

## Sustainability disclosure

### Fondo Italiano Agri & Food – FIAF

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

##### Summary

The reserved closed-end Investment Alternative Fund named “Fondo Italiano Agri & Food - FIAF” (the “Fund”) promotes, among others, environmental and social characteristics pursuant to art. 8 of Regulation EU 2019/2088 (or “SFDR”) but does not make sustainable investments.

In fact, the Fund, promotes the protection and preservation of natural environment and labour protection, by preferring to invest in companies in the agri-business sector that, by complying with the binding elements of the investment strategy and the requirements of good governance practices, enable the promotion of the aforementioned environmental and social characteristics. Specifically, the investment strategy provides for:

- the exclusion from the investment universe of companies involved (or directly or indirectly controlling other companies involved) in socially or environmentally controversial sectors and activities;
- investment in companies that meet ESG requirements and/or which have significant ESG potential and, specifically, in companies in the agribusiness sector that, by applying technological innovations, can enable a transition of the sector to a more sustainable model than the traditional one.

Compliance with the environmental and social characteristics promoted by this financial product is measured through indicators defined according to the specific characteristics of each target company and to the main international standards available on the subject and published by recognized market bodies and institutions (e.g. United Nations, Global Reporting Initiative - GRI, SASB). In particular, the following indicators are mainly expected to be used for this Fund:

- protection and preservation of the natural environment: greenhouse gas (“GHG”) emissions; consumption of non-renewable energy; impacts on areas of high biodiversity and soil; revenues realized from activities in the fossil fuel sector and other excluded sectors;
- labour protection: penalties received for violation of labour law regulations; adoption of supplementary pension schemes for employees.

For the monitoring, the Fund directly requests from the portfolio companies, through specific tools and on a periodic and regular basis, the data needed with respect to the performance of sustainability indicators: these data are subject to analysis and processing, also with the support of specialized third parties, in order to assess the need for in-depth analysis with companies and, ultimately, compliance with the environmental and social characteristics promoted. To this end, the Fund commits to verify that all portfolio companies can provide all the necessary data and according to the required timelines.

Any serious shortcoming arising during the investment process that may undermine compliance with these characteristics results in the definition of action plans that are agreed upon with the companies' management in order to align their business models with the social and environmental characteristics promoted by the financial product.

Specifically, the Fund conducts due diligence activities on investment targets using an internally developed framework for direct investments that allows for in-depth analysis of cross-cutting ESG aspects for all

targets and specific aspects considering the characteristics promoted by the Fund's strategy and material ESG aspects based on the target company. In addition, the Fund plans to carry out engagement activities with portfolio companies by establishing a direct dialogue with them in order to promote a sustainable approach and positively influence their management.

### **No sustainable investment objective**

This financial product promotes environmental or social characteristics but does not have as its objective sustainable investment.

### **Environmental or social characteristics of the financial product**

The environmental and social characteristic promoted by the Fund are the protection and preservation of the natural environment and the protection of labour.

### **Investment strategy**

The promotion of the environmental and social characteristics of the Fund is carried out through the implementation of an investment strategy that includes:

- Negative selection. The Fund excludes from the investment universe socially or environmentally controversial sectors or activities. Specifically, the Fund may not invest in companies that are involved (or directly or indirectly control other involved companies) in one or more of the following sectors (so-called "excluded sectors"):
  - a) companies or entities involved in the production, trade, stockpiling sale, transfer, import, export or any other activities or associated service (including technological research) with "Controversial Weapons" or of key components (building component, support service, etc.) of any of the system of the said weapons. "Controversial Weapons" are defined as the following categories of weapons: nuclear arms, chemical weapons, biological weapons, depleted uranium weapons, anti-personnel mines, anti-tank mines, cluster/bombs or (munitions) submunitions;
  - b) cultivation, processing, distribution of tobacco and its derivatives (e.g., cigarettes, cigars, pipe tobacco);
  - c) production or distribution through any channel of pornographic material;
  - d) activities and services that promote prostitution and its advertising;
  - e) exploration, mining, processing/transformation, storage, distribution and trade of thermal coal. Power generation from coal;
  - f) exploration, extraction, processing/transformation, storage, refining, distribution, storage and trade of fuel oil. Production of energy from fuel oil;
  - g) companies whose activity is aimed directly or indirectly (e.g. support services) at producing goods/providing gambling-related services (e.g. slot machines, casinos, etc.);
  - h) production or trade in asbestos or its derivatives.
- Positive selection. The Fund plans to invest in companies that meet ESG requirements and/or which have significant ESG potential and, specifically, in companies in the agribusiness sector that, by applying technological innovations, can enable a transition of the sector to a more sustainable model than the traditional one. By way of example (and in any case not exhaustive), investments made, predominantly, in the following areas are allowed:
  - 1) products (including, for example, seeds and those deriving green chemistry), services and high technological machinery useful at implementing smart farming practices;

- 2) companies operating in primary production activities and in the relevant first transformation processes;
- 3) plants and machinery for the processing, transformation, storage and trade of food and beverage products;
- 4) production, storage and marketing of food and beverage applied in agricultural bio-energy plants;
- 5) production, storage and marketing of food and beverage products, including companies producing ingredients and nutritional supplements;
- 6) companies operating in the distribution sector (inclusive of marketplaces B2B and B2C) and specialized logistics.

In addition, the Fund incentivizes the achievement of specific ESG Target KPIs by each Portfolio Company in order to monitor compliance and progress made by Portfolio Companies.

In order to ensure the attainment of the environmental and social characteristic promoted by the Fund, the Fund's investment strategy requires the selection of companies that do not operate in controversial sectors and activities (see previous section), do not have significant negative impacts on areas of high biodiversity and soil (land degradation, desertification or sealing) and adopt mechanisms to monitor complaints/report for any issues concerning workers. Involvement in any of the above activities results in the automatic exclusion of the target company from the investment. Any serious deficiency found in the investment process that may undermine the respect of environmental and social characteristics results in the definition of action plans that are agreed upon with the companies' management in order to align their business to the environmental and social characteristics promoted by the financial product.

Good governance practices of investee entities are assessed through proper questionnaires to evaluate the soundness of management structures, staff relations, staff remuneration and compliance with tax obligations.

### **Proportion of investments**

With the exception of the portion of the Fund's assets that the Management Company may hold in cash for treasury needs and/or in the interest of Investors and in relation to cyclical market trends, the Fund exclusively makes direct investments to build a portfolio that contributes to the attainment of the promoted environmental and social characteristic, without a sustainable investment objective, in compliance with the binding elements and the described strategy.

### **Monitoring of environmental or social characteristics**

Compliance with the environmental and social characteristic promoted by this financial product is measured through indicators defined according to the specific characteristic of each company and referring to the main international standards published by recognized market entities and institutions (for example United Nations, Global Reporting Initiative – GRI, SASB).

The monitoring of portfolio companies is carried out by means of a dashboard for the analysis of sustainability indicators related to ESG performances processed on the basis of information collected from portfolio companies. Specifically, the following indicators are mainly expected to be used for this Fund:

- protection and preservation of natural environment: greenhouse gas emissions ("GHG"); consumption of non-renewable energy; impacts on areas of high biodiversity and soil; revenues realized from activities carried out in the fossil fuel sector and the other excluded sector;
- labour protection: penalties received for violation of labour law regulations; adoption of supplementary pension schemes for employees.

The Fund monitors on a periodic and regular basis compliance with the attainment of the characteristics promoted through the sustainability indicators: any serious shortcoming found in the investment process that may undermine compliance with these characteristics results in the definition of action plans that are agreed with the management of the companies in order to align their business model with the social and environmental characteristics promoted by the financial product. In addition, to enable comprehensive and effective monitoring, engagement activities aimed at establishing a constructive dialogue with portfolio companies to safeguard the promotion of the environmental and social characteristics promoted may also be planned.

### **Methodologies**

The process for monitoring the environmental and social characteristics is based on methodologies consistent with the Responsible Investment policy adopted by the Management Company for the integration of sustainability risks in the investment processes. Specifically, the Fund, through specific tools used for this purpose, regularly requests from portfolio companies the data needed to calculate the sustainability indicators used for the monitoring of the environmental and social characteristics promoted.

### **Data sources and processing**

The monitoring of the environmental and social characteristics promoted by the Fund and the related indicators is based on data collected directly from the portfolio companies on a regularly basis. Once received, these data are analysed by the investment team and, if necessary, with the support of specialized third parties, and verified in order to assess the need for in-depth investigations with portfolio companies regarding the information provided, particularly in case of omissions or if inconsistencies are identified.

For the purpose of sustainability indicators, a dashboard is used to monitor ESG performance and the guidance contained within EU Regulation 2022/1288 is considered.

The Management Company commits to use only data related to the reporting period timely collected from the portfolio companies, reserving the right to use estimated data if, due to force majeure, such data should not be available, such as, for example, in case of investments made close to the reporting period in companies that have not had sufficient time to implement adequate processes for the monitoring of the requested data.

### **Limitation to methodologies and data**

There are no limitations to the methodology and data sources used. However, there could be contextual limitations at the time of investment due to the lack of adequate safeguards for the monitoring of ESG performance or of specific environmental and social indicators in the companies which, in any case, the Management Company commits to resolve by requiring them to adopt adequate safeguards in order to implement and ensure the proper monitoring of sustainability indicators related to environmental and social characteristics.

### **Due diligence**

In the pre-investment phase, once that the investment universe has been defined through negative and positive screening, the investment process of the Fund includes due diligence activities covering, in addition to financial criteria, ESG aspects. Specifically, the Management Company has adopted a framework for the due diligence of direct investments that allows for in-depth analysis of both cross cutting-edge ESG aspects across all investment targets, as well as material ESG aspects specific for the Fund's strategy and the target company sector. Such due diligence allows to verify that there are no environmental, social and governance



issues and there are requirements consistent with the promoted environmental characteristics as well as good governance practices.

### **Engagement policies**

If relevant ESG risks in the portfolio companies are found, the Fund provides the opportunity of undertaking engagement activities establishing a direct dialogue with the companies in order to promote a sustainable approach and positively influence their management.

#### Disclosure update

Disclosure	Update	Rationale for changes
Art. 10	October 2022	Adaptation to technical standards for website disclosure under EU Reg. 2022/1288 ("RTS") and alignment to pre-contractual documentation.