

## Sustainability disclosure

### Fondo Italiano Private Equity Co-investimenti – FIPEC

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

##### Summary

The reserved closed-end Italian Alternative Investment Fund named “Fondo Italiano Private Equity Co-investimenti – FIPEC” (the “Fund”) promotes environmental and social characteristics pursuant to art. 8 of Regulation EU 2019/2088 (or “SFDR Regulation”) but does not make sustainable investments.

Specifically, the Fund promotes environmental and social characteristics by preferring to invest in companies that follow good governance practices and respect human capital. The environmental and social characteristics of the Fund are: reduction of air pollutant emissions such as CO<sub>2</sub>, SO<sub>2</sub>, NO<sub>x</sub> or GHG, combating active and passive corruption, and respect human capital. To this end, the investment strategy include:

- 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
- co-investments in enterprises that pursue Fund’s sustainable development objectives or that are also part, for each investment, of the investment policy of the manager with whom the Fund co-invest.

Compliance with 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. In particular, the following indicators are mainly expected to be used for this Fund:

- air pollutant emission reduction: tons of air pollutant equivalent per million EUR invested (value expressed as a weighted average)
- combating active and passive corruption: presence of policies to combat active and passive corruption; cases where insufficient actions has been taken against violations of laws against active and passive corruption; number of convictions and number of fines imposed for violations of laws against active and passive corruption
- labour protection: presence of labour accident prevention policies; rate of accidents; number of days lost due to injuries, accidents, fatalities, or illnesses; presence of complaint/complaint processing mechanisms for personnel issues.

For the monitoring, the Fund requests from the lead investors and/or directly the portfolio companies, on a periodic and regular basis, the data needed with respect to the performance of sustainability indicators and 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 and/or the lead investors in order to align their business models with the social and environmental characteristics promoted by the financial product.

Specifically, the Fund reviews due diligence activities promoted by the lead investor also using specialized external professionals in order to identify any area of risk or criticality.

### **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 characteristics promoted by the Fund are reducing emissions of air pollutants, such as CO<sub>2</sub>, SO<sub>2</sub>, NO<sub>x</sub> or GHG, combating active and passive corruption, and protecting 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 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) trade in or production of firearms, armaments, military-type supplies or ammunition, or military systems in general, it being understood that this restriction does not apply as long as such activities are part of, or ancillary to, European Union policies;
  - b) tobacco;
  - c) real estate;
  - d) gambling or gambling-related products;
  - e) production or distribution of pornographic materials;
  - f) production or trade of electronic solutions or programs that are specifically designed to unlawfully enable: (i) access to electronic networks, and/or (ii) downloading of data in electronic format;
  - g) human cloning;
  - h) "gold buying" and trading in precious metals;
  - i) businesses that do not give guarantees in the conduct of their business of full respect for human rights;
  - j) activities that are illegal according to applicable laws or regulations, or otherwise violate the UN PRI or the guiding principles of so-called Socially Responsible Investment (i.e.: transparency, integrity and appropriateness) according to the guidelines of international associations of sector operators.
- **Positive selection:** the Fund plans to co-invest in companies that pursue sustainable development goals chosen by the Fund or that are also part, for each investment, of the investment policy of the manager with whom the Fund co-invests.

In order to ensure the attainment of the environmental and social characteristics promoted by the Fund, the Fund's investment strategy requires the selection of companies that do not operate in controversial sectors and activities, have not been convicted of violations of air emission laws in connection with violations for which a remedial plan has not been approved, have not been convicted of violations of anti-corruption laws, and adopt or intend to adopt at least one of the contractual worker protection instruments additional to those provided by the regulations (e.g., company contract agreed with union representatives, company welfare plans and additional worker insurance). Failure to meet any of the above characteristics will result in the automatic exclusion of the target company from the investment. In line with the strategy of promoting the

environmental/social characteristics chosen by the Fund, the positive selection of investment opportunities is made by identifying those companies that have developed prior to the investment by the Fund, or commit to develop in a reasonable time following the investment, a plan for the development and improvement of the environmental/social characteristics chosen by the Fund. This plan may include, as appropriate, remediation of deficits found in ESG due diligence or improvement of performance in the identified areas. Excluded from investment by the Fund are those companies found to have unremediable deficits in the environmental/social areas chosen by the Fund. Any serious deficiencies found in the investment process that may affect compliance with the identified social characteristics result in the establishment of action plans that are agreed upon with the management and/or lead investors of the target companies in order to achieve compliance with the characteristics promoted by the financial product.

Good governance practices of portfolio companies are assessed through proper questionnaires in order 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, which is considered marginal, the Fund conducts direct investments exclusively realized in order to build a portfolio that contributes to the attainment of the promoted environmental and social characteristics, with no sustainable investment objective, in compliance with the binding elements and the described strategy.

### **Monitoring of environmental and social characteristics**

Compliance with the environmental and social characteristics promoted by this financial product is measured through indicators defined according to the specific characteristics of each portfolio company and referring to the main international standards published by recognized market entities and institutions. Specifically, the following indicators are mainly expected to be used for this Fund:

- air pollutant emission reduction: tons of air pollutant equivalent per million EUR invested (value expressed as a weighted average)
- combating active and passive corruption: presence of policies to combat active and passive corruption; cases where insufficient action has been taken against violations of laws against active and passive corruption; number of convictions and amount of fines imposed for violations of laws against active and passive corruption
- labour protection: presence of labour accident prevention policies; rate of accidents; number of days lost due to injuries, accidents, fatalities or illnesses; presence of complaint/complaint processing mechanisms for personnel issues.

The Fund monitors by directly requesting from the lead-investor and/or the portfolio companies, on a periodic and regular basis, the necessary data with respect to performance on sustainability indicators: any serious shortcomings found in the investment process that may affect compliance with these characteristics result in the definition of action plans that are agreed with the lead-investor and/or the management of the companies in order to achieve compliance with the social and environmental characteristics promoted by the financial product. These data are subjected to analysis and processing, including through the support of specialized third parties, in order to assess the need for in-depth analysis with individual companies and, ultimately, compliance with the environmental and social characteristics promoted by making sure that all portfolio companies are able to provide all the necessary data and according to the required timelines. In

addition, to enable comprehensive and effective monitoring, engagement activities aimed at establishing a constructive dialogue with portfolio companies and/or lead investors to safeguard the promotion of promoted environmental and social characteristics 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, also via the lead investors, the data needed to calculate the sustainability indicators used for the monitoring of the environmental and social characteristics promoted.

### **Data sourcing 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 analysis with portfolio companies regarding the information provided, particularly in case of omissions or if inconsistencies are identified.

For the purpose of calculations of some 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.

### **Limitations to the 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. In any case, the Management Company commits to resolve this 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**

The Fund's investment process envisages that, at the investment selection stage, once the investable universe has been defined through the negative and positive selection criteria, the due diligence activity promoted by the lead-investor also on the basis of the analyses carried out by specialized external professionals is examined. This due diligence, in parallel with the financial criteria, also includes the analysis of ESG aspects, functional, among other things, to verify that there are no critical 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 with the portfolio companies and/or the lead investors establishing a direct dialogue in order to promote a sustainable approach.