



RESPONSIBLE INVESTMENT POLICY

July 2023



POLICY - RESPONSIBLE INVESTMENTS

DATA ON THE ELABORATION PROCESS AND CHARACTERISTICS OF THE DOCUMENT

<i>Drafting Proposal</i>	External consultant ERM	
<i>Validation</i>	<i>Compliance Function</i>	
<i>Approval</i>	BOARD OF DIRECTORS - Review date - Review date	24.04.2020 26.02.2021 31.07.2023
<i>Disclosure</i>	Administration, Corporate Affairs and Back Office Area (hereinafter "AASBO Area")	
<i>Document Type</i>	X ORGANIZATIONAL PROCEDURE OPERATING MANUAL GUIDANCE	X POLICY REGULATION



INTRODUCTION & VISION STATEMENT

As a private equity investor, we are engaged in creating value for the Italian economy and our investors, by providing new capital to companies to support their dimensional growth and useful tools for generational change. In doing so, we firmly believe that a strong responsible investment approach is the key to maximizing opportunities and securing strategic advantage of our investments, whilst also reducing risks and complying with regulations.

As a means to better align investors with the broader objectives of society, we are fully committed to adhering to the United Nations-backed Principles for Responsible Investment (PRI) and to implementing and promoting them in all stages of our investment process.

This Responsible Investments Policy (hereinafter “the Policy”) outlines Entangled Capital SGR S.p.A. (hereinafter also “Entangled Capital SGR”) approach to systematically and explicitly incorporate Environmental, Social and Governance (“ESG”) considerations, including climate-related aspects, into its investment analysis and decisions, as well as during discussions with portfolio companies, in order to foster a shared idea of responsible and sustainable business.

We mainly invest in industrial, productive and technological companies. While we recognize that some key ESG considerations (such as governance equality, resources consumption, and climate impacts) are applicable to all these industries (refer to Our ESG strategy to create value section), we adopt a case-by-case approach targeting those ESG issues with the greatest potential to positively impact the portfolio company’s performance. We also leverage a network of entrepreneurs and managers (our “Operating Partners”) to allow a broader and more in-depth sectoral analysis, including of sustainability factors.

This Policy applies to all Entangled Capital SGR managed funds and to all employees and collaborators working with us.

OUR ESG STRATEGY TO CREATE VALUE

We strive to align both our own operations as an Asset Manager and our activities at portfolio company level to the creation of mutual value for the environment and society. In particular, we identified several ESG goals that are specifically aligned with our types of investment.

Environment

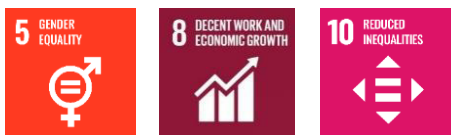


Our main environmental commitments are focused on the **fight against climate change** and on managing the **natural resources with responsibility**. We strive to minimize the environmental footprint of our own operations, through a periodical identification of material aspects to embed in our daily activities. Moreover, we incorporate environmental and climate-related aspects throughout the entire investment process, mitigating potential environmental and climate-related risks and increasing our positive impact on the environment through definition and implementation of improvement actions. Environmental aspects represent one of the most recognizable elements in the initial evaluation process for an investment opportunity. Entangled Capital SGR considers crucial for a fair evaluation to investigate how the potential target is managing environmental aspects such



as energy consumption, waste management and water consumption and pollution. Based on the results of the analysis, the Investment Team defines actions to be included in the Action Plans for the improvement of environmental performance of the target company (e.g., measuring and reducing their GHG emissions, setting environmental targets and energy-efficiency objectives). In addition to encourage portfolio companies' transition towards clean energy, we support portfolio collaboration during the ownership phase to foster innovation towards sustainable production models optimizing natural resources inputs; this includes incentivizing waste reduction, water efficiency, and mitigation of biodiversity impacts, when material.

Social



As a member of UN Global Compact, we are putting effort in incorporating Human Rights-related principles in our business strategy and organizational culture, as well as taking actions for ensuring the full respect of human rights throughout our responsible investment process. Social commitments apply to us as an asset management company too, as we consider gender diversity a value-adding element for our own business, and we strive to maintain gender balance in our workforce.

We acknowledge that social aspects are strongly related to a number of factors, such as the size, the legacy, the relationships with the territory and the industry of the target company. As such, their evaluation might be a complex task. Also, improving social aspects might require companies' cultural changes, which is normally a long process. First consideration on social issues is made by Entangled Capital SGR's Investment Team by benchmarking the target company with its market practices focusing, in particular, on **gender equality, workers health & safety and labor practices**, as well as on the processes in place to grant **equal opportunities** through workers' career progressions. Afterwards, supported by specialized consultants, Entangled Capital SGR identifies the improvement actions to create value for the target company.

Governance



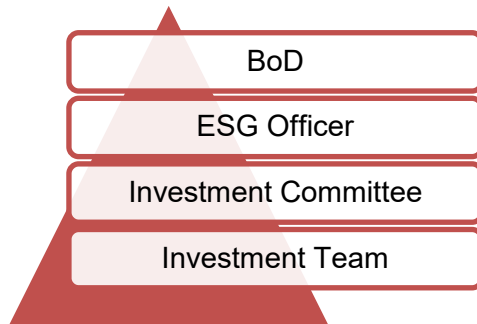
Governance changes are usually identified as first signal of the new management approach. Entangled Capital SGR targets to acquire majority stake, appointing the majority of Board members with the ultimate goal of ensuring the expected company development. In order to get a clear reporting chain, the management is supported with tools to organize company keys information, to identify tasks and responsibilities, and to achieve specific targets pointed out in the ESG action plan, defined in the pre-investment phase. We have adopted a "Conflict of Interest Policy", outlining our approach to effectively addressing and managing both actual and potential conflicts of interest that may arise during activities conducted by or on behalf of Entangled Capital SGR.

Moreover, we are committed to enable partnerships across portfolio and to foster industry-best



practices, on which we are updated through our participation to various initiatives and organizations, such as AIFI, the UN Global Compact and Invest Europe.

OUR ESG GOVERNANCE STRUCTURE



We have set up a robust governance system to effectively pursue our commitments and objectives and to ensure that ESG factors and considerations on climate-related risks are effectively integrated within our investment activity.

The governance framework is structured on four levels: our **Investment Team** is the operational foundation which we rely on to integrate ESG considerations, including climate-related ones, into our investment activity: it is in

charge of carrying out operational ESG analyses, focused on the screening and identification of high-level ESG and climate-related risks and opportunities, in order to assess the context and performance of our investment targets. The analysis's outputs are integrated within the Investment Memorandum, which is reviewed by the **Investment Committee**, in charge of formulating advisory opinions with a specific focus on ESG and climate-related risks on all investment decisions. The final decision is taken from the **Board of Directors**, which approves the Policy and related updates, overseeing the full alignment of our activities as an asset manager with the ESG Strategy and vision. The overarching responsibility to define, develop and oversee the correct implementation of the present policy belongs to our **ESG Officer**, who is also in charge of promoting sustainability initiatives at Entangled Capital SGR and at the fund's portfolio companies. The ESG Officer is responsible for overseeing the assessment and monitoring of ESG risks and opportunities throughout the investment process, including climate risks whether identified as material. Moreover, the ESG Officer also monitors the ESG performance progresses that are reported in the annual ESG report for investors and other stakeholders. Finally, on a semestral basis, it reports the portfolio ESG performance to the Board of Directors.

OUR COMMITMENT TO INTEGRATE ESG INTO THE INVESTMENT PROCESS

The integration of ESG considerations, including climate-related factors, within the investment lifecycle is a crucial part of Entangled Capital SGR's activities. The objective is to prevent or mitigate potential negative impacts and risks to all stakeholders, while benefitting from incremental value creation opportunities.

- **Pre-investment phase:** To ensure ESG considerations and risks are integrated into the business strategies of portfolio companies, the evaluation of ESG factors starts at an early stage of the investment process.

In the process of selecting and evaluating investment opportunities, the principle of exclusion is carefully applied, in view of the constraints of the Fund Regulation, allowing for the identification of a set of sectors where Entangled Capital SGR will preclude itself from investing. Specifically, the asset management company shall not invest in companies or other entities mainly operating in the following sectors:

- (a) the production of, and/or trade in, tobacco and/or related products;



- (b) the production of, and/or trade in, distilled alcoholic beverages and related products;
- (c) the production of, and/or trade in, weapons, explosives and ammunition of any kind. This restriction shall not apply insofar as such activities are part of or accessory to express European Union policies;
- (d) casinos and equivalent activities;
- (e) pornography and pedo-pornography;
- (f) research, development or technical application of electronic programs or solutions which:
 - (x) are specifically intended for the following activities:
 - supporting any of the activities listed in letters (a) to (f) of this point (vi);
 - internet gambling and/or online casinos;
 - or which:
 - (y) are intended to enable to illegally:
 - enter into electronic data networks; or
 - download electronic data.

In selecting Investments, Entangled Capital SGR shall have regard to ESG issues and shall use any reasonable efforts to maintain and/or introduce appropriate ESG strategies to the management of Investee Companies.

The Investment Team ensures all fund regulations are complied with and performs analysis on ESG trends that might be relevant for the target investment and its industry based on publicly available information and in collaboration with Entangled Capital SGR's Operating Partners.

During the pre-investment phase, Entangled Capital SGR performs an analysis of the ESG profiles of the potential investments with the objective of assessing potential ESG risk drivers and opportunities. The analysis is supported by a proprietary tool, built upon recognized ESG reporting standards (e.g., SASB), which helps assessing the materiality of several ESG topics in the sector in which the target operates; moreover, the tool assesses the maturity of the target in managing the topics that resulted to be material, providing a quantitative score to the environmental, social, and governance performance and highlighting potential red flags and improvement areas. The first results of this assessment are presented to both the Investment Committee and the Board of Directors, identifying in the Investment Memorandum the key ESG elements underlined during the internal and initial analysis. Then, the Investment Team works to screen and identify high-level ESG risks and opportunities, to be assessed in tailored due diligence performed by third party technical experts, where necessary. The Investment Team works closely with its consultants to investigate the ESG profile of the target company and to identify opportunities for value creation that can be promoted and unlocked during the investment lifecycle. During the due diligence phase, a high-level climate-related screening is performed on all investment targets in order to assess their exposure to physical and transitional risks and/or opportunities. The outcomes of the screening activity, where relevant, result in specific risk mitigation and opportunity enablement actions that are agreed with the target company, once the investment is finalized. Based on the results of both the preliminary ESG risks and opportunities assessment and Due-Diligence analysis, a first high-level ESG action plan is then drafted. During the pre-investment activities the Investment Team can decide independently not to continue with the analysis on a potential opportunity that does not operate in a sustainable sector, even if permitted, or that does not have production processes attributable to sustainability metrics in



a medium-long term view. Targets excluded for ESG risks remain tracked in the deal flow file.

- **Execution phase:** To ensure all investment decisions take ESG factors into account, prior to the closing of each new investment on behalf of the Funds, the findings of the ESG due diligence, the results of the desktop analyses, and the ESG action plan are reviewed by the Investment Committee and the Board of Directors.
- **Ownership and monitoring phase:** Entangled Capital SGR's ownership of the portfolio companies is usually a majority, and always an active ownership. Throughout the ownership phase, we constantly engage with portfolio companies' top management through our board seats, in order to promote their commitment towards sustainability and supervise the processes in place for addressing risks and opportunities, as well as preventing ESG incidents.

During the ownership and monitoring phase, ESG performance of the investees is monitored using the proprietary tool "ESG Monitoring Tool", which requires portfolio companies to report a set of selected ESG KPIs, which include the so-called Principal Adverse Impact indicators (PAIs) defined by the SFDR Reporting Technical Standards (RTS). Based on the results of the ESG performance monitoring activity, a review and update of the defined ESG action plan could be undertaken in order to address potential ESG risks and critical issues, whether identified.

As part of our commitment to support the portfolio companies in the process of improving their ESG performance, we promote an active engagement with investee companies, based on collaboration and dialogue. Through the engagement activities, we intend to provide support to portfolio companies in the process of managing ESG risks and criticalities, including climate related risks, identified as material at the pre-investment stage. In case the engagement with the portfolio companies does not lead to expected results over a given period, potential issues will be immediately managed by Entangled Capital SGR in dialogue with them. Depending on the nature of the issues emerged, the asset management company will propose proper corrective measures to implement. The Investment Team actively collaborates with the portfolio companies' management in order to facilitate an effective enforcement and progress of the action plan defined in the previous phase, leveraging Entangled Capital SGR's know-how and network to renew processes and activities according to best practices.

All the activities undertaken by portfolio companies under this perspective are monitored through a proprietary tool and reported on a yearly basis in a specific ESG Annual Report, available for investors, highlighting the results of the monitoring activity concerning both the ESG performance of the Portfolio Companies and improvements and progress achieved in various ESG areas.

- **Divestiture phase:** Entangled Capital SGR discloses relevant ESG information on the portfolio companies' performances to the potential buyer prior to exit.

OUR COMMITMENT TO COMPLIANCE AND INTERNATIONAL BEST PRACTICES

Entangled Capital SGR is fully committed to comply with applicable and relevant legislations among portfolio companies and the highest ethical, health & safety and environmental international best practice standards. This is why we are PRI signatories and members of the UN Global Compact; in



fact, we refer both to the United Nations Principles for Responsible Investment (UN PRI) and to the United Nations Global Compact's ten Principles as guideline for the integration of ESG factors across all phases of our responsible investment process. Moreover, through our partnership to AIFA and Invest Europe, we are constantly up to date on our sector's best practices, which enables us to play our part into actively driving sustainable development.

Entangled Capital SGR works alongside its portfolio companies to strengthen their organizational and management systems and control models, to be aligned with the international standards (e.g., UNI EN ISO) and to prevent criminal offences in compliance with the provisions of the Italian Legislative Decree 231/2001.

In adopting an integrated approach for the integration of ESG criteria within the investment process, we are also fully compliant with the requirements set by the EU Regulation 2019/2088 (Sustainable Finance Disclosures Regulation, SFDR). In accordance with the regulatory requirements, Entangled Capital SGR publishes an annual statement on its website with respect to (i) the integration of sustainability risks in the investment process (Art.3-Transparency of Sustainability Risk Policies), (ii) the identification of Principal Adverse Impacts (PAIs) on sustainability factors and related mitigation actions (Art.4- Transparency of adverse sustainability impacts at entity level).

In line with the Bank of Italy Supervisory Expectations on Climate and Environmental risks, issued on April 8, 2022, Entangled Capital SGR promotes an effective integration of climate-related and environmental risks into its ESG strategy, governance structure and risk identification and management frameworks.

OUR COMMITMENT TO TRANSPARENCY

We commit to seek appropriate disclosure on ESG issues by the entities in which we invest and to transparently report on their performances to investors. Material ESG incidents and corrective measures are immediately reported to all limited partners.

Entangled Capital SGR is open to engage more widely with the investor community to improve and strengthen its responsible investment approach.

POLICY COMMUNICATION & REVIEW

All employees and collaborators are made aware of the contents of this Policy and Entangled Capital SGR provides them with the necessary tools and information to understand and implement the responsible investment principles. The board of directors oversees overseeing the implementation of this Policy.

The Policy will be reviewed and updated as required to reflect evolutionary changes in both regulatory framework and ESG practice.

DEFINITIONS

- **Responsible investment:** integration of ESG factors within the process related to investment selection and management, up to the divestment phase, with the goal of generating financial returns and to achieve positive outcomes for the environment and community, while avoiding negative ones.
- **ESG risk:** an environmental, social, or governance event or condition that, if it occurs, could cause a significant actual or potential negative impact on the value of the investment.



- **ESG Action Plan:** a document that lists specific actions/measures defined for each Portfolio Company in the attempt to improve their sustainability performance, reducing ESG risks and maximizing opportunities.
- **¹PAI (Principal Adverse Impacts):** refers to the negative effects that are material or likely to be material on sustainability factors and that are caused, aggravated by or directly linked to investment decisions.
- **²Physical climate risk:** it refers to the financial impact resulting from the increase in natural events whose occurrence can be defined as "extreme" or "chronic." Acute physical risks arise from the occurrence of extreme environmental phenomena (such as floods, heat waves, and droughts) related to climate change which contributes to increase their intensity and frequency. Chronic physical hazards, on the other hand, arises from progressive shifts, such as increasing temperatures, sea-level rises, water stress, biodiversity loss, land use change and resource scarcity.
- **³Transition climate risk/opportunity:** financial impact resulting from, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy. This could be triggered, for example, by the adoption of climate and environmental policies, technological progress or changes in market sentiment and preferences.
- **EU Regulation 2019/2088:** Regulation on Sustainable Finance Disclosure Regulation (hereinafter also SFDR Regulation), concerning sustainability reporting in the financial services sector.
- **RTS (Regulatory Technical Standards):** refers to the Technical Standards on ESG disclosure for financial market participants on EU Regulation EU 2019/2088 (SFDR).
- **UN PRI (UN Principles for Responsible Investments):** is a United Nations-supported international network of investors working together to implement its six aspirational principles, often referenced as "the Principles". It works to promote the incorporation of environmental, social, and corporate governance factors (ESG) into investment decision-making.

¹ Definition provided by the 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).

² Definition used by Bank of Italy in the document "Supervisory Expectations on Climate-related and Environmental Risks," April 8, 2022. This definition is derived from the following sources: ECB Guide on climate-related and environmental risks e da EBA report on management and supervision of ESG risks for credit institutions and investment firms.

³ Please, consider the previous footnote.