F2i VII - Equity Infrastructure Fund

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

a) Summary

F2i VII - Equity Infrastructure Fund (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 promotes certain environmental and social characteristics, and in particular: efficient and sustainable use of energy sources, promoting the transition to technologies that allow greenhouse gas (GHG) emissions reduction; pollution reduction and efficient use of raw materials; circular economy models that support practices of reuse and recycling; supporting sustainable urbanization by improving access to essential and high-quality services, increasing community well-being and fostering economic growth; encouraging sustainable mobility in enhancing accessibility and interconnections related to urban and suburban areas; adoption of digital infrastructures that improve access to data, advanced technologies and innovative services, promoting best practices in Health & Safety (H&S) and Diversity & Inclusion (D&I). Furthermore, although its objective is not to make sustainable investments, the Fund is committed to having a minimum of 10% sustainable investments, taxonomy aligned.

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"[1]); (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 ("Due diligence, ESG Risk and ESG

[1] In order to take into account the sustainability risks that are typical of assets in sectors at risk, F2i does not make direct investments and does not acquire exposure to companies that are involved in (i) the production or trade of tobacco, arms and ammunition; (ii) the production, trade or distribution of alcohol; (iii) gambling or the production or trade of products related to gambling; (iv) pornography, prostitution or similar activities; (v) the production of illicit substances; (vi) the production of or trade in products or services which promote the cessation of human life; (vii) the production or extraction of coal; (viii) the production of or trade in products or services which are (a) illegal in the jurisdiction in which the company is established or (b) contrary to international conventions, agreements or bans to the applicable extent of the same to such companies; (ix) the violation of human rights; or (x) companies that derive more than 20% of their revenues from (a) the production of electricity from coal, (b) controversial hydrocarbon extraction activities (e.g., shale gas, shale oil and arctic drilling), (c) managing assets for the transportation and processing of hydrocarbons that come directly from controversial extraction activities; (d) the transportation of coal, including the construction of wharves, terminals, ports or the use of vessels specifically for the transportation of coal; (e) the production of liquid hydrocarbons involving the continuous combustion of gases emitted during the extraction of deposits (routine flaring)

Rating[2]) during which the Risk Management function assesses the ESG Risk (which may assume values from 1 to 5). Should the ESG Risk value be higher than 4 ("High" risk class), F2i will not proceed with the investment in question. 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 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 Business 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 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.

Although its objective is not to make sustainable investments, the Fund is committed to having a minimum of 10% sustainable investments, taxonomy aligned.

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 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 Capital Formation and ESG Area (subsequently, for portfolio companies) in cooperation with the other functions of F2i, each to the extent applicable. PAI indicators are carefully considered throughout the due diligence phase on target assets, because they contribute to determining significant adverse impacts on sustainability of the investments. Upon completion of the due diligence phase, the results of the ESG

[2] ESG Rating structured according to a proprietary methodology

analysis are reported in the Investment Memorandum (as defined in Investment Procedure adopted by F2i), 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, the policy for the investment of the funds managed by F2i stipulates the exclusion of investments that are unethical or have an excessive adverse environmental or social impact. In addition, the Fund invests European countries only, which by definition excludes the possibility of investing in countries included in blacklists 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[3] and the Code of Ethics. F2i 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:

- environmental: (i) efficient and sustainable use of energy sources, promoting the transition to technologies that allow GHG emissions reduction; (ii) pollution reduction and efficient use of raw materials; (iii) circular economy models that support practices of reuse and recycling;
- social: supporting sustainable urbanization by improving access to essential and high-quality services, increasing community well-being and fostering economic growth; (ii) encouraging sustainable mobility in enhancing accessibility and interconnections related to urban and suburban areas; (iii) adoption of digital infrastructures that improve access to data, advanced technologies and innovative services. Moreover, the Fund will promote best practices in Health & Safety (H&S) and Diversity & Inclusion (D&I).

d) **Investment strategy**

By way of example and without limitation, the Fund invests in companies operating in the infrastructure sector, with a particular focus on the following sectors:

- Transport and Logistics
- Energy for transition
- Circular economy
- Distribution networks
- Digital networks
- Social infrastructure

[3] In the case of Italian companies; for foreign companies, the adoption of best practices in corporate governance is verified

- Utilities

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) “Due diligence, ESG Risk and 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 Management function, as well as to assess a series of indicators that contribute to determining the ESG Rating defined by F2i to evaluate the ESG maturity of the portfolio and promote its gradual improvement over time[4].

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

Si prevede la seguente allocazione degli attivi:

- 100% investments aligned with E/S characteristics[5], of which
  - 10% sustainable investments, aligned to the taxonomy
  - 90% other investments with E/S characteristics

[4] The ESG Rating, structured according to a proprietary methodology, consists of four categories of indicators: Environment, Social, Governance, and External ESG Ratings, identified on the basis of best practices in the field and measured on a four-level scale (from 0 to 3), and can take values from 0 to 100

[5] 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

f) Monitoring of environmental or social characteristics

Following the investment, F2i carefully monitors the portfolio companies throughout the period of their retention within the Fund, including through the periodic updating of the ESG Risk - 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 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 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's active role also after the investment, a report containing the essential ESG enhancement information of the portfolio is produced. Based on these reports, F2i's ESG Sustainability Business Unit prepares the required disclosures both with respect to F2i as a whole (F2i 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 VII - Equity Infrastructure Fund.

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 that might be used to monitor environmental and social characteristics[6]:

- Environmental indicators
  - Renewable energy production
  - GHG emissions
  - Pollutant emissions

[6] As part of the periodic reporting process, any alternative or supplementary metrics are evaluated based on the specific investment sector; it should be noted that at least one indicator will be reported for each asset in the portfolio. Furthermore, in order to account for the Fund's primary negative impacts on sustainability factors, PAI indicators are also monitored

- Quantities of waste treated
- Waste for recycling/reuse out of total waste

- Social indicators
  - Users served by the infrastructure
  - Health and safety indicators
  - Diversity & Inclusion indicators

g) Methodologies

Sustainability indicators are monitored by means of the data collection template, developed on the basis of the main international sustainability reporting standards (GRI) and 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 companies, without the help of external info-providers. For the purposes of collecting this data, F2i 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. Where a Portfolio Company is unable to provide ESG data, typically due to a recent acquisition or disposal, or difficulties arising from specific circumstances, the ESG Sustainability Unit will assess the appropriate approach on a case-by-case basis, with a view to ensuring ESG reporting that is representative of the Portfolio. Such approaches may include, by way of example: (i) exclusion from the reporting scope, (ii) use of the latest available ESG data, or (iii) engagement of an external provider to estimate ESG data. The reporting methodology adopted will be disclosed as part of the periodic reporting (Annex IV of the RTS).

j) Due diligence

To take ESG aspects into account, both during due diligence and investment monitoring, F2i uses ESG Risk, an internal assessment system developed by the Risk Management department, which

defines a series of Key Risk Indicators (KRIs) for each company relating to environmental, social, and governance aspects of the asset. These KRIs are assigned a score from 1 to 5 based on their criticality, and the weighted average of these scores is used to calculate the ESG Risk (which can also take values from 1 to 5). If the ESG Risk calculated by the Risk Management function is greater than 4 (risk class "High"), F2i will not proceed with the investment in question.

The indicator 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.

If F2i decides to proceed with an investment that does not fall into the "High" class, but significant sustainability risks have been identified, the ESG Committee - to reduce these risks - 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 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 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'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 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. In this regard, specific ESG targets are included, to the extent possible, among the objectives of the annual "MBO" (Management by Objectives) and multi-year "LTI" (Long-Term Incentive) plans for the CEOs of the companies in the equity fund portfolio managed by F2i.

Among the most important issues with respect to which F2i 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 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 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.