



Disclosure pursuant to Regulation (EU) 2019/2088 of the European Parliament relating to the information on the sustainability in the financial services sector (“SFDR”) Articles 3, 4

Last update: June 2024

Financial market participant: Entangled Capital SGR S.p.A.

Transparency of Policies on Sustainability Risk – Art. 3 SFDR Regulations

The integration of Environmental, Social, and Governance (“ESG”) factors into the investment process is an integral part of the activities of Entangled Capital SGR S.p.A. (hereinafter "Entangled Capital" or the "Asset Manager"). Entangled Capital has established a structured approach for identifying and monitoring key ESG risks and opportunities throughout the entire investment lifecycle, as detailed in the ESG Policy.

During the pre-investment phase, Entangled Capital performs an analysis of the ESG profiles of the potential investments with the objective of assessing potential ESG risk drivers and opportunities. Additionally, the analysis is complemented by research on industry ESG trends to identify opportunities for improvement. Entangled Capital may decide whether to undertake a more in-depth analysis of the ESG risks and opportunities of the potential investment by performing an ESG Due Diligence through the support of external expert ESG consultants. The considerations arising from these analyses are integrated into the investment memorandum, which informs the decision-making process.

During the ownership and monitoring phase, Entangled Capital promotes an active engagement with portfolio companies in order to provide support to them in the process of managing ESG risks and criticalities identified as material at the pre-investment stage. Throughout the holding period, ESG performance of portfolio companies is monitored through annual tracking of ESG Key Performance Indicators (KPIs), using proprietary tool for data collection and monitoring. Based on the results of the ESG performance monitoring activity, risk mitigation actions could be identified in order to address potential ESG risks and critical issues, whether identified.

Comprehensive information on how sustainability risks are integrated into the investment process is detailed in the ESG Policy, publicly available on the website of the Asset Manager.

Transparency of adverse sustainability effects at the subject level – Art. 4 SFDR Regulations

Summary section

Entangled Capital SGR (hereinafter "Entangled Capital" or the "Asset Manager") considers principal adverse impacts (hereinafter "PAIs") of its investment decisions on sustainability factors, as part of its efforts to foster a responsible investment process.

The present statement on principal adverse impacts on sustainability factors covers the reference period from the 1st of January 2023 to the 31st of December 2023. The structure of the statement is aligned to the latest guidelines provided by *Final Report on supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council* (hereinafter "Regulatory Technical Standards - RTS")¹. The reporting perimeter includes Portfolio Companies (hereinafter "PCs") present within EC I Fund portfolio as of December 31st, 2023².

In addition to the 14 mandatory PAIs (refer to the table presented in the paragraph *description of the principal adverse impacts of investment decisions on sustainability factors* of the present document), Entangled monitors two additional indicators from those reported in Table 2 and 3 of Annex 1 of the RTS; specifically:

- 5. Breakdown of energy consumption by type of non-renewable sources of energy; and
- 3. Number of days lost to injuries, accidents, fatalities, or illness.

The Asset Manager has developed a proprietary monitoring tool which allows to monitor PCs' ESG performance, though the collection of ESG KPIs. including the information and data needed to calculate the selected 16 PAIs as prescribed by the Sustainable Finance Disclosures Regulation (EU) 2019/2088 (SFDR)³.

¹ Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports.

² Please note that the reported data on principal adverse sustainability indicators refer to the following Portfolio Companies: Turatti Srl, Nuova Pasquini & Bini S.p.A., Alphia Srl, Airpower Srl, FBL Srl (present within EC I Fund portfolio as of December 31st, 2023).

³ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).

Description of the principal adverse impacts of investment decisions on sustainability factors

Quantitative information related to the PAIs considered and monitored (i.e., adverse sustainability indicators) is reported in the table below.

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		Metric	⁴ Impact (year 2023)	Unit	Explanation	⁵ Actions taken, actions planned, and targets set for the next reference period
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	443,58	Tonnes of CO2 eq	Scope 1 emissions are mainly derived from the use of natural gas for heating and process purposes and fuel consumption (i.e., Liquefied Petroleum Gas, Petrol and Diesel). Emission factors used for the calculation were sourced from the database of the UK Department for Environment, Food & Rural Affairs.	During the reporting year, Entangled Capital gathered data on all of its PCs' fuel and electricity consumption and calculated their GHG scope 1 and 2 emissions, gaining an overview over its financed emissions and consolidating the baseline for potential decarbonization actions over the following years.
		Scope 2 GHG emissions	⁶ 1274,13	Tonnes of CO2 eq	Scope 2 Emissions are derived from the consumption of electricity imported from the grid. Emission factors for the calculation were sourced from the	

⁴Please note that the data coverage (which indicates the share of investments in the portfolio in relation to which the adverse impact on sustainability factors could be calculated) for all the PAI indicators considered is equal to 100%.

⁵Being the first year of reporting, it was not possible to compare trends and define any mitigation/improvement actions for the next reference period. Information in relation to actions taken, actions planned, and targets set for the next reporting period will be available starting in FY2025.

⁶Please note that the reported data refers to Scope 2 emissions calculated using the Market-based method.

					database of the International Energy Agency.	
		Scope 3 GHG emissions	N/A	Tonnes of CO2 eq	Fund's PCs have not yet performed an estimation of their Scope 3 GHG emissions (emissions related to the PCs' value chains).	Entangled Capital will evaluate whether to include scope 3 GHG emissions within its PCs' GHG inventory, where material for the PCs.
		Total GHG emissions	1717,69	Tonnes of CO2 eq	The overall GHG emissions of PCs (sum of the three previous indicators)	Please, refer to the Scope 1, 2, and 3 indicators.
2. Carbon footprint		Carbon footprint	52,77	Tonnes of CO2 eq	The total GHG emissions of PCs (expressed as a weighted average), divided by the value of investment in each PCs.	Please, refer to the Scope 1, 2, and 3 indicators.
3. GHG intensity of investee companies		GHG intensity of investee companies	83,10	Tonnes of CO2 eq	The total GHG emissions of PCs (expressed as a weighted average), divided by the revenues of each company	Please, refer to the Scope 1, 2, and 3 indicators.
4. Exposure to companies active in the fossil fuel sector		Share of investments in companies active in the fossil fuel sector	0%	%	EC I portfolio does not include PCs active in the fossil fuel sector.	N/A
5. Share of non-renewable energy consumption and production		Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to	98,3	%	All the PCs primarily consume energy from non-renewable sources. None of them have green electricity supply contracts backed by a Guarantee of Origin, and they rely on standard electricity contracts. While 60% of the PCs generate some of their	Entangled Capital plans to identify and implement actions/measures aimed at increasing the use of energy from renewable sources across PCs.

		renewable energy sources, expressed as a percentage of total energy sources			electricity from photovoltaic systems, this self-produced energy covers only a small portion of their total energy needs. Additionally, none of the PCs use renewable gases (e.g., e-fuels or green hydrogen) or biofuels.	
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	1,04	GWh / €M	All Fund's PCs are active in a high impact climate sector according to ⁷ Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006.	N/A
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0%	0%	No PCs' sites are located in or near biodiversity-sensitive areas (i.e., Natura 2000 areas, Key Biodiversity Areas, or other protected areas).	As part of responsible investment activity, Entangled Capital is dedicated to assessing and monitoring this aspect during both the pre-investment and holding phases, encouraging investees to report on these matters.
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested,	0	Tonnes / €M	No PC generates emissions of priority substances to water as defined in defined in Annex X of the Directive 2000/60/EC.	As part of responsible investment activity, Entangled Capital is dedicated to evaluating and monitoring this aspect during both the pre-investment and holding

⁷Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains Text with EEA relevance

		expressed as a weighted average				phases, encouraging investees to report on these matters.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	0,31	Tonnes / €M	The data reported refers to the amount of hazardous waste generated by 3 Fund's PCs during their production activities.	As part of responsible investment activity, Entangled Capital is dedicated to assessing and monitoring this aspect during both the pre-investment and holding phases, supporting PCS to report on these matters and to adopt responsible waste management practices.
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0	%	During the reporting year, no PC has been involved in violations of the UNGC principles and/or OECD guidelines.	As a member of UN Global Compact, Entangled Capital is committed to ensure the full respect of the Ten Principles in the areas of rights, labor, environment and anticorruption within its investments.

	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	40,86	%	The reported value refers to the percentage of AUM invested in PCs without policies to monitor compliance with UNGC principles or OECD Guidelines. The remaining percentage (59,14% of AUM) corresponds to 3 PCs which adopted an Organizational Model pursuant the Italian L.Decree 231/2001, aiming at preventing prevent crimes and corrupt practices, including a Code of Ethics and a whistleblowing system.	Entangled Capital intends to continue encouraging PCs to ensuring ongoing compliance to the UNGC principles and the OECD Guidelines for Multinational Enterprises. To ensure proper adherence to these principles, Entangled will support the adoption of the Organizational and Control Model compliant with Legislative Decree 231/2001, including the establishment of whistleblowing channels as mechanism to address violations.
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	11,46 ⁸	%	According to available Gender pay gap statistics (Eurostat) ⁹ at both EU and National Level, the unadjusted gender pay gap of investee companies is lower than the EU average (12,7%) and slightly higher than national average (4.3%).	Entangled Capital will support PCs in the annual monitoring of the KPIs, supporting them in identifying potential performance improvement actions, if material for the PCs.
	13. Board gender diversity	Average ratio of female to male	30,98	%	Considering the Board composition, the majority	

⁸ Please note that the data coverage (which indicates the share of investments in the portfolio in relation to which the adverse impact on sustainability factors could be calculated) for the PAI indicator "Unadjusted gender pay gap" is equal to 60%

⁹ Source: [Gender pay gap statistics](#), 2022

		board members in investee companies, expressed as a percentage of all board members			of Fund's PCs register a prevalence of male board members over female board members. The gender unbalance is strictly related to the reported difficulty of the PCs in changing the Board composition and selecting new Board members with the required experience in the company's core business.					
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0	%	EC I Fund portfolio does not include Portfolio Companies involved in the manufacturing or selling of controversial weapons, as involvement in such activities would make the company non-eligible according to Entangled's exclusion list.	Entangled Capital's Responsible Investment Policy outlines formal guidelines concerning the exclusion of investment opportunities in companies involved in the production and/or trade of weapons, explosives, and ammunition of any kind.				
ADDITIONAL CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS										
Energy performance	5. Breakdown of energy consumption by type of non-renewable sources of energy	Share of energy from non-renewable sources used by investee companies broken down by each non-renewable energy source	<table border="1"> <tr> <td>Non-renewable electricity: 55,26</td> <td rowspan="3" style="text-align: center;">%</td> </tr> <tr> <td>Natural gas: 41,38</td> </tr> <tr> <td>LPG: 0,05</td> </tr> </table>	Non-renewable electricity: 55,26	%	Natural gas: 41,38	LPG: 0,05		The breakdown of energy consumption by type of non-renewable sources indicates that non-renewable electricity and natural gas constitute the largest shares of energy use among investee companies, accounting for 55.26% and 41.38%, respectively. The remaining non-	Entangled Capital plans to identify and implement actions aimed at increasing the use of energy from renewable sources across PCs.
Non-renewable electricity: 55,26	%									
Natural gas: 41,38										
LPG: 0,05										

			Diesel: 2,92		renewable sources, which are related to fuel consumption for fleets, contribute marginally to the overall energy consumption, with LPG, diesel, and petrol making up only a minor fraction of the total.	
			Petrol: 0,38			
ADDITIONAL INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	3. Number of days lost to injuries, accidents, fatalities or illness	Number of workdays lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average	43,90	Days	<p>The data refers to three PCs that recorded major work-related injury (>30 lost days).</p> <p>The rest of the PCs did not record any work-related injuries.</p>	<p>All PCs manage Health and Safety aspects in line with national regulations on Occupational H&S (L.Decree 81/08).</p> <p>Entangled Capital will support PCs in the annual monitoring of the KPIs, supporting them in identifying and implementing proper mitigation measures for enhancing the performance in managing H&S related aspects.</p>

Description of policies to identify and prioritize principal adverse impacts of investment decisions on sustainability factors

As formalized in Entangled Capital ESG policy, updated in July 2023 and whose proper implementation is overseen by the ESG Officer, the Asset Manager has defined and adopted a structured approach for identifying and prioritizing principal adverse impacts on sustainability factors.

At asset manager level, Entangled Capital has identified ESG objectives to be achieved throughout the investment activity (namely: contribution to fighting against climate change and the promotion of health and safety measures) and has selected from the additional indicators reported in Table 2 and 3 of Annex 1 of the RTS, the following ones, as they resulted to be strongly aligned with the aforementioned objectives:

- Breakdown of energy consumption by type of non-renewable sources of energy;
- Number of days lost to injuries, accidents, fatalities, or illness.

Entangled Capital is supported by third party ESG consultants in the identification and assessment of Principal Adverse Sustainability Impacts through the use of a proprietary methodology and through specific ESG Due Diligence assessments.

During the pre-investment phase, the Asset Manager performs a preliminary assessment of the potential investment opportunities against the principal adverse impacts on sustainability factors through the use of a proprietary tool, built upon recognized ESG reporting standards (e.g., SASB), which enables to screen for potential issues that would determine the exclusion of the investment opportunity (e.g., due to non-compliance with the exclusion list or major reputational issues). The Asset Manager is supported by third party ESG experts in the identification and prioritization of Principal Adverse Sustainability Impacts through specific ESG Due Diligence assessments and through the use of the proprietary tool that helps assessing the potential investment's ESG materiality, in accordance with the sector, the type of operations and the geographic locations, as well as it enables to assess its level of maturity in managing the topics that resulted to be material.

If a potential negative effect on sustainability factors, resulting from an investment decision, is identified, improvement actions are identified in order to mitigate the adverse impact during the ownership phase.

During ownership and monitoring phase, a data collection activity is performed on annual basis through the use of a proprietary tool for gathering and monitoring key performance indicators on the ESG performance of the EC I Fund portfolio, including those related to the PAIs on sustainability factors. Based on the results of the data collection activity, Entangled Capital engages with its PCs in order to define remedial actions aimed at minimizing adverse impacts, where relevant, as disclosed within the previous section.

The data used for the calculation of the PAI indicators derives from engagement activities with PCs, and it is subject to data quality and consistency checks.

Engagement policies section

Throughout the ownership phase, Entangled Capital promotes an active engagement with each PC in order to supervise the processes in place for addressing risks and opportunities, as well as mitigating principal adverse impacts, whether identified.

Through the conduction of data collection activity, Entangled Capital encourages the PCs to actively participate in the ESG performance monitoring process, enabling to gather all the data needed to calculate PAI Indicators and to, subsequently, identify significant adverse effects related to the investments and remediation actions. The data collection exercise is complemented by the conduction of a carbon footprint assessment encompassing scope 1 and 2 across the entire Fund portfolio. Similarly, an assessment of PCs' exposure to climate-related physical and transition risks is also conducted within the yearly engagement. If a potential negative effect on sustainability factors is identified through annual ESG monitoring activity, improvement actions are identified in order to mitigate the adverse impact.

In case the engagement does not prove to be successful in reducing relevant principal adverse impacts identified, Entangled Capital will define, by fostering dialogue and collaboration with PCs' management, an effective course of corrective measures to implement in order to generate the expected results in terms of adverse impact mitigation.

References to international standard

Entangled Capital refers to internationally recognized standards to provide consistency to the definition and implementation of ESG activities promoted within its responsible investment framework.

As a first instance, with regards to the ESG objectives that Entangled Capital has set as an asset manager, the framework used for the definition of the very objectives as well as to their attainment is aligned to the United Nations' Sustainable Development Goals (UN SDGs).

Moreover, as a UN PRI signatory, Entangled Capital is committed to adhere and apply UN PRI's 6 Principles for Responsible Investment in its responsible investment process.

As a member of the United Nations Global Compact, Entangled Capital promotes the incorporation of the Ten Principles in the areas of human rights, labor, environment, and anti-corruption through all its business activities.

Additionally, as mentioned within the previous sections, the ESG tools used by Entangled Capital to support the investment screenings and ESG performance quantifications embed ESG materiality principles, following the sectorial SASB standards to determine relevant areas of impact.

During the reporting period Entangled Capital has not proceeded with the performance of forward-looking climate scenario on EC I portfolio. However, a high-level climate-screening activity was conducted with the objective to assess the exposure of the existing portfolio of the EC I Fund to physical climate and transitional risks. The portfolio climate risk assessment was carried out in line with the guidance of the international reporting framework set by the Task Force on Climate Related Financial Disclosure (TCFD).

Historical comparison

Considering that the present disclosure is the first principal adverse impacts statement of the Asset Manager and that the data reported refers to a single year reporting period, no historical comparison can be performed. Starting from next year, Entangled Capital will be able to provide historical comparison between the data for the statement's reporting period and the data related to previous periods reported on.

