F2i – Infrastructure Debt Fund 1

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

a) Summary

F2i-Infrastructure Debt Fund 1 (hereafter also the "Fund) 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"). Therefore, it is a product that not only integrates sustainability risk into the investment decision-making process, but, while not having a sustainable development objective, also promotes certain environmental and social characteristics, and in particular: efficient and sustainable use of energy sources, efficient use of raw materials and reduction of pollution, sustainable urbanisation and competitiveness and quality of services in suburban areas; widespread access to data and new technologies.

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 financed 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) ensuring the upstream exclusion of 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, for each asset target, at the investment stage, a series of Key Risk Indicators which consider the environmental, social and governance aspects of the asset ("ESG rating"). These KRIs are assigned a score from 1 to 5 depending on their importance, leading to, through the weighted average of them, a measure of ESG Risk (which can also assume values from 1 to 5). Should the ESG Risk value reached by the Risk Management function be higher than 4, F2i SGR will not proceed with the investment in question.

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 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 companies.

b) No sustainable investment objective

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

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 Debt Investments Area (during the investment decision phase) and by the Strategy & Business Development Area (subsequently, for portfolio assets) - in cooperation with the other functions of F2i SGR, each to the extent applicable. PAI indicators are carefully considered throughout the due diligence phase on target assets, because they contribute to estimating the probability that investments will produce significant adverse impacts on sustainability. Upon completion of the due diligence phase, the results of the ESG analysis are reported in the Investment Memorandum (as defined in Investment and Credit Position Monitoring Procedure adopted by F2i SGR), to form part of the decision-making process for target assets and (possibly) subsequent post-investment monitoring.

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 of fundamental rights or the financing of terrorist activities. F2i 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) efficient and sustainable use of energy sources; (ii) efficient use of raw materials and reduction of pollution
- social: (i) supporting sustainable urbanisation; (ii) supporting competitiveness and quality of services in suburban areas; (iii) enabling widespread access to data and new technologies

d) Investment strategy

The Fund finances companies operating in the infrastructure sector, with a particular focus on the following sectors:

- Energy for transition

- Transport and Logistics
- Circular economy
- Telecommunication networks
- Distribution networks
- Health and social care facilities

The ESG strategy of the financial product 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 take 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 and topics 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 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 previously mentioned Company Investment Procedure) in order to be part of the decision-making process. The information gathered with regard to the ESG positioning of the asset is used both for the assignment of ESG Risk by the Risk Manager and to integrate ESG criteria in the analysis of the credit rating assigned to the Fund's investments, by using ESG risk analysis tools derived from the methodologies adopted by the main External Credit Assessment Institutions (ECAI).
In addition to monitoring, the engagement policy also relies on discussion, where appropriate, with the financed companies and on the possibility of discontinuing the financing in the event of changes or exceptions to the relevant contracts that are detrimental to ESG issues. The Fund’s ESG risk positioning, assessed through the overall ESG Risk, contributes to evaluating the Fund’s risk-return profile. This indicator is calculated through the weighted average of the ESG Risks of the assets in the portfolio, using their Fair Value at the date for weighting. The Fund’s ESG Risk may be rated from 1 to 5.

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:

- 100% investments aligned with E/S characteristics[1].

f) Monitoring of environmental or social characteristics

Subsequently to financing, the engagement policy takes the form, in particular, of monitoring the financed companies by analysing the information that they are required to send to the lenders pursuant to the financing agreements, or, if necessary, through the request to fill in a questionnaire on an annual basis, also analysed with the support of external consultants. The ESG information collected during the monitoring phase enables the Risk Manager to periodically update the ESG Risk of the assets in the portfolio, in order to detect possible changes in the sustainability risks on the value of the investments. At the same time, this information is used at least annually as part of the review of each investment in order to confirm or change the credit rating.

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 assets in the portfolio of managed Funds), and likewise with respect to each individual managed fund, pursuant to the SFDR Regulation, in this case the F2i-Infrastructure Debt Fund 1.

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[2]:

- Environmental indicators
  - Installed capacity and production from renewable sources
- Social indicators
  - Network and data access (assessed through number of Household passed and number of Household connected)

g) Methodologies

[1]The category "investments aligned with E/S characteristics" includes the financial product's investments used to comply with the environmental or social characteristics promoted by the financial product

[2] In order to consider the main negative effects of the investments 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 Infrastructure Debt Fund 1 only.

Sustainability indicators are monitored by means of the data collection template (reporting package), developed on the basis of the PAI 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 assets, 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 monitored ESG parameters 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 financed 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. Assess, for each asset target at the investment stage, a series of Key Risk Indicators which consider the environmental, social and governance aspects of the asset (ESG rating). These KRIs are assigned a score from 1 to 5 depending on their importance, leading to, through the weighted average of them, a measure of ESG Risk (which can also assume values from 1 to 5). Should the ESG Risk value reached by the Risk Management function be higher than 4, F2i SGR will not proceed with the investment in question.

Net of the aforementioned constraints, the Fund's investment strategy envisages assets being allocated to companies that:

- have a high sustainability profile due to the sector in which they operate; or
- have a distinctive sustainability profile compared to sector peers; or

- have implemented/intend to implement a plan to improve their sustainability profile, e.g. by taking actions to mitigate negative impacts arising from the sectors in which they operate.

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 financed companies, with the 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 assets with regard to environmental, social and governance profiles.

The engagement policies may also provide for specific mechanisms and contractual clauses aimed at promoting ESG factors relating to the financed asset, and which F2i SGR may contribute to developing.

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.