and Risk Assessment (OCPRA) report.

This report builds upon our Climate Strategy launched in 2021 based on three pillars:

1. Reducing the overall carbon footprint of our portfolio
2. Speeding up change by pushing a greater climate commitment
3. Mitigating climate-related risks.

The OCPRA assessment gauges our invested companies performance in a selected set of indicators to measure progress in the implementation of our climate strategy. This assessment solidifies risk management procedures and disclosure structures efforts.

This report follows best sector practices and is in line with voluntary disclosure recommendations from the Task Force on Climate-related Financial Disclosures (TFCD) developed by the Financial Stability Board (FSB).

In order to align with the TFCD disclosure recommendations, we have set higher reporting standards by incorporating more detailed carbon footprint and climate risk management variables in our ESG Scoring review.

Overall, we are working towards our net-zero journey by matching our climate commitments with actions and encouraging our invested companies to do the same. For more, information, please contact:



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Summary Disclosure against TFCD Recommendations

Governance

Governance

The Board's role in oversight

- The Board of Directors establishes and monitors our Climate Strategy. The board conducts a thorough review of all ESG and climate related policies and performance. The Board oversees the progress made in key goals such as carbon foot printing and carbon intensity of the portfolio

Management's role in assessing risks and opportunities

- The Investment Committee ensures that in most cases a climate assessment is conducted prior to any new deal. It also monitors the carbon foot printing process and the evolution of the carbon intensity of existing companies across the portfolio.

Summary Disclosure against TFCF Recommendations

Strategy

Strategy

Climate-related risks and opportunities

- On the risk side, our exposure to companies through credit, with relatively short payback periods, make our portfolio more exposed to short-term acute physical risks and relatively less vulnerable to chronic and transitional risks. The latter might therefore present opportunities rather than risks since our financing windows allow us to adjust our portfolio through selective investment.

Impact on our businesses, strategy and financial planning

- Our portfolio companies have embedded climate into their strategies, including decarbonization investments and climate risk management.
- The OCPRA report will feed into investment decision-making to maximize our climate resilience and decarbonization strategy.

Resilience based on climate change scenarios

- We have made significant progress in our capital allocation roadmap set to reduce the carbon intensity of our portfolio. In 2022, we made significant progress on the first phase of our three time-horizon approach, measuring the total carbon footprint of our portfolio (Scopes 1 and 2).
- When a more robust carbon footprint measurement is completed, we will move to the next phase, re-assess our current carbon reduction goals in order to accelerate reductions. Our portfolio is well diversified across different sectors, supporting our transition resilience and facilitating the final phase of our capital allocation roadmap, net-zeroing in 2025-2050.

Summary Disclosure against TFCD Recommendations

Risk Management

Risk Management

Processes for identifying and assessing climate-related risks

- TFCD classifies climate-related risks into two broad categories: physical and transition risks. We identify and assess our portfolio's climate-related risks through the OCPRA assessment, measuring the carbon intensity of our portfolio and the main climate-related risks and opportunities within our portfolio companies' sector and geographical location.

Processes for managing climate-related risks

- We make our best efforts to integrate portfolio carbon intensity controls into the investment process through due diligence with climate-related targets prior to investing, including portfolio carbon intensity targets.

How we integrate these risks into our overall risk management

- Our overall risk management approach follows four processes: due diligence with climate-related targets prior to investing, ESG Scoring review incorporating climate factors, the OCPRA Risk assessment with an analysis and monitoring of key performance indicators.

Summary Disclosure against TFCF Recommendations

Metrics & targets

Metrics & targets

Internal metrics

- To assess our portfolio's climate-related risks and opportunities, we monitor the most relevant physical and transition risks identified, with a special focus on portfolio carbon intensity and our own operational carbon footprint to align with Spain's goal to achieve carbon neutrality by 2050

Greenhouse gas emissions

- Our total operational emissions as an entity were 28,18 tonnes of carbon dioxide equivalent (tCO₂e) in 2022. This is comprised of Scope 1: 0 tCO₂e, Scope 2 : 2,57 tCO₂e and Scope 3 (non-investment): 25,61 tCO₂e.

Targets

- In the next few years, we will re-set our carbon reduction targets to step up our commitments. Our current decarbonization pathway already aligns with Spain's strategy and law on climate change that requires at least a 23% reduction of the overall emissions with respect to 1990 by 2030. Looking longer-term, the decarbonization pathway requires a reduction rate of 9,9% between 2020 and 2050.

Climate Strategy Status

FY22 Key Figures

Oquendo is not only committed to implementing its Climate Strategy across our portfolio, but also to exemplify this commitment as an entity by measuring and monitoring our carbon footprint, speeding up change through ESG-linked investments, and mitigating climate risks.



Reducing our carbon footprint

71%

Portfolio companies measuring their carbon footprint

28,18
tCO₂e

Oquendo's carbon footprint as an entity

42%

Increase of portfolio companies measuring their carbon footprint vs. FY2021

2,818
tCO₂e/€M

Oquendo's carbon footprint intensity

Based on Oquendo's FY22 annual turnover (10€M)



Speeding up change through responsible investments

58%

Companies with a Climate Change Strategy

208M€

Investments to ESG-linked loans

9%

Companies stepping up their climate commitment vs. FY21

13

Portfolio companies with ESG-linked loans

Climate Strategy Status

FY22 Key Figures



Mitigating climate risks

27%

Companies assessing their climate-related risks

10

Number of Key Climate Change risks identified through the OCPRA Assessment

7%

Companies stepping up their climate risk management vs. FY21

4

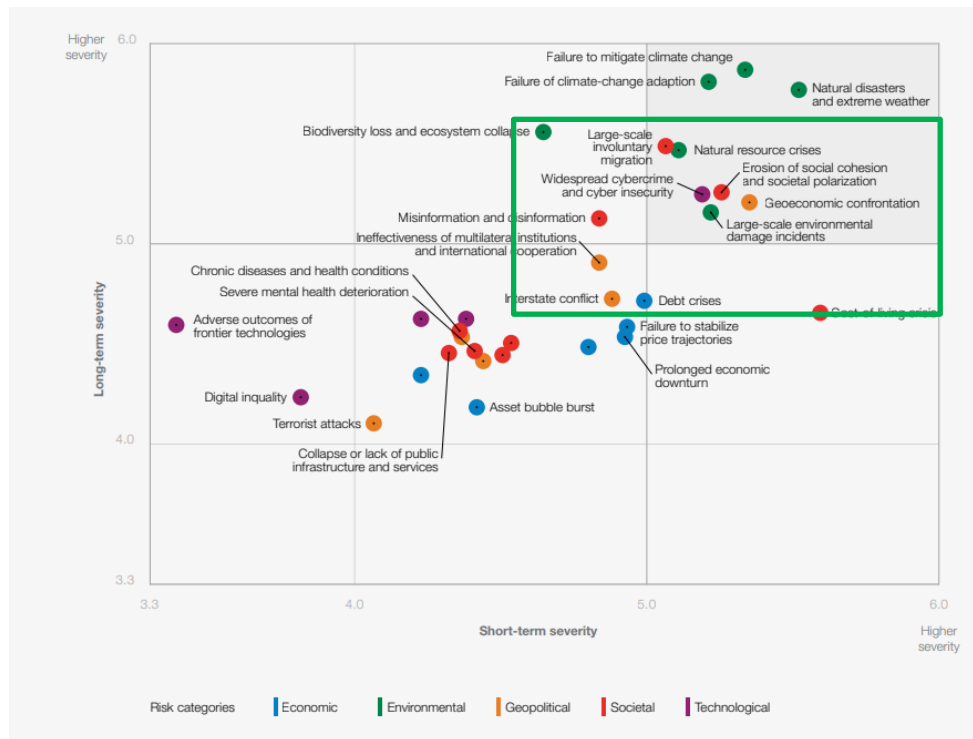
Number of Key Climate Change opportunities identified through the OCPRA Assessment

INTRODUCTION

Global context on climate-related risks and opportunities

Climate change, as it relates to all the environmental and many of the social risks, is arguably the single most important long-term risk factor to tackle from a sustainability perspective. For the first time in 2020, ESG-related risks predominated, especially environmental and societal risks, in the World Economic Forum's (WEF) global Risk perception survey. In 2023, five top risks by severity were climate-related.

WEF Survey has identified climate-related risks as top global risks



Global context on climate-related risks and opportunities

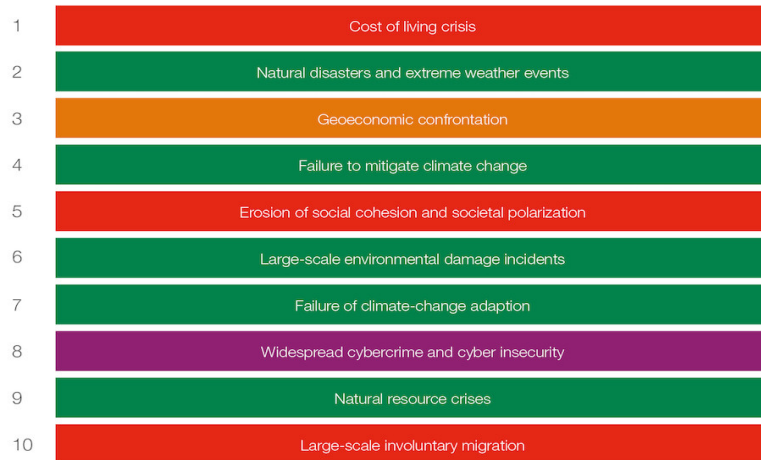
WEF Survey risks ranked by severity over the short and long term

Global Risks Report 2023

Top 10 Risks

"Please estimate the likely impact (severity) of the following risks over a 2-year period"

2 years

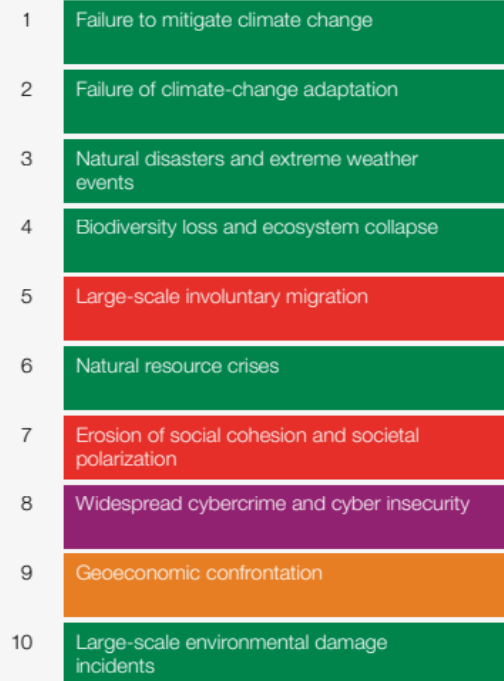


Risk categories

Economic Environmental Geopolitical Societal Technological



10 years



Oquendo's Climate Change Strategy

Oquendo is mindful that climate change is a genuine source of systemic risk during the next decades and thus that a transition to a low carbon economy is needed. Oquendo supports this transition with the necessary mitigation and adaptation measures required. To match our climate commitment with actions, we defined our Climate Change Strategy in 2021 so that our carbon footprint reduction progress is consistent with the net-zero economy goal by 2050.

Our Climate Strategy is centered around integrating climate related risks and opportunities and is based on the following three pillars with their respecting goals:



Reducing our carbon footprint

Measure our portfolio's carbon emissions and make the necessary adjustments so that it converges with a Paris aligned emission's pathway overtime.



Speeding up change through responsible investments

Play an active role in pushing a greater climate commitment from our portfolio companies, playing an increasing role in financing the green economy.



Mitigating climate risks

Climate change represents a growing risk factor that we aim to minimize across our portfolio.

Integration of TCFD recommendations

Background on the Task Force on Climate-related Financial Disclosures (TCFD)

TCFD aims to provide an approach to embed climate change risks and opportunities into a company, and a structure for climate-related disclosure.

With the publication of our first OCPRA report aligned with the TCFD, we are taking steps to continuously improve our disclosure standards as an entity and encourage our portfolio companies to do the same.



Created by Financial Stability Board (FSB), TCFD develops voluntary, consistent **climate-related financial risk disclosures** for use by companies in providing information to **investors, lenders, insurers, and other stakeholders**.

As of September 2022, support for the TCFD has grown to over **3,960 organizations**, representing a market capitalization of over **\$26 trillion**. The average level of TCFD-aligned disclosure from European companies has grown **23% from 2019-2021**

Following the TFCF Framework

In order to follow the best practices of climate-related risk disclosures set forward by the TFCF, we are following the four pillars of the TFCF Framework:



Governance

Oquendo's governance around climate-related risks and opportunities

Strategy

The actual and potential impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning

Risk Management

The processes used by Oquendo to identify, assess and manage climate-related risks (OCPRA Assessment)

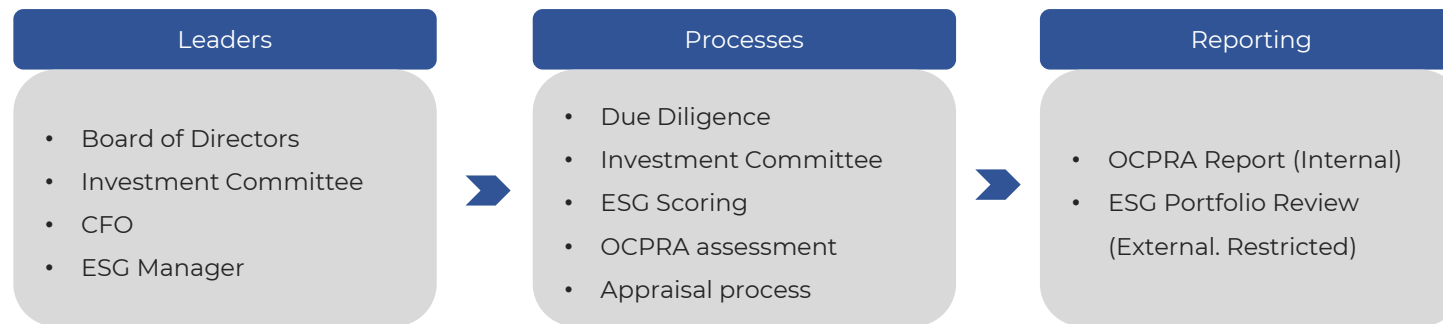
Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

GOVERNANCE

Climate Strategy Governance Framework

Given the importance of climate-related risk and opportunities to us, we have defined a clear governance framework to oversee how we assess, manage, and control our climate-risk exposure:



Governance Leaders

Board of Directors

Alfonso Erhardt, Daniel Herrero, Rocio Goenechea

The Board of Directors establishes and monitors the Climate Strategy. The Board conducts a thorough review of all ESG and climate related policies and performance. The Board oversees the progress made in key goals such as carbon foot printing and carbon intensity of the portfolio companies.

Investment Committee

Alfonso Erhardt, Daniel Herrero, Cyril de Galea, Leticia Bueno, Ricardo Junco, Miguel González Moyano, Gonzalo Liñan, Miguel Giménez de Córdoba

The Investment Committee ensures that in most cases, a climate assessment is conducted prior to any new deal. It also monitors the carbon footprinting process and the evolution of the carbon intensity of existing companies across the portfolio companies.

Chief Financial Officer (CFO)

Rocio Goenechea

The CFO is responsible for the Climate Strategy and reports to the Investment Committee and to the Board.

ESG Manager

Marta O'Dogherty

As specialist on climate-related issues, the ESG manager coordinates Oquendo's efforts on climate change. Reporting to the CFO, the ESG manager is responsible for assessing climate-related risks and gives support to analysts and portfolio managers on ESG metrics. The ESG manager prepares periodic reports on the implementation of the Climate Strategy.

Governance Processes

Due Diligence

- ✓ **Pre-investment from origination to preliminary due diligence**
- ✓ **Post acquisition from deal structuring to approval and closing**

As an integral part of the due diligence process, Oquendo collects climate-related information such as overall greenhouse gas emissions, carbon intensity, environmental policies and climate-related targets at potential companies. Every target company has a specific climate change assessment that is sent to the Investment Committee when valuing transactions.

OCpra Assessment

For the first time in 2023, Oquendo Capital produces the OCpra assessment that gauges the performance of the portfolio companies in a selected set of indicators.

ESG Scoring review

Oquendo Capital has established a proprietary scoring system that includes all the ESG variables considered for the portfolio. The ESG scoring process helps to put climate-related information into perspective along with other sustainability factors. The relevant climate-related KPIs monitored and applied by Oquendo are summarized as follows:

Tab 1.	E Environmental
KPIs Applied to all companies	1. Energy Efficiency
	2. Sustainability policy
	3. Level of Co2 Emission
	4. Waste
	5. Analyze ESG aspects taken into account
	6. Recycling Sensibilization
	7. Environmental certificates

Governance

Reporting channels

OCPRA Report

Report that contains the results of the risk and opportunity assessment of climate transition for Oquendo. This report is shared with the Investment Committee and approved by the Board of Directors.

ESG Portfolio Review

An annual overall review of the ESG performance at Oquendo. This report is not made public, but it is produced to inform our investors of the ESG characteristics of our investments and progresses made by the management company.

STRATEGY

Climate Strategy Commitments

Reducing our carbon footprint



Reducing our carbon footprint

2022 Milestones

- Increased our portfolio's carbon emissions measure. Given the small and middle-size-bias in our portfolio companies, carbon footprint calculations are an important milestone for our funds.
- In 2022 we upgraded our reporting to facilitate our portfolio companies' scientific measurement of their carbon footprint. The number of holdings currently measuring their carbon footprint has increased by 41% from FY2021 to FY2022.

2025 Goals

- Once a robust measurement of our overall footprint is completed, Oquendo will re-assess its current reduction goals in order to speed up carbon reductions.
- In order to speed up towards the robust measurement milestone, in 2022 we also began calculating an estimate of our portfolio companies' carbon footprint (Scopes 1 and 2) using their fuel and electricity consumption data.

2025-2050 Goals

- Converge the carbon intensity of our portfolio with the carbon reduction pathway required to achieve carbon neutrality by 2050 for the Spanish economy.
- This will include the revision of our contractual documents in order to provide the necessary tools to reduce total emissions, including carbon offsetting.

KEY KPIs

- Weighted average carbon intensity of portfolio (WACI)
- Oquendo's own carbon footprint (non-investment emissions)

Climate Strategy Commitments

Speeding up change



Speeding up change through responsible investments

2022 Milestones

- Strengthened the reporting standards on climate-related issues to encourage our portfolio companies to speed-up their transition to climate action.
- As part of our ESG scoring system, our portfolio companies are positively scored based on whether they have a climate or carbon footprint reduction strategy, encouraging them to take greater action.

2025 Goals

- Align our assets to a decarbonization pathway with new decarbonization targets.
- We established a notional baseline for the carbon profile of our investments aligned with Spain's strategy and law on climate change. This implies a target of an annual reduction rate of 3,6% in carbon emissions- or an equivalent 6,6% in carbon intensity- through 2030.

2025-2050 Goals

- Looking longer-term, the decarbonization pathway requires a compounded reduction rate of 7,7% in absolute emissions, or 9,9% in carbon intensity, between 2020 and 2050.

KEY KPIs

- % of companies reporting on climate-related issues
- Whether company has a Climate Change Strategy or GHG emission reduction targets

Climate Strategy Commitments

Mitigating climate risks



Mitigating climate risks

2022 Milestones

- We have now included climate-related risks reporting mechanisms in our ESG scoring review to encourage climate risk management by our portfolio companies.
- The OCPRA Assessment reporting process facilitates the implementation of more thorough climate-risk management processes and the alignment towards the TFCD climate-risk disclosure standards.

2025 Goals

- CPRA Assessment with a holistic view of our portfolio's climate-related risks and opportunities.
- Once a robust OCPRA measurement is completed, OCPRA KPIs targets will be set.

2025-2050 Goals

- Given the long-term horizon of our funds, we will be able to design a roadmap for future investments based on our OCPRA KPIs.

KEY KPIs

- # of climate-related incidents
- # of facilities in coastal areas or prone to flooding

RISK MANAGEMENT

Identification of climate-related risks and opportunities

Methodology

Approach

Our risk management or OCPRA Assessment of our portfolio companies' climate-related risks includes both physical and transition climate-related risks, the two broad categories set forward by the TFCF. The potentials financial impacts of these risks on our portfolio companies is pictured below.



On the risk side, our exposure to companies through credit, with relatively short payback periods make our portfolio's more exposed to acute physical risks and relatively less vulnerable to chronic and transitional risks. Transition risks therefore presents great investment opportunities, since our financing windows allows us to adjust the investments as transition gathers pace through selective new deals.

Identification of climate-related risks and opportunities

Methodology

Scope

Our assessment includes all 47 portfolio companies and has a geographic focus on Southern Europe. The assessment serves to disclose the following OCPRA Qualitative Assessment Indicators. The rest of indicators are disclosed in the Metrics Section of this report.

OCPPRA Qualitative Assessment Indicators

PHYSICAL

- Impact of climate-related events on profitability and business performance of companies

TRANSITION

- Business models threatened by climate-related regulations or demand shifts
- Opportunity \ threats from government subsidies/regulation

Summary of the OCPRA Assessment main sources

Additionally, we have conducted a deep-dive assessment on our portfolio's main sectors : Agriculture, Manufacturing & Retail, Healthcare & Cosmetics, and Mixed Services.

Internal sources

- **2022 ESG Portfolio Review**
- **2022, 2023 ESG Questionnaire**
- **2022 ESG Risk Exposure Assessment**
- **2021 Climate Strategy**
- **2022 ESG Roadmap**
- **Recommendations**

External sources

- World Economic Forum (**WEF**)
- Spanish and European climate-related **regulation**
- Internet sources: reports on top **climate risks and opportunities for Spain and Europe**
- Internet sources: reports on **sector trends**
- **TFCD**
- **CDP** (Carbon Disclosure Project)

Identification of climate-related risks and opportunities

Overview

OQUENDO PORTFOLIO'S CLIMATE RISKS (47 companies)

TRANSVERSAL RISKS (applies to all the portfolio)

Physical Risks: • Supply chain disruptions due to extreme weather episodes • Lack of resources (water scarcity, raw materials) • Physical active damage to assets with costs implications (repair, maintenance, and insurance)

Transition Risks: • Regulation use of certain products • Rising costs of raw materials, energy, and water
• Change in transport conditions • New consumer habits • Reporting requirements

RISKS BY SECTORS



**Food,
Agriculture
& Fishery**



**Manufacturi
ng & Retail**



**Healthcare &
Cosmetics**



**Mixed
Services**

UPCOMING REGULATION

Food waste:

- Draft Law on the Prevention of Food Waste

Packaging:

- Royal Decree 1055/2022 on packaging waste

Waste management and plastic tax:

- Law 7/2022 of April on contaminated waste and soils for a circular economy

Packaging:

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Packaging:

- Royal Decree 1055/2022 on packaging waste

Waste management and plastic tax:

- Law 7/2022 of April on contaminated waste and soils for a circular economy

Sustainable Mobility:

- Draft Law on Sustainable Mobility

Identification of climate-related risks and opportunities

Deep-dive: Food, Agriculture & Fishery



**Food,
Agriculture &
Fishery**

Risks

PHYSICAL



Water scarcity and flooding

Change in precipitation patterns, increasing flooding and water scarcity, producing crop failure and reduced performance of yields.



Extreme heat and wildfires

is expected to increase their Southern Europe is already prone to wildfires and climate change frequency and severity. Heat stress in plants and higher temperatures are also spreading pests and diseases.



Natural disasters and extreme events

Reduced performance of yields and higher crop failure due to increased frequency and severity of extreme weather events.



Biodiversity loss

Biodiversity loss and discontinuity of species in danger such as the sea bass, migration of marine species, hindering fishing. For those companies with global sourcing, discontinuity of some tropical raw materials.

TRANSITION



Technology investment

Investment in more efficient and less carbon-intensive technologies.



Demand Stigmatization of certain sectors

Lower demand for certain food products such as animal products.



Increased costs

Increased cost of raw material combined with a cost-of-living crisis.



Market risk

New competitors for substitute and complementary products that meet increasing demand for plant-based diet and increased cost of animal products.

Opportunities

TRANSITION



Diversification

Resource substitutes/diversification.



Resource use and waste management efficiency

Use of more efficient modes of sourcing food products, reducing water usage and food waste. More efficient waste management systems, reducing waste disposal costs.



Soil management

Practices such as conservation tillage, cover cropping, and nutrient management can improve soil health and increase carbon sequestration, reducing overall emissions.



Sustainable livestock management:

Sustainable livestock management practices such as improved feed efficiency and manure management can reduce emissions and improve animal welfare to decrease demand stigmatization of animal products.

Key risks

- Interruption and delay of food sourcing due to extreme events
- Increased food waste due to sourcing and manufacturing process failures

Identification of climate-related risks and opportunities

Deep-dive: Manufacturing & Retail



Risks

PHYSICAL



Physical damage

Increased physical active damage to production facilities (repair, maintenance and insurance costs) associated with extreme weather events



Resource availability

Operational limits of the use of certain materials and water.



Operational disruption

Operational and supply chain disruptions from extreme weather events.

TRANSITION



Technology investment

Investment in low-carbon manufacturing processes and waste management to meet regulatory and market demand.



Reputation

Reputation risk associated with a company's perceived commitment to reducing its carbon footprint.



Energy costs

Increased energy costs due to geopolitical landscape and investment costs to switch to renewable energy.



Carbon pricing

Carbon taxes that apply to all energy products, increasing manufacturing costs. Future carbon pricing mechanisms and policies can have additional implications.

Opportunities

TRANSITION



Innovation

Development of new manufacturing processes through R&D and innovation; development and/or expansion of low emission goods and services.



Resource efficiency

Use of more efficient modes of transport; more efficient production and distribution processes; reduced water usage and consumption.



Energy source

Participation in renewable energy programs; use of supportive policy incentives; use of lower-emission energy sources.



Circular economy:

Collaboration in the re-use and recycling of materials and waste reduction processes to promote the circular economy and reduce waste management costs.

Key risks

- Changing customer purchasing habits with decreasing ownership rates
- Supply chain disruptions due to extreme events
- New competitors for lower emission products and services
- Taxes to waste and emissions (e.g., carbon prices)

Identification of climate-related risks and opportunities

Deep-dive: Deep-dive: Mixed Services



Healthcare &
Cosmetics

Risks

PHYSICAL



Resource availability

Growing physical disruptions and biodiversity loss that increases shortages of natural materials and shrinks sources of pharmaceutical and cosmetics.



Physical damage

Potential to cause damage at facilities or production and distribution curtailments, leading to production delays



Water scarcity

Reduced water availability, which can affect the production of cosmetics and pharmaceuticals that require large amounts of water. Water scarcity can also impact the availability of clean water for sanitation and hygiene, which is critical for healthcare facilities.

TRANSITION



Regulatory changes

Regulations on the use of certain chemicals and emission reductions could increase costs for companies or require changes in production processes.



Waste management

Increased costs and regulation for waste management.



Technology investment

Investment in low-carbon manufacturing processes to meet regulatory and market demand.

Opportunities

TRANSITION



Changing disease patterns

Climate change can alter the geographic distribution and prevalence of disease and increased air pollution exacerbates respiratory and cardiovascular diseases. This may increase the demand for pharmaceuticals.



Innovation for higher-complexity care

Development of new products and services through R&D and innovation to meet higher-complexity care needs that arise from the addition of climate as a new co-occurring medical condition.



Reduced waste management costs

Implementation of programs to recycle medical and manufacturing waste and re-use packaging efficiently to reduce waste costs.

Key risks

- Lack of resources (raw materials)
- Change in consumer preferences for more sustainable options

Identification of climate-related risks and opportunities

Deep-dive: Mixed Services



Risks

PHYSICAL



Extreme weather events

Interruption of services due to extreme weather events (internet, transport).



Physical damage

Increased physical active damage (repair, maintenance and insurance costs), disrupting business operations.

TRANSITION



Carbon pricing

The carbon tax also significantly increases the costs of transportation services and logistics providers.



Market risk

Changing customer habits prioritizing sustainable choices/offerings and transportation modes.



Reputation risk

Increased supply chain complexity, which increases the difficulty to implement a solid due diligence process to meet increased regulatory and reporting standards.

Opportunities

TRANSITION



New services:

Development of new products / services through R&D and innovation; development and/or expansion of low emission services.



Resource efficiency

Use of more efficient modes of transport; more efficient production and distribution processes; reduced water usage and consumption.



Energy source

Participation in renewable energy programs; participation in carbon market; use of supportive policy incentives; use of lower-emission energy sources.







Key risks

- Taxes to waste and emissions
- Increased reporting standards with increased supply chain complexity
- Regulatory changes

Impact assessment on our businesses, strategy, and financial planning

Top transition risks





Summary of top transition risks and their estimated qualitative financial impact

Transition Risks		
RISK	DESCRIPTION	IMPACT
Direct emissions regulation	Increase in costs linked to operations due to the application of new emission regulations to meet Spain's Climate Law.	
Reporting regulation	Increased emissions disclosure reporting requirements.	
Waste management and packaging regulation	Increase in associated logistics, manufacturing, and waste management costs due to the application of new regulations on waste and packaging reduction	
Regulation use of certain products	Prohibition or restriction on the extraction of limited natural resources due to growing scarcity and biodiversity concerns, and taxes on certain products such as plastic.	
Lifecycle emissions regulation	Increased costs and complexity to adapt investments and operations to meet carbon footprint reduction goals of the entire value chain.	
Market	Change in customer habits towards decreased ownership patterns and growing demand stigmatization of certain sectors such as animal products producers.	

Impact assessment on our businesses, strategy, and financial planning

Top physical risks





Summary of top physical risks and their estimated qualitative financial impact

Physical Risks		
RISK	DESCRIPTION	IMPACT
Lack of resources	Increased costs associated with lack of resources (water scarcity, raw materials) due to rising temperatures, extreme weather events, and changes in precipitation patterns.	
Supply chain disruptions	Supply chain disruptions due to the increase in the frequency and severity of extreme weather events.	
Physical asset damage	Physical damage of assets due to extreme weather events with costs implications (repair, maintenance, insurance).	
Biodiversity	Biodiversity loss and discontinuity of species in danger, migration of marine species, and discontinuity of some raw materials, leading to delays and interruption of sourcing, especially affecting the agriculture and manufacturing sectors.	

Impact assessment on our businesses, strategy, and financial planning

Top opportunities

Summary of top opportunities and their estimated qualitative financial impact

Opportunities		
OPPORTUNITY	DESCRIPTION	IMPACT
Market	Increased profits linked to access to new markets and innovation in the development of new products and services	
Access to capital	Increased receipt of grants, incentives and financing instruments to transition to a low-carbon operations model	
Resource efficiency	Reduction of costs associated with efficiency in the use of natural resources and waste management	
Resilience	Resource substitutes and diversification, increasing the resilience of operations to unexpected supply chain disruptions and market shocks	

Integration of climate-related risks in risk management

2022 progress

Given Southern Europe's reliance on fossil fuels, the sectors most vulnerable to climate change are agriculture, tourism, and energy sectors. The agricultural sector is already suffering from reduced crop yields and increased water scarcity.

In order to reduce our risk exposure on our agricultural sector portfolio, the bonds of 13 of our portfolio companies are ESG-linked.

Additionally, Oquendo has taken the following actions to reduce the main climate-related risks identified in our 2022 ESG risk assessment:

TOP 2022 RISKS	OQUENDO'S ACTIONS
Direct emissions	Oquendo's annual carbon footprint calculations as an entity of Scopes 1, 2, and 3
Lifecycle emissios	Increased emissions disclosure reporting requirements with greater granularity of our total carbon footprint (Scopes 1+2) In the 2023 ESG Scoring review of portfolio companies
Biodiversity	In our annual ESG Scoring exercise, we ask our portfolio companies if their activities have an impact on biodiversity. In our 2023 OCPRA Assessment deep-dive by sectors, we have also measured the impact of our portfolio companies' activities on the loss of biodiversity to adapt our investments accordingly
Waste disposal	In our 2023 OCPRA assessment, we have identified the sectors most vulnerable to new waste disposal regulations to mitigate this transition risk

Integration of climate-related risks in risk management

2022 Progress on TFCF alignment

Governance	Strategy & Scenario Analysis	Risk Management
<ul style="list-style-type: none"> Defined committee charters with clear climate oversight expectations Defined processes and frequency by which the Board of Directors is informed about climate Executive level informed of climate Cross-functional ESG Committee oversees climate risk identification, prioritization, management and reporting Climate resources and skills established through subject matter specialists Has a climate policy (Climate Strategy) 	<ul style="list-style-type: none"> Climate-related risks and opportunities identified with qualitative impacts associated Initial process to define climate-related risk appetite and to consider climate in strategy and capital allocation 	<ul style="list-style-type: none"> Climate risk identification coordinated with dedicated team and common framework Communication of top strategic climate risks to the Board Initial but limited disclosure on risk management process, data, model, and asset classes

Integration of climate-related risks in risk management

2022 Progress on TFCF alignment

Metrics	Disclosure
<ul style="list-style-type: none">• Disclosures of GHG Scope 1 and 2 emissions, together with many Scope 3 categories (non-investment emissions)• GHG emissions targets are set, and progress is tracked regularly• Initial efforts to reduce Scope 1 and 2 emissions (pending approval)	<ul style="list-style-type: none">• Summarized climate disclosures embedded in OCPRA assessment• TCFD-aligned climate report (OCPRA) focused on governance and directional impacts of climate on strategy with metrics and risk management disclosures

METRICS

Internal Climate-related metrics

OCPRA Indicators Disclosure

FY22 Key Figures



Reducing our carbon footprint

40,40 Weighted average carbon
intensity of portfolio (WACI
tCO2e/€M adjusted to €)

28,18
tCO2e

Oquendo's own carbon
footprint (non-investment
emissions)



Speeding up change through responsible investments

71% Companies measure their
carbon footprint

58%

Companies with a Climate
Change Strategy or emission
reduction targets

27% Assess their climate-related
risks



Mitigating climate risks

0

Number of climate-related
incidents

2

Number of facilities in
coastal areas or prone to
flooding*

Internal Climate-related metrics

OCPRA Indicators Methodology



Reducing our carbon footprint

WACI: weighted average carbon intensity of portfolio

- **Indicator:** a portfolio's exposure to carbon-intensive companies expressed in tonnes CO₂e (carbon dioxide equivalent) / \$M revenue= 40,40 TnCO₂eq/€M for Scopes 1 and 2 emissions as reported in ESG Questionnaires.
- **Additional data points:** Total emissions (scopes 1+2)= 191.592,38 TnCO₂eq
 - \$M revenue (adjusted to €): *as a proxy we are using Total €M Annual Turnover= 4.742,21€M
- **Timeframe:** 21 companies with FY2022 data and 8 companies with FY2021 data.*
- **Scope:** Scopes 1 and 2 emissions due to lack of data availability of Scope 3 emissions.
- **Data source:** 2023 ESG Questionnaire; 2022 ESG Questionnaire. Companies use de Miteco tool for calculations or collaborate with third parties following GHG protocol.
- **Data reliability:** Medium – High level of disclosure (71% companies) measure their total carbon footprint, but for some it is unknown whether a third party verifies their calculations.

Oquendo's carbon footprint (non-investment emissions)

- **Indicator:** Oquendo Capital SGEIC-SA carbon footprint for the Madrid Office in María de Molina, Calle de María de Molina 40.
- **Additional data points:**
 - Scope 1= 0 tCO₂e
 - Scope 2= 2,57 tCO₂e
 - Scope 3 (non-investment)= 25,61 tCO₂e
- **Timeframe:** FY2022 data
- **Scope:** Scope 1, 2, and 3 emissions. Scope 3 emissions limited to paper and printing consumption, work travel, and employees work commute for Madrid Office.
- **Data source:** calculations by third party (GreeMko) with emission factors compiled from MITERD (Spanish Ministry for the Ecologic Transition); DEFRA (Department for Environment, Food & Rural Affairs); Ecocost: Design 4 sustainability; Ecoinvent; and OCC (Catalan Office for Climate Change).
- **Data reliability:** High – calculations performed by qualified third-party experts with credible data sources.

Internal Climate-related metrics

OCPRA Indicators Methodology



Speeding up change through responsible investments

% Companies reporting on climate-related issues

- **Indicator description:** % portfolio companies measuring their carbon footprint; % companies assessing their climate-related risks as reported in the ESG Questionnaires.
- **Timeframe:** FY2022 data from 45 out of 47 companies and FY2021 data from 29 companies. **Scope:** Question in ESG Questionnaire “Does the company measure its carbon footprint annually?”; “Does the company have any climate risk mitigation policies or initiatives?”
- **Data source:** 2022 ESG Questionnaire; 2023 ESG Questionnaire; Companies’ ESG Reports
- **Data reliability:** High – given that it is only an indicator portfolio companies’ disclosure and there is a High level of disclosure (45 out of 47).

% Companies with a Climate Change Strategy or emission reduction targets

- **Indicator description:** % of companies that have a Climate Change Strategy or emission reduction targets as reported in the ESG Questionnaires.
- **Timeframe:** FY2022 data from 45 out of 47 companies and FY2021 data from 29 companies.
- **Scope:** Question in ESG Questionnaire: “Do you have a climate change strategy or GHG emission reduction targets?”
- **Data Source:** 2022 ESG Questionnaire; 2023 ESG Questionnaire; Companies’ ESG Reports
- **Data reliability:** High – given that it is only an indicator portfolio companies’ disclosure and there is a High level of disclosure (45 out of 47).

Internal Climate-related metrics

OCpra Indicators Methodology



Mitigating climate risks

Number of climate-related incidents

- **Indicator description** : Number of climate-related incidents to assess portfolio companies' vulnerability to physical risks.
- **Additional data points**: 4 companies (Natra, Profand, AGQ, Alsur) did report that they suffered climate-related incidents or have identified climate-related physical risks affecting their operations but cannot quantify the number of climate-related incidents nor the financial impact.
- **Timeframe**: FY2022
- **Scope**: Question in ESG Questionnaire "Has the company experienced any incidents related to climate change that have affected its profitability or business performance? If yes, please indicate the number of incidents and the economic impact."
- **Data source**: 2023 ESG QUESTIONNAIRE
- **Data reliability**: **Low** - given the small percentage of companies (only 27%) that assess climate-related risks and opportunities, and **Medium** level of disclosure (34 portfolio companies).

Number of facilities in coastal areas or prone to flooding: 2 (Natra, Aquanaria; 1 each)

- **Indicator description**: Number of facilities in coastal areas or prone to flooding to assess portfolio companies' vulnerability to physical risks.
- **Additional data points**: 2 companies in the agricultural sector (Agrupapulpi, Alsur) did report that some facilities are in areas at risk to flooding but did not report how many. 4 companies also reported that it is Not Applicable to them.
- **Timeframe**: FY2022
- **Scope**: Question in ESG Questionnaire: "Indicate the number of installations in coastal or flood-prone areas of the company."
- **Data Source**: 2023 ESG QUESTIONNAIRE
- **Data reliability**: **Low** - given the small percentage of companies (only 27%) that assess climate-related risks and opportunities, and **Medium** level of disclosure (34 portfolio companies).

Reducing our carbon footprint

Carbon reduction and mitigation plan

Carbon targets Resetting 2023-24

- Keep encouraging portfolio companies to measure their carbon footprint (from 70% companies in FY2022)
- Recommendation: request companies to disclose their total Scope 3 emissions with a new question in the 2024 ESG and their methodology (e.g. some companies for Scope 3 only include travel emissions)

Speeding up change

ESG Portfolio Review Report Annual

- Keep encouraging portfolio companies to commit to a Climate Change Strategy or emissions reduction targets, communicating their ESG performance
- Recommendation: For ESG-linked loans, explore not only linking objectives to SDGs, but also climate-related targets (carbon footprint, climate-related risks management systems, etc.)
- Recommendation: Analyse and establish new partnerships and associations to speed up change





Mitigating risks

OCPRA Report

- Keep encouraging portfolio companies to assess climate-related risks and opportunities (from 27% companies in FY2022)
- Recommendation: Communicate climate-related risks and opportunities to portfolio companies to improve their climate-related mitigation and adaptation plans

Risk Mitigation Action Plan

Alignment with TFCF Strategy & Disclosure

	 Climate-related risks and opportunities strategy	 Scenario analysis	 Portfolio's disclosure	 Oquendo's disclosure
OBSERVATIONS	<ul style="list-style-type: none"> Limited climate-related risks mitigation and opportunities enablement action plan 	<ul style="list-style-type: none"> Lack of scenario analysis to assess impact of climate-related risks 	<ul style="list-style-type: none"> Limited TFCF disclosure from portfolio companies (e.g., 34/47 companies filled out the 2023 ESG Questionnaire) 	<ul style="list-style-type: none"> Limited TFCF-aligned disclosure due to lack of reporting by portfolio companies
RECOMMENDATIONS	<ul style="list-style-type: none"> ❑ Develop a strategy to mitigate impacts of physical and transition risk on near-term activities ❑ Lower priority - Perform a quantitative assessment of climate-related risks and opportunities financial impact 	<ul style="list-style-type: none"> ❑ Lower priority - Use scenario analysis to assess potential climate-related risk impacts on specific geographies, processes or lines of business (LOB) in the short-term 	<ul style="list-style-type: none"> ❑ Promote the completion of ESG Questionnaires by portfolio companies; especially for the ones without other ESG reporting sources ❑ Keep broadening TFCF disclosures in future ESG Questionnaires once companies have improved their measurement and risk management systems 	<ul style="list-style-type: none"> ❑ List climate risks in Oquendo's financial reports with detail on how they were identified, categorized, managed, or monitored and tools used ❑ Disclose climate risks within financial filing and regulatory filings

Risk Mitigation Action Plan

Alignment with TFCDD Governance & Risk Management



Governance



Risk management

OBSERVATIONS

- A more detailed Climate Strategy plan is required by 2025
- Limited disclosure on risk management process, data, model, and asset classes

RECOMMENDATIONS

- ☐ Link climate to Partners and Leadership performance measurement / incentives
- ☐ Embed climate in strategic planning, capital allocation and product development, and fully integrate it with the businesses and strategy
- ☐ Implement knowledge sharing across risk functions
- ☐ Fully define climate risk appetite
- ☐ Fully embed climate risk considerations in all risk management processes