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EQUITA Capital SGR

ESG Engagement Policy

Summary

Introduction and Purpose

The purpose of this document (the "Policy") is to provide a summary of the main activities related to the ESG Engagement process adopted by EQUITA Capital SGR S.p.A. (the "SGR" or "EQUITA"), in alignment with its Responsible Investment Policy[1].

This Policy has been developed within the framework of the SGR's ESG ambitions, in line with group-wide policies. It is intended as a **guiding document** and **does not entail any regulatory obligations**.

This Operational Procedure shall be updated in accordance with the same review frequency as the SGR's Responsible Investment Policy.

Scope

This procedure applies across all operations of EQUITA, with specific reference to the Investment Teams, and the ESG Specialist. It primarily concerns **private equity, private debt, and infrastructure funds classified under Articles 8 and 9 of the SFDR**, and **investments in which EQUITA acts as lead investor**. In these cases, ESG engagement activities are an integral part of the investment process.
For **products falling under Article 6 of the SFDR**, EQUITA identifies and manages sustainability risks in line with regulatory requirements; however, no specific ESG engagement activities are implemented.

A similar approach is applied to **public market funds**. In these cases, EQUITA generally uses an average ESG rating of at least BBB[2] (based on MSCI data[3]) as a reference for portfolio inclusion, without engaging in formal ESG dialogue. Nonetheless, the ESG performance and the principal adverse impacts of public market funds are monitored on a quarterly basis by the Investment Team responsible for those products, with the support of the ESG Specialist. The results of these monitoring activities are reported quarterly to the ESG Committee of EQUITA Capital SGR, which assesses whether any action is required.

In co-investment scenarios, an ESG engagement approach is applied on a best-effort basis. This includes assessing the co-investor's ESG strategy and, where appropriate, identifying opportunities to enhance ESG ambition.

Additional information

All ESG engagement initiatives are decided upon and monitored by the ESG Committee of the SGR. Proposals originate from the Investment Team, with the support of the ESG Specialist, and are submitted to the ESG Committee for review and approval. Where a material ESG engagement is required, the Investment Committees of the SGR is also consulted, following prior discussion within the ESG Committee.

This policy must be read in conjunction with the **SGR's Responsible Investment Policy**, as it serves as a complementary framework. ESG engagement is initiated at the earliest stages of the investment process, starting with the deal assessment phase. As such, the **ESG Due Diligence Questionnaire** shall also be considered an integral document for the full and effective implementation of this Policy.

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[1] Responsible Investment Policy
[2] For more details please refer to the Responsible Investment Policy
[3] For more information: https://www.msci.com/

Details of the Policy

The ESG Engagement process is structured across multiple levels and includes the following key activities:

1. **Active implementation** of the SGR's **Responsible Investment Policy**.
2. **Phase 1: the pre-investment phase**, during which the maturity level of the target company is assessed across various aspects within the Environmental, Social, and Governance (ESG) dimensions.
3. **Phase 2: the monitoring phase**, where both the ESG performance of the portfolio company and the Principal Adverse Impacts (PAIs) are evaluated.

For Engagement monitoring, the same ESG Due Diligence Questionnaire is used; however, the focus is limited to the KPIs identified as relevant during the initial due diligence. **For PAI monitoring, a dedicated PAI Questionnaire** is used to collect the necessary data regarding sustainability impacts.

Specific procedures are applied for each type of product managed by the SGR:

1. **Private Equity Funds**
2. **Private Debt Funds**
3. **Infrastructure Fund.**

Private Equity

Phase 1: Pre-Investment

During the pre-investment phase, Investment Team engages with target companies to conduct a comprehensive ESG due diligence process, which includes the following activities:

- ✓ Identification of material ESG topics based on the industry in which the company operates;
- ✓ Identification and assessment of ESG-related risks;
- ✓ Completion of the SGR's proprietary ESG Due Diligence Questionnaire, used to evaluate the company's ESG maturity.

The due diligence may also be supported by an external advisor specialized in ESG matters. Based on the outcomes of this process, the Investment Team identifies the most material ESG issues to be addressed during the holding period. These topics are prioritized for monitoring and engagement, and can be formalized in the acquisition contracts, mutually agreed upon by both parties.

Phase 2: Holding Period

During the holding period, EQUITA initiates the **ESG monitoring phase**.
As a first step, the SGR appoints an **ESG Referent** within the target company—typically the main point of contact for ESG engagement initiatives.
The ESG Referent may be:

- An ESG specialist or an external consultant (in cases where the company outsources ESG reporting);
- A non-specialized employee with a key role within the company (e.g., CFO), responsible for overseeing ESG-related activities.

Within one year from the investment closing, an **ESG Action Plan** is presented to the target company. The plan focuses on areas identified as having the potential to drive significant positive change and is developed based on the results of the **ESG Due Diligence Questionnaire** — particularly insights from **the Maturity Assessment**.
Each suggested action is determined by the ESG area, maturity level, and accompanying instructions, which outline specific, actionable steps based on a scoring range (from Low to High). Each action must be clearly defined and implementable. For every action item, the following elements are specified:

1. Action
2. Owner
3. Timeline
4. Next steps and key milestones

Although the Action Plan is shared with and acknowledged by both parties, it does not constitute a legally binding agreement. Nonetheless, the implementation progress of the ESG Action Plan is regularly monitored and presented to the Board of Directors (CdA) of the target company at least once a year. The outcomes of these meetings are subsequently reported to the ESG Committee of Equita Capital SGR.
In addition to the ESG Action Plan, the monitoring phase includes the collection and analysis of data to assess the ESG performance of the portfolio company. The SGR uses the same ESG Due Diligence Questionnaire

employed during the pre-investment phase, with a focus on the KPIs identified as material.
In parallel, the SGR collects data on Principal Adverse Impact (PAI) indicators using a dedicated PAI Questionnaire, designed to gather all mandatory information required for annual PAI reporting.
Once accepted by both parties, the SGR starts monitoring the progress of the ESG Action Plan through a dedicated follow-up process, which may include e-mail communication and a structured 30-minute meeting with the company's ESG Referent. The objective of the meeting is to:

- Review the implementation status of the ESG Action Plan, including specific actions completed during a six-month period;
- Discuss upcoming steps and define targets for the following six months.

The SGR's ESG Specialist—or the ESG Referent within the SGR—is responsible for documenting the outcomes, including the status of actions, key updates, and any support required by the portfolio company to advance ESG initiatives and to present the results to the ESG Committee of the SGR.
In minority investments, EQUITA Capital SGR does not develop a formal action plan. Instead, it includes specific contractual obligations requiring the target company to report on its Principal Adverse Impacts (PAIs) and overall ESG performance, leveraging the findings from the ESG Due Diligence Questionnaire.

Private Debt

Phase 1: Pre-investment

During the pre-investment phase, Investment Team engages with target companies to conduct a comprehensive **ESG due diligence process**, which includes:

- Identification of material ESG topics based on the sector in which the company operates;
- Identification and assessment of ESG-related risks;
- Completion of the SGR's proprietary ESG Due Diligence Questionnaire, used to assess the company's ESG maturity.

This process may be supported by an external advisor with specific expertise in ESG matters.

Based on the results of the assessment, the Investment Team identifies the key ESG issues considered most relevant to address during the holding period. These topics are prioritized for ongoing monitoring and engagement. Drawing on the findings of the pre-investment ESG due diligence—and post finalization of the investment decision—EQUITA and the portfolio company jointly define the KPIs to be used for the **ESG Ratchet Mechanism**. These KPIs are then incorporated into the financing agreement. They are selected with reference to the Maturity Assessment conducted as part of the ESG due diligence.

Phase 2: Holding period

During the holding period, EQUITA activates the ESG monitoring process, which includes:

1. **Ongoing collection of ESG performance data**, using the same ESG Due Diligence Questionnaire applied during the pre-investment phase, with a focus on the key performance indicators (KPIs) previously identified;
2. **Collection of Principal Adverse Impact (PAI)** data through a dedicated PAI Questionnaire, covering all mandatory indicators required for annual regulatory reporting;
3. **Regular assessment of ESG Ratchet performance**, to monitor progress against the ESG objectives agreed upon during the investment onboarding phase.

This review process aims to identify performance trends and detect any significant deviations from expected ESG outcomes. In particular:

- If **performance has improved**, the SGR may request supporting documentation or clarifications;
- If **performance has declined or relevant ESG issues are identified**, the Investment Team and the ESG Specialist, upon discussion with the ESG Committee, may take one or more of the following actions, depending on the severity of the underperformance:
  - Request a **formal explanation** from the company's ESG Referent (if not already provided);
  - Propose **corrective measures (more information included in the next section)** through a targeted action plan, typically drawing on the options outlined in the ESG Due Diligence Questionnaire. Each action is linked to a specific ESG sub-topic and is accompanied by a timeline and clear implementation steps. The plan may be formalized through mutual agreement, with designated owners and defined milestones;
  - Schedule a **dedicated technical meeting** to discuss the underperformance and identify potential technical support needs;
  - Offer **technical assistance** with the support of an external advisor, potentially selected by the SGR

and funded by the portfolio company, to help close the performance gap.

Among the possible actions, financial measures may also be considered. These could include the renegotiation of the ESG Ratchet or, in extreme cases, divestment. However, such steps are must be discussed and approved by the SGR's Investment Committee.

Definition of Corrective Action Plans

If material ESG issues arise, or if deviations from previously agreed ESG commitments are detected, the SGR initiates the development of a **Corrective Action Plan**[4], initially in coordination with the sponsor and subsequently involving the portfolio company. The objective is to define appropriate measures to address the identified shortcomings and to ensure continued alignment with the fund's ESG standards and the relevant provisions of the Side Letter. The Corrective Action Plan is prepared on a best-effort basis, taking into due consideration any existing contractual obligations.

The Corrective Action Plan is formalized through:

- An official letter or memorandum, co-signed by both parties;
- A detailed plan outlining:
    - Clear ESG objectives and milestones;
    - A defined timeline for implementation;
    - Designated action owners (within both the company and the SGR);
    - Any technical support to be provided by the SGR (e.g., ESG consultancy, training).

The Plan is co-developed by the ESG Referent of the target company and EQUITA Capital's ESG Team, ensuring that actions are:

- Realistic and consistent with the company's operational capacity;
- Aligned with the ESG framework already in place (e.g., ESG DD questionnaire);
- Measurable through specific and relevant KPIs.

Progress on the Corrective Action Plan is monitored through regular meetings with the company, and it is documented in internal ESG reports and ESG Committee discussions.

The implementation timelines may be adapted to the company's operational constraints and priorities but must be agreed upon jointly by the ESG Referent, the EQUITA Capital representative, and other key stakeholders. The type and intensity of corrective actions depend on the materiality of the issue and the rationale provided by the company.

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[4] The Corrective Action Plan needs to be tailored to the specific target company based on the results of the monitoring. The template defined for the ESG Action Plan can be used to design the Corrective Action Plan.

Infrastructure Funds

Given the strategic relevance and long-term impact of infrastructure investment, particularly in the renewable energy sector, the SGR has defined a tailored ESG investment process for its Infrastructure Fund. This process encompasses both pre-investment activities and post-investment activities, including ESG engagement activities. It reflects the specific sustainability challenges and opportunities associated with Article 9 of the SFDR and the EU Taxonomy Regulation. In line with its broader sustainability commitments, the Fund has also adopted a Supplier Code of Conduct, which sets out ESG expectations for its service providers and is intended to be applied across its Special Purpose Vehicles (SPVs).

Details of the process are outlined in the Fund's ESG policy, which has been developed in alignment with the SGR's Responsible Investment Policy and is available upon request for further information. A summary of the ESG engagement activities for the Infrastructure Fund can also be found in the table in the appendix of this document.

The Exit Phase

At the exit stage, EQUITA collates the ESG performance of the portfolio company as part of the sales process, conducting a final ESG assessment to inform potential buyers. The goal is to measure the evolution of the company's ESG performance over the holding period and evaluate the effectiveness of the engagement activities carried out.

Key activities include:

- Review of ESG KPIs and performance trends, including results tied to the ESG Ratchet mechanism, where applicable;
- Final update on the status of the **ESG Action Plan** and any outstanding initiatives;
- Preparation of a brief **ESG Exit Summary**, highlighting the ESG value created during the holding period, which can be shared with prospective buyers (if applicable), subject to confidentiality and relevance;
- Internal presentation to the **ESG Committee** to document lessons learned and inform future engagements.

The ESG Exit phase is also an opportunity to integrate ESG results into the investment track record and sustainability reporting of the SGR.

Appendix

ESG Engagement Process – Summary Checklist

Phase	Private Equity	Private Debt	Infrastructure
Pre-Investment	• ESG due diligence using proprietary questionnaire • Identification of material ESG topics and risks • External ESG advisor support (if needed) • Key ESG issues formalized in acquisition contracts	• ESG due diligence using proprietary questionnaire • Identification of material ESG topics and risks • External ESG advisor support (if needed) • ESG Ratchet KPIs defined and included in contracts	• ESG due diligence focused on EU Taxonomy alignment, DNSH, Minimum Social Safeguards • Identification of key environmental and social impacts aligned with the sustainability objectives of the fund • Assessment of ESG governance and compliance
Holding Period	• Appointment of ESG Referent • ESG Action Plan shared within 1 year of closing • Monitoring via ESG Questionnaire and material KPIs • PAI data collection • 6-month check-ins with ESG Referent	• ESG data collection using same tools as pre-investment • PAI monitoring • ESG Ratchet performance review • Corrective actions triggered as needed (see next section)	• Ongoing ESG and PAI data collection • Monitoring of ESG performance • Semi-annual meetings with the management
Corrective Action		• Triggered by underperformance: formal explanations, targeted action plan, technical support • May include financial measures (e.g., ESG Ratchet renegotiation or divestment, as last resort)	• Define corrective actions if targets are not met • Tracked in internal reports and reviewed by ESG Committee
Exit Phase	• Final ESG performance review • Final update on ESG Action Plan • ESG Exit Summary prepared and shared (if applicable) • Internal ESG Committee debrief and documentation	• Same as Private Equity • Final results of the ESG ratchet mechanism	• ESG results integrated into investment track record and reporting • Internal ESG Committee debrief and documentation

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