

Sustainability disclosure

Fondo Italiano FoF Impact Investing

Disclosure pursuant to art. 10 EU Reg. 2019/2088

Summary

The reserved closed-end Italian Alternative Investment Fund named "FOF Impact Investing" has as its objective sustainable investments within the meaning of Article 9 of the EU Regulation 2019/2088 (or "SFDR Regulation"). The sustainable investment objective of the Fund is to contribute to the goals set out in the 2030 Agenda for Sustainable Development (so-called Sustainable Development Goals - SDGs), adopted by all Member States of the United Nations in 2015, through direct and indirect investments. In particular, the Fund contributes to one or more of the following SDGs:

- Those related to: Affordable and clean energy, 13. Climate action, 14. Life under water, 15. Life on land.
- Social SDGs, in particular those referring to: 1. No poverty, 2. Zero hunger, 3. Good wealth and well-being, 4. Quality education, 5. Gender equality, 6. Clean water and sanitation, 8. Decent work and economic growth, 9. Industry, innovation and infrastructure, 10. Inequality reduction, 11. Reducing inequalities, 11. Sustainable cities and communities, 12. Responsible consumption and production, 16. Peace, justice and strong institutions, 17. Partnership for the goals.

The Fund pursues sustainable environmental and social investment objectives by investing in Italian schemes and Social Enterprises that follow the following strategy and comply with its binding elements:

- Negative selection. The Fund provides for exclusion criteria set out in the Fund's Rules that relate to sectors that are controversial from a social or environmental point of view and, therefore, it may not invest in Schemes whose investment policies allow for direct or indirect investment in one or more of these sectors, or in Italian Social Enterprises active in one or more of these sectors.
- Positive selection. The Fund provides criteria for selecting investments with a positive impact on sustainable development. In particular, the Fund makes Primary Investments and Secondary Investments in Schemes (a) whose investment strategy pursues Impact Investing and (b) which qualify as financial products that have sustainable investment objectives within the meaning of Article 9 of Regulation (EU) 2019/2088 ("SFDR") and invest in companies pursuing the sustainable development goals (SDGs) selected by the Fund.
- Similarly, the Fund makes Co-Investments in Italian Social Enterprises that pursue the sustainable development goals (SDGs) chosen by the Fund and that are present in the investment portfolios of the Subscribed Schemes.

In particular, the minimum proportion of sustainable investments with social objectives is 60%, while the minimum proportion of sustainable investments with environmental objectives is 15% and does not include investments in environmentally sustainable economic activities in accordance with the EU taxonomy. Investments that do not qualify as sustainable (equal to a maximum of 25% of the total invested) are residual investment instruments and Social Basket Bonds (the latter for a maximum of 20% of the commitment) issued in favour of Italian Social Enterprises.

The Fund, in the pre-investment phase and thereafter, follows a procedure for investments in Schemes based on the analysis of the investment policies, the assessment methods used and the results obtained with respect to the "Do Not Significant Harm" principle, the negative effects on sustainability factors, the

alignment with the OECD guidelines for multinational companies and with the United Nations Guiding Principles on Business and Human Rights, and the respect of good governance practices. With reference to Italian Social Enterprises, the Fund applies an autonomous control procedure defined on the basis of regulatory provisions, which aims to verify ex-ante and ex-post that the activities carried out by the companies do not cause significant damage to any environmentally and socially sustainable investment objective and respect good governance practices.

The achievement of the sustainable investment objective is measured through indicators defined ex-ante in line with the Fund's strategy and shared with the individual Scheme Managers in which the Fund invests, based on the environmental and social objectives pursued by the individual Scheme. For the purpose of monitoring the achievement of the investment objective, the Fund requests, through specific tools and on a periodic and regular basis, the necessary data with respect to the performance related to the sustainability indicators: these data are subject to analysis and processing in order to assess the need for further analysis and, ultimately, the satisfaction of the sustainable investment objective. To this end, the Fund undertakes to verify that the Schemes and the Italian Social Enterprises in which it invests are able to provide all the necessary data and in accordance with the required deadlines.

Furthermore, the Fund may engage with the Managers of the Schemes and the Italian Social Enterprises in which it invests by establishing a direct dialogue with the companies to positively influence their management.

No specific index has been designated as a benchmark to determine whether the Fund achieves its sustainable investment objectives. Furthermore, the Fund does not have emissions reduction as a specific objective. Information on the achievement of environmental and social objectives will be provided in the fund's reports.

No significant damage to the sustainable investment objective

The Fund verifies that sustainable investments do not cause significant detriment to any environmentally and socially sustainable investment objectives using a procedure defined based on the applicable regulatory provisions and agreed with the individual Scheme Managers of the Schemes in which the Fund invests.

In particular, in the pre- and post-investment phase, the investment policy of the individual Scheme, the valuation methods used, and the results obtained are examined in order to have effective evidence of the correct application of the agreed procedure.

In this regard, the Fund also negotiates specific contractual provisions establishing monitoring mechanisms and, in the event of any negative outcome, specific obligations for the Managers of the Schemes in their portfolio to take action: in particular, any negative outcome of the above verifications will entail the obligation to share an intervention plan and to provide a constant update on the implementation of said intervention plan, which, if not fulfilled within the agreed timeframe, will legitimize the investors' decision to discontinue the investment activities of the Scheme early, remove the Manager or liquidate the Scheme early.

With specific reference to direct investments in Italian Social Enterprises, the Fund applies in the pre- and post-investment phases an independent control procedure defined on the basis of the regulatory provisions in force, which aims to verify ex-ante and monitor on an ongoing basis that the activities carried out by the companies do not cause significant harm to any environmentally or socially sustainable investment objective and, if necessary, to identify all the organizational and process measures that ensure that the company carries out its activities in compliance with the "Do Not Significant Harm" objective.

This procedure is based on the analysis and processing of information received from the Managers of the Portfolio Schemes - with which direct investments in Italian Social Enterprises are shared - and of data and information acquired by the companies independently from the Fund. For these purposes, when investing, the Fund also negotiates specific contractual provisions establishing monitoring mechanisms and reporting

obligations for the Italian Social Enterprise directly in favor of the Fund itself.

The Fund considers the Principle Adverse Impacts Indicators when selecting the Schemes and the Italian Social Enterprises and monitors them during the investment period. In particular, the Fund monitors the performance of all the adverse effects envisaged by the regulations in Table 1 of the EU Delegated Regulation 2022/1288, i.e., with reference to (i) GHG emissions, (ii) biodiversity, (iii) water, (iv) waste, and (v) indicators on social and personnel issues. In addition, it is envisaged that the negative effects envisaged in Tables 2 and 3 of the EU Delegated Regulation 2022/1288 that are appropriate to the characteristics of the specific investment and for their relevance to the SDGs impacted by the Fund will be monitored.

Precisely, in the pre- and post-investment phase, the investment policy of the individual Scheme in which the Fund invests, the evaluation methods used, and the results obtained are examined in order to have effective evidence of the correct monitoring and to collect the data necessary for monitoring by the Fund. Should these analyses highlight criticalities on the implementation of the monitoring process or on the performance of the Adverse Impacts Indicators, the Fund activates appropriate mechanisms, specifically included in the investment contractual documentation, which oblige the Managers to intervene with appropriate actions aimed at improving the performance evidenced by the Principle Adverse Impacts Indicators and/or the monitoring and management process of the same, which will be monitored by the Fund (see above).

With specific reference to direct investments in Italian Social Enterprises, the Fund directly monitors, in the pre- and post-investment phases, the trend of negative effects on the sustainability factors generated by the enterprises through the collection and analysis of the Principle Adverse Impacts Indicators; in this way, the Fund assesses their relevance and priority to define action plans that lead to the minimization of negative effects in agreement with the enterprises.

In this way, the Fund considers the indicators of negative impacts on sustainability factors at portfolio and investment level.

The Fund verifies that investments made directly and indirectly are aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights in the investment selection and management phase.

In particular, in the pre- and post-investment phase, the investment policy of the Scheme in which the Fund invests is examined, as well as the evaluation methods used, and the results obtained in order to have effective evidence of the alignment of investments and to collect the information necessary for the Fund's verification.

This monitoring activity carried out by the Fund is aimed at verifying any misalignment of the investments with respect to the principles and guidelines, which, should it occur, would lead to an explicit request to the Manager to remove all the causes leading to non-compliance within pre-established timeframes and to adopt all the measures that would restore the conditions for considering the investment as sustainable (see above).

With reference to direct investments in Italian Social Enterprises, the Fund directly verifies, from the pre-investment phase and thereafter, through periodic monitoring activities, that the activities carried out by the enterprises do not violate the principles contained in the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work and the International Charter of Human Rights. In the face of areas of weakness that have emerged from the analysis carried out, the Fund requires companies to strengthen or re-establish by pre-established deadlines all the strategic, organisational and operational solutions necessary for their activities to be carried out in compliance with these principles.

Sustainable investment objective of the financial product

The sustainable investment objective of the Fund is to contribute to the goals set out in the 2030 Agenda for Sustainable Development (the so-called Sustainable Development Goals - SDGs), adopted by all Member States of the United Nations in 2015, through direct and indirect investments. In particular, the Fund contributes to one or more of the following SDGs:

- Environmental SDGs, in particular those related to: 7. Affordable and Clean Energy, 13. Climate Action, 14. Life Below Water, 15. Life on Land.

- Social SDGs, in particular those related to: No Poverty, 2. Zero Hunger, 3. Good Wealth And Wellbeing, 4. Quality Education, 5. Gender Equality, 6. Clean Water And Sanitation, 8. Decent Work And Economic Growth, 9. Industry, Innovation And Infrastructure, 10. Reduced Inequalities, 11. Sustainable Cities And Community, 12. Responsible Consumption And Production, 16. Peace, Justice And Strong Institutions, 17. Partnership For The Goals.

Investment Strategy

The Fund's sustainable environmental and social investment objectives are pursued by investing in Italian Schemes and Social Enterprises through the following strategy:

- Negative Selection. The Fund provides for exclusion criteria set forth in the Fund's Rules concerning sectors that are controversial from a social or environmental point of view and, therefore, the Fund may not invest in Schemes whose investment policies allow direct or indirect investment in one or more of these sectors, or in Italian Social Enterprises active in one or more of these sectors.
- Positive selection. The Fund provides criteria for selecting investments with a positive impact on sustainable development. In particular, the Fund makes Primary Investments and Secondary Investments in Schemes (a) whose investment strategy pursues Impact Investing and (b) which qualify as financial products that have sustainable investment objectives within the meaning of Article 9 of Regulation (EU) 2019/2088 ("SFDR") and invest in companies pursuing the sustainable development goals (SDGs) selected by the Fund.
- Similarly, the Fund makes Co-Investments in Italian Social Enterprises that pursue the sustainable development goals (SDGs) chosen by the Fund and that are present in the investment portfolios of the Subscribed Schemes.

The binding elements of the investment strategy used are:

- Exclusive selection of Schemes (a) whose investment strategy pursues Impact Investing and (b) that qualify as financial products that target sustainable investments within the meaning of Article 9 of Regulation (EU) 2019/2088 ("SFDR Regulation") and invest in companies that pursue the Fund's chosen Sustainable Development Goals (SDGs) and comply with the good governance practices specified in the following paragraph.
- Exclusive selection of Italian Social Enterprises that pursue the sustainable development objectives chosen by the Fund, that comply with the good governance practices specified in the following paragraph and that are present in the investment portfolios of the Schemes referred to in the previous poi

At the selection and monitoring stage during the investment holding period, the Fund verifies that the companies held in its portfolio directly and indirectly through the above Schemes comply with good governance practices (sound administration and control structures, quality of employee relations, appropriate staff remuneration and tax compliance) using a procedure defined on the basis of the applicable regulatory provisions and agreed with the individual Managers.

The proper application of this procedure is verified from the pre-investment stage and thereafter, with regard to the investment policy of the Scheme underwritten, the valuation methods used, and the results obtained.

The objective of this analysis is to ensure that the portfolio investments comply with good governance criteria; otherwise, the Manager of the Underwritten Scheme is obliged to initiate, under the Fund's supervision, all actions regarding governance structures and personnel and tax management that are necessary to re-establish compliance within pre-determined timeframes (see above).

With specific reference to direct investments in Italian Social Enterprises, the Fund verifies, from the pre-investment phase and thereafter, through periodic analyses that the companies' ownership and organisational structures comply with good governance practices; If areas for improvement are identified during the analysis, the Fund requires the company to adopt all the necessary safeguards to carry out its business activities through sound administration and control structures, establishing fair relations with employees - including in terms of fairness in staff remuneration policies - and ensuring tax compliance.

These analyses are conducted using both the information made available by the Managers of the subscribed Schemes - with which the Fund's direct investments are made - and data and information acquired from the companies independently by the Fund, which processes the analysed information in order to assess the compliance with good governance practices by the Italian Social Enterprises invested in and to take the necessary actions to re-establish their requirements. These actions are also implemented by virtue of specific commitments made directly to the Fund at the time of the latter's investment and therefore directly activated by it.

The Fund also makes investments in Social Basket Bonds in accordance with the following criteria: 1) the portion of the issue subscribed or purchased by the Fund is always a minority share; 2) in any case the Fund never assumes the position of lead investor of the issue; 3) the maximum share of investment in these instruments can be up to 20% of the total commitment

Share of investments

The Fund invests mainly in Italian Social Schemes and Enterprises and in Social Basket Bonds (the latter for up to 20% of the total commitment). Residually, the Fund may also invest in the following instruments

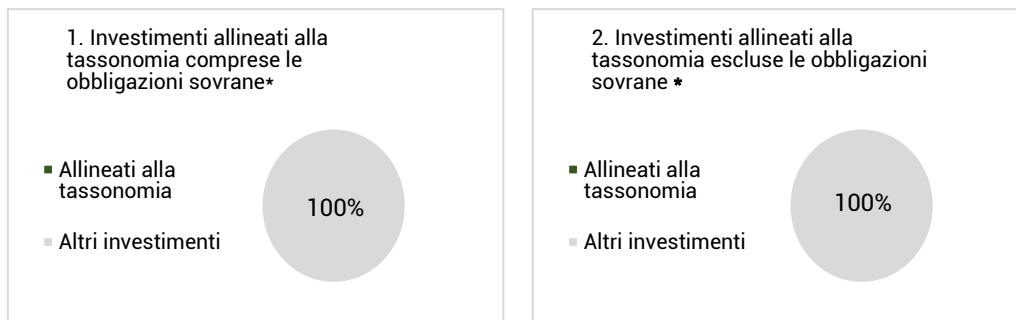
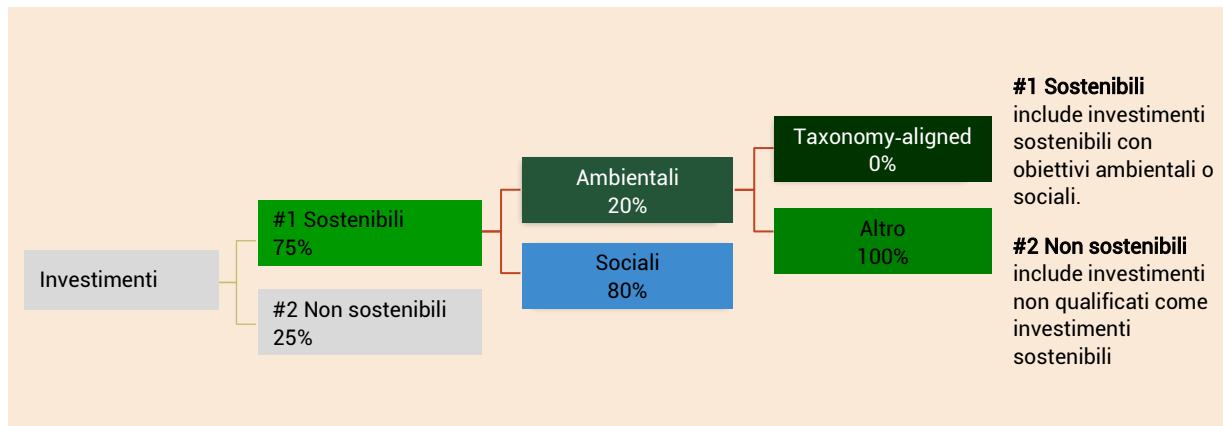
- i. any other security allowing the acquisition of Schemes, Italian Social Enterprises and Social Basket Bonds referred to in the previous points;
- ii. option contracts for the purchase and/or subscription of instruments and other assets referred to in the preceding points;
- iii. money market instruments and/or other debt instruments and assets, solely for liquidity management purposes.

The minimum share of sustainable investments with a social objective and with an environmental objective is 60% and 15% respectively of the total invested. Without prejudice to the objective of respecting the aforementioned minimum quotas, the distribution of the aforementioned quotas between investments with a social objective and investments with an environmental objective may vary in light of the concrete market situation, which will be communicated to investors as appropriate.

This distribution includes both indirect and direct investments, it being understood that the latter may represent a maximum of 25% of the total amount of the Fund.

Investments that do not qualify as sustainable (representing a maximum of 25% of the total amount invested) are the instruments specified in points i), ii) and iii) of the previous section and Social Basket Bonds (the latter for a maximum of 20% of the commitment). Although the latter are not included among sustainable investments, it should be noted that they are securities issued in favour of Italian Social Enterprises to finance securitisation transactions carried out through the subscription or purchase of a plurality of bonds and similar securities and/or the disbursement of loans involving Italian Social Enterprises, i.e. entities that

pursue the goal of achieving social impact by providing entrepreneurial solutions to social problems based on an incremental approach and define their social impact objectives ex ante within their business plan, using their own corporate growth to increase their objectives. The nature of the companies financed ensures that they do not harm social issues, but rather contribute to them.



*Ai fini dei grafici di cui sopra, per «obbligazioni sovrane» si intendono tutte le esposizioni sovrane.

Monitoring the Sustainable Investment Objective

The monitoring of the sustainable investment objective is carried out by means of indicators that are defined ex-ante in coherence with the Fund's strategy and shared with the individual Scheme Managers of the Schemes in which the Fund invests, based on the social and environmental objectives pursued in practice by the individual Scheme, assessing, in particular, their ability to demonstrate their effective contribution to the SDGs pursued by the Fund.

The Fund monitors on a regular and periodic basis the achievement of the sustainable environmental and social investment objectives through the sustainability indicators agreed with the Managers. The Fund's investment process also incorporates key sustainability risks through a Fund-wide risk estimation model that uses specific key risk indicators to estimate sustainability risk. The results of this process are analysed and integrated into the documentation relevant to the investment and in the monitoring phase. Finally, engagement activities aimed at establishing a constructive dialogue with the investee companies and Scheme Managers may also be envisaged to enable complete and effective monitoring.

Methodologies

The achievement of the financial product's sustainable investment objective is measured through indicators borrowed from the main international standards available on the subject published by recognized bodies and institutions on the market (e.g. United Nations, Principles for Responsible Investment - PRI, Global Reporting Initiative - GRI, SASB).

The process of monitoring the sustainable investment objectives is based on methodologies consistent with the Responsible Investment policy adopted by the SGR for the integration of sustainability risks in the investment processes. In particular, the Fund, through specific tools used for this purpose, periodically requests from the Managers of the Subscribed Schemes and the Italian Social Enterprises in which it has directly invested the data necessary to calculate the sustainability indicators used to monitor the achievement of the sustainable investment objective.

Sources and processing of data

The monitoring of the responsible investment objective and related indicators is based on data collected directly, on a regular and periodic basis, from the Scheme Managers and the Italian Social Enterprises in which the Fund invests directly. Once received, this data is analysed by the investment team and verified in order to assess the need for further investigation with the Scheme Managers and/or Social Enterprises regarding the information provided, in particular in case of omissions or if inconsistencies are identified.

For the purposes of calculating sustainability indicators, a dashboard is used to monitor ESG performance, and the indications contained in the main international standards on the subject and published by recognized bodies and institutions on the market are taken into consideration when selecting the indicators.

The SGR undertakes to use only data relating to the reference period collected on a timely basis by the Scheme Managers and the Italian Social Enterprises in which the Fund invests directly, reserving the right to use estimated data as a last resort if, for reasons of force majeure, such data should not be available, such as, for example, in the case of investments made close to the reporting period in enterprises that have not had sufficient time to implement adequate safeguards to monitor the required data.

Limitations of methodologies and data

There are no limitations to the methodology and data sources used. However, there may be contextual limitations at the time of the investment due to the lack of adequate safeguards for monitoring ESG performance, especially in view of the nature of Social Enterprise, or of specific indicators related to environmental and social aspects among the Scheme Managers and/or in the Social Enterprises in which the Fund invests directly, which, in any case, the SGR undertakes to address by requesting the adoption of adequate safeguards in order to implement and ensure the proper monitoring of sustainability indicators.

Due diligence

The Fund assesses in the pre-investment phase the investment policies of the Schemes in which it subscribes in order to analyze the sustainable investment objective and to carry out verifications related to the requirements of Do Not Significant Harm and good governance practices. In particular, the Fund analyses each Scheme's investment policies, assessment methods and performance with reference to the "Do Not Significant Harm" principle, the negative effects on sustainability factors, alignment with the OECD Guidelines for Multinational Enterprises and the United Nations Guiding Principles on Business and Human Rights, and good governance practices.

With reference to direct investments in Italian Social Enterprises, an independent control procedure is envisaged with the aim of verifying compliance with the 'Do Not Significant Harm' principle, any negative effects on sustainability factors, alignment with the OECD guidelines for multinational enterprises and with the United Nations Guiding Principles on Business and Human Rights, and compliance with good governance practices. This procedure is based on the analysis and processing of information received from the Managers



of the Portfolio Schemes - with whom direct investments in Italian Social Enterprises are shared - and data acquired from the companies independently by the Fund.

Commitment policies

The fund envisages that, if significant ESG risks related to portfolio investments are identified, engagement activities may be initiated with the Scheme Managers and Italian Social Enterprises in which it invests by establishing a direct dialogue in order to positively influence their management.

Achieving the sustainable investment objective

No specific index has been designated as a benchmark to determine whether the Fund achieves its sustainable investment objectives. Furthermore, the Fund does not have emissions reduction as a specific objective. Information on the achievement of environmental and social objectives will be provided in the fund's reports.