F2i – Fondo per le infrastrutture sostenibili

SUSTAINABILITY DISCLOSURE ***pursuant to Article 10 of EU Regulation 2019/2088***

a) Summary

The name “F2i-Fondo per le Infrastrutture Sostenibili” (hereafter also the “Fund”) was decided by the AMC also to shape and share with its own stakeholders what distinguishes F2i's action in terms of its ability to create value through responsible and sustainable investments geared to the long term. This name does not imply that F2i will necessarily invest in target companies that are already examples of best practices as regards the ESG criteria. In fact the aim is to accompany companies that will join the Fund’s portfolio in achieving virtuous environmental and social practices while they are in the portfolio.

F2i – Fondo per le infrastrutture sostenibili is a product that falls within the scope of Article 8 of Regulation (EU) No. 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability reporting in the financial services sector (so-called Disclosure Regulation or also “SFDR”).

F2i – Fondo per le infrastrutture sostenibili not only integrates sustainability risk into the investment decision-making process, but promotes certain environmental and social characteristics, and in particular: climate change mitigation, pollution prevention and reduction, non-discrimination, and safety at work. Furthermore, although its objective is not to make sustainable investments, the Fund is committed to having a minimum of 25% sustainable investments, with a consequent alignment to their taxonomy of 25%[1]. The Fund's share of taxonomy-aligned investments must therefore be (at least) 6% of total assets.

ESG risks and the monitoring of sustainability indicators to assess the environmental and social characteristics promoted by the Fund and the good governance practices of the investee companies are an integral part of the Fund's strategy in both the investment and portfolio management phases.

With reference to the investment phase, the Fund’s strategy provides for measures to be implemented, as defined within F2i's ESG Policy, that are aimed at (i) excluding upstream all the investments in sectors that may be considered as unethical or as having an excessive negative impact on sustainability factors (“negative screening”); (ii) assessing the adoption of positive criteria by focusing, in the scouting phase, on sectors and investments that are consistent with the environmental and social characteristics promoted by the financial product (“positive screening”); and (iii) assessing the ESG target as a result of the relevant due diligence activities (“ESG rating”). If the intention is to proceed with an investment in a target for which, despite having passed “negative screening” and “positive screening”, significant sustainability risks have been identified, the ESG Committee, in

[1] As per the pre-contractual disclosure required for financial products referred to in article 8(1), (2) and (2 bis) of Regulation (EU) no. 2019/2088 and Article 6(1) of Regulation (EU) no. 2020/852.

order to reduce these risks, proposes - within 6 months of the acquisition - an “Action Plan”, which will be defined in detail, approved and implemented by the investee in question, aimed at gradually closing any gaps found under the ESG profile.

With reference to monitoring the ESG performance of its portfolio companies, F2i uses primary data collected directly from the companies managed by the Fund on an annual basis through a template (reporting package) developed according to the main international sustainability reporting standards. The data received is analysed and checked by the ESG Sustainability Organisational Unit, with the support of an external provider. Furthermore, in order to promote the continuous improvement of ESG performance and the dissemination of good sustainability practices, F2i SGR establishes a dialogue and specific engagement actions with the Fund's investees.

b) No sustainable investment objective

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

Furthermore, although its objective is not to make only sustainable investments, the Fund is committed to having a minimum of 25% sustainable investments, with a consequent alignment to their taxonomy of 25%[2]. The Fund’s share of taxonomy-aligned investments must therefore be (at least) 6% of total assets.

The sustainable investments made by the Fund do not cause any significant environmental and social harm based on the process of verifying compliance with: (i) the technical screening criteria with respect to the substantial contribution to climate change mitigation, (ii) the relevant DNSH (“Do Not Significant Harm”) environmental criteria, and (iii) the minimum safeguards.

With the objective of identifying and prioritising the main negative effects on sustainability factors (“PAI”), F2i SGR has adopted a structured approach that considers the possible principal impacts on sustainability at each phase of the investment process. The “PAI Policy” is implemented, under the supervision of the ESG Committee and with the support of the “ESG Sustainability” Business Unit, by the Equity Investments Area (during the investment decision phase) and by the Strategy & Business Development Area (subsequently, for portfolio companies) in cooperation with the other functions of F2i SGR, each to the extent applicable.

With reference to verifying respect for the fundamental rights of individuals and workers, which is an essential issue for F2i SGR, the policy for the investment of the funds managed by F2i SGR stipulates the exclusion of investments that are unethical or have an excessive adverse environmental or social impact. In addition, F2i SGR does not invest in countries outside the Eurozone, which by definition excludes the possibility of investing in countries included in black lists due to the violation

[2] See note 1.

of fundamental rights or the financing of terrorist activities. F2i SGR also verifies that all assets in the Fund's portfolio have the 231 Model and the Code of Ethics. F2i SGR adheres to the UN Principles for Responsible Investing (UN PRI) and the UN Global Compact (UNGC), as well as promoting the 17 Sustainable Development Goals (SDGs) and operating in line with the Stewardship Code adopted by the European Fund and Asset Management Association (EFAMA).

c) Environmental or social characteristics of the financial product

The financial product promotes the following characteristics:

- environment: (i) climate change mitigation; (ii) pollution prevention and reduction;
- social: (i) non-discrimination; (ii) safety at work

d) Investment strategy

The Fund invests in infrastructures in Italy and in Europe (Euro area), with particular focus on the following sectors:

- Transport and Logistics:
  - Airports;
  - Ports;
  - Motorways;
  - Railways.
- Energy for transition.
- Distribution networks:
  - Gas distribution networks
- Telecommunication networks.
- Social and healthcare infrastructure.
- Circular economy.

The ESG strategy of the Fund is implemented both in the investment selection phase and on an ongoing basis for the management of the investments in the portfolio. The integration of ESG risks and the implementation of the ESG strategy in the investment selection phase takes place through: 1) "negative screening", i.e. the upstream exclusion of all those investments in sectors that can be considered as unethical or as having an excessive negative impact on sustainability factors; 2) "positive screening", i.e. the adoption of positive criteria by focusing, in the scouting phase, on sectors of particular ESG relevance and on investments that are consistent with the environmental and social characteristics promoted by the financial product; and 3) "ESG rating", i.e. the assessment of the asset on ESG topics - including the assessment of good governance practices - following the outcome of the related due diligence activities, at the end of which the results emerging from the ESG analysis are reported in the Investment Memorandum (as defined in the related Company procedure) in order to be part of the decision-making process. The information collected in relation to the ESG positioning of the asset is used for the assignment of the ESG Risk by the Risk Manager.

The integration phase and the implementation of the ESG strategy on an ongoing basis of portfolio investments takes place through an engagement policy and ongoing monitoring of the investee companies. F2i also relies on dialogue with investee companies, on the exercise of the relevant voting rights in the Shareholders' meetings and on the preparation of remedial plans that include possible escalation measures, should the measures foreseen not be implemented, up to the decision to dispose of the investment.

Pursuant to art. 6 of the SFDR Regulation, the asset management company has integrated sustainability risks into its investment decisions.

e) Proportion of investments

The following asset allocation is envisaged[3]:

- 100% investments aligned with E/S characteristics[4], of which
  - 6% sustainable investments, aligned to the taxonomy
  - 94% other investments with E/S characteristics[5].

f) Monitoring of environmental or social characteristics

Following the investment, F2i SGR carefully monitors the portfolio companies throughout the period of their retention within the Fund, including through the periodic updating of the ESGI index - both in relation to individual investees and to the Fund as a whole - by the Risk Management function, in order to detect possible changes in the sustainability risks on the value of the investments. This monitoring is integrated into the periodic reports provided to the investors of the funds managed by F2i, and also taken into account in order to ensure the uninterrupted consistency of the investments with the relative criteria of suitability and risk appetite.

In addition, F2i SGR establishes a dialogue with its portfolio companies, the aim of which is to guide them towards conduct that is as consistent as possible with ESG issues (and as a consequence less risky under this profile), possibly through the adoption of a specific Action Plan. By using engagement - which is an integral part of F2i’s approach to sustainable and responsible finance - F2i

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[3] In view of the possibility of measuring only taxonomy-aligned sustainable investments, the asset allocation was split between taxonomy-aligned investments and investments with other E/S characteristics. The pre-contractual disclosure stipulated a minimum share of sustainable investments of 25% resulting in a taxonomy-aligned share of 25% and taxonomy-aligned investment share of 6% of total assets. The share of sustainable investments not aligned with the taxonomy was therefore included in investments with other E/S characteristics.

[4] The category "investments aligned with E/S characteristics" includes the Fund's investments used to comply with the environmental or social characteristics promoted by the same.

[5] The subcategory “other investments with E/S characteristics” covers investments that promote environmental or social characteristics but are not considered sustainable investments.

aims to drive improvement in relation to environmental, social and governance profiles of the companies in its portfolio.

In addition to roundtable discussion groups, the monitoring can take place through questionnaires and specific ESG requests or sample-based audits agreed with the portfolio company concerned and conducted by specialist consultants.

Alongside the monitoring, which enhances F2i SGR's active role also after the investment, we intend to produce a report containing the essential ESG enhancement information for each of the portfolio companies, some of which already publish reports with non-financial information pursuant to Legislative Decree no. 254/2016 on the disclosure of non-financial information (also on a voluntary basis). Based on these reports, F2i SGR's ESG Sustainability Organisational Unit prepares the required disclosures both with respect to F2i SGR as a whole (F2i SGR and investees in the portfolio of managed funds), and with respect to each individual managed fund, pursuant to the SFDR Regulation, in this case the F2i-Fondo per le Infrastrutture Sostenibili.

The reporting is also carried out with the aid of external consultants with specific expertise in the field of sustainable and responsible investments, particularly in relation to the relevant sustainability indicators.

The environmental and social characteristics promoted by the Fund are assessed at the individual investment level, by selecting specific indicators for the different investments made. The following are some of the indicators used to monitor environmental and social characteristics[6]:

- Environmental indicators
  - Indirect consumption from renewable sources
  - Installed capacity and production from renewable sources
  - Quantities treated in waste treatment plants and % sent for recovery
- Social indicators
  - % Male / female employees
  - Companies that have adopted a D&I policy
  - ISO 45001 certified companies
  - Work-related injuries (number, severity and frequency index)

g) Methodologies

Sustainability indicators are monitored by means of the data collection template (reporting package), developed on the basis of the main international sustainability reporting standards (GRI) and PAI

[6] In order to consider the main negative effects of the Fund on sustainability factors, priority PAI indicators are also monitored. The method of calculating the priority PAI indicators was adapted in order to determine the indicators for the F2i-Fondo per le Infrastrutture Sostenibili fund only.

indicators. Moreover, this template is periodically updated in line with regulatory updates and industry best practices.

h) Data sources and processing

The ESG KPIs periodically requested by F2i are provided directly by the Fund's portfolio companies, without the help of external info-providers. For the purposes of collecting this data, F2i SGR structured a template (reporting package) based on the ESG KPIs to be monitored, which is sent to the companies included in the reporting scope, which they return completed. Consistency and fairness checks, both by an external supplier, in this case a renowned international consulting firm, and by the ESG Sustainability Business Unit, are envisaged.
Furthermore, additional ESG parameters monitored are included in the periodic reports, as well as in the F2i Integrated Sustainability Report.

i) Limitations of methodologies and data

There are no limitations. In cases where newly-acquired companies do not have adequate safeguards to monitor sustainability indicators, temporary restrictions are, however, possible at the time of investment. In these cases, in fact, F2i is committed through its engagement activity to promoting the adoption of adequate safeguards to ensure the proper monitoring of sustainability indicators relating to environmental and social characteristics. In such cases, scope limitations will be communicated as part of the periodic reporting (Annex IV RTS).

j) Due diligence

To take into account ESG aspects, both in the due diligence phase and in the investment monitoring phase, F2i uses an internal scoring system, which assigns an ESG rating by analysing and assessing each company on the basis of a matrix consisting of 3 categories and 13 sub-categories. A score of 1 to 5 is assigned for each sub-category, in relation to the assumed significance of the sub-category considered for the asset examined. The ESG indicator consists of four classes: Good, Fair, Poor, Bad, depending on the score achieved. Specifically: (i) values between 0 and 18: Good; (ii) values between 18 and 34: Fair; (iii) values between 34 and 54: Poor; and (iv) values over 54: Bad (110 is the worst possible score).

The rating serves a dual purpose: (i) to ensure that the investments made by the funds managed comply with the regulatory framework and the ESG Policy in force, and (ii) to identify, manage and mitigate any financial and reputational risks that may arise from investments exposed to ESG risks. Should the ESG rating obtained by the Risk Management function be in the Bad class, F2i SGR will not proceed with the investment in question. If F2i SGR decides to proceed with an investment that does not fall into the "Bad" class but with respect to which significant sustainability risks have been identified, the ESG Committee proposes the definition of an "Action Plan" aimed at gradually filling any gaps found in terms of ESG and reducing the related risks. The Action Plan is agreed with the management of the target company within six months from completing the acquisition of the same.

k) Engagement polices

F2i SGR possesses and implements - also pursuant to and for the purposes of Article 3-*octies* of Directive 2007/36/EC - an engagement policy, which details how it monitors (as an AIF manager) portfolio assets on relevant matters (including strategy, financial and non-financial performance, the risks, and principal adverse impacts on ESG).

In particular, insofar as this issue is of greater importance here, F2i SGR establishes a dialogue with the portfolio companies of its funds, with the ultimate aim of guiding them towards conduct that is as consistent as possible with ESG issues. This is therefore a long-term process that uses engagement - which is an integral part of F2i SGR's approach to sustainable and responsible finance - to drive improvement of portfolio companies with regard to environmental, social and governance profiles.

In this regard, F2i SGR points out that since 2019 - under the responsibility of the ESG Committee and with the support of specialist consultants in the field of sustainable and responsible investments - it has prepared an Integrated Sustainability Report, which have been implementing the ESG Policy.

The ongoing monitoring launched after drawing up the Integrated Sustainability Report has the primary objective of measuring, on a yearly basis, the qualitative-quantitative progress made in the different areas analysed and, consequently, putting corrective measures in place and/or providing further impetus if needed, with the involvement of all the managers concerned. Moreover, as of 2021, specific ESG targets have been included in the annual Management By Objectives (MBO) and multi-year Long Term Incentive (LTI) plans of the Chief Executive Officers of the portfolio companies of the funds managed by F2i SGR, in this case the F2i-Fondo per le Infrastrutture Sostenibili.

Among the most important issues with respect to which F2i SGR carries out engagement activities, the following PAI indicators, as mentioned above, stand out as priorities.

In addition to roundtable discussion groups, the monitoring of portfolio companies can take place through specific ESG requests or sample-based audits agreed with the portfolio company concerned and conducted by specialist consultants.

Among the corrective mechanisms (which may also mitigate any PAIs), F2i SGR relies not only on the roundtable discussion groups described above, on the exercise of voting rights (in the shareholders' meeting as well as, where possible, in the management bodies of portfolio companies, always in accordance with the Conflicts of Interest Management Procedure), but also on the preparation by the portfolio companies of remedial plans linked to time frame and objectives agreed upon that include possible escalation measures, should the measures foreseen in the plan be implemented late, inadequately, or not at all, up to the decision to reduce or dispose of the investment.

l) Designated reference benchmark

F2i SGR has not defined a market reference benchmark, but has defined an internal indicator developed by the Risk Management function and updated by it on a quarterly basis, according to the methodology defined within the Risk Management Procedure and Policy.