

Compliance of Vertis Venture 5 Scaleup Fund with the art. 10 of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019.



Compliance of **Vertis Venture 5 Scaleup** Fund:

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“Transparency of the promotion of environmental or social characteristics”

Sustainable Finance Disclosure Regulation (SFDR)

Activity	Function
Drafting	ESG

Versions	Decision making-body	Changes made
V1	Board of Directors	-
V2	Board of Directors	Changes resulting from updates to the current pro tempore regulations and procedures

Agenda

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1. Summary

Vertis Venture 5 Scaleup Fund (hereinafter "the Fund") invests in companies based in Italy, which operate through the development and marketing of solutions, products and/or services related to the industrial and digital technologies sectors of the Italian market.

Initial investment operations fall under the Late stage/Scaleup types.

The Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

The ESG framework is integrated into all phases of the investment process - through the support of an ESG Model (in house developed) - and the promotion of environmental or social characteristics is declined through an engagement activity that aims to raise awareness on the implementation of an ESG Action Plan, defined in conjunction with the management of the Target.

At an early stage of the investment process, the Fund carries out a sectoral exclusion and an ethical screening in compliance with the investment limits set out in its Regulations and defines a preliminary ESG assessment that, with the support of the ESG Model, is able to measure the ESG risk/opportunity of the Target.

The ESG Model allows to prioritize material indicators, measure their performance and identify the activities to be implemented during the holding period to improve the degree of sustainability of the Target.

The results are submitted to the attention of the Investment Committee and, if approved, if it is deemed appropriate, an ESG diligence is carried out, in this case, by an external advisor.

The Fund has direct exposure to the investments and each of these complies with the binding elements and investment strategy.

No benchmark has been selected for the achievement of the Fund's environmental or social promotion objectives.

2. No sustainable investment objective

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

3. Environmental or social characteristics of the financial product

The Fund promotes environmental or social characteristics by integrating ESG factors throughout the investment process. During the pre-investment phase, a sectoral exclusion and an ethical screening are carried out in compliance with the investment limits set by the Fund Regulations and a preliminary ESG assessment is defined which, with the support of the ESG Model, allows to prioritize the material indicators and to measure the ESG risk/opportunity of the Target. In the event that the Target becomes an investee company of the Fund, an engagement strategy is implemented in order to improve the ESG performances.

The environmental or social characteristics promoted by the Fund derive, therefore, from the Action Plans defined considering the unique specificities of the investee companies. The Fund believes in the effectiveness of this approach considering the investment objective of building a diversified portfolio of private companies related to the industrial and digital technologies sectors of the Italian market.

The main environmental or social characteristics that the Fund could promote are as follows:

<u>Environmental characteristics</u>	<u>Social characteristics</u>
Climate change actions	Gender equality
Use of renewable energy	Staff training
	Sustainable supply chain
	Cyber security e data privacy

4. Investment strategy

Considering the investable universe and investment style, the Fund believes that a holistic approach of sustainable strategy is the most appropriate element for the promotion of environmental or social characteristics.

The responsible investment process is aligned with the ESG Policy and is set up to consider ESG factors throughout the investment lifecycle:

Scouting phase (pre-investment)

- a sectoral exclusion and an ethical screening are conducted in compliance with the investment limits provided for in the Fund Regulation.

Preliminary phase (acquisition)

- an internal ESG analysis is defined through calls and questionnaires shared with the management of the Target, through which to prioritize the material indicators, calculate their performances and assign an ESG score (from 0 to 10) which translates, in turn, into an ESG Rating notch (A>B>C>D>E), which is integrated into the financial valuation model;
- an ESG data sheet attached to the Investment Memorandum document is prepared;
- in case of approval the Investment Committee, if it is deemed appropriate, an ESG due diligence is carried out, in this case, conducted by an external advisor.

Monitoring phase (management)

- an engagement activity is carried out with the management of the investee companies, which aims to raise awareness on the implementation of the defined Action Plans;
- to this end, bonuses may be applied to the management of the investees, depending on whether the ESG performances improve or worsen.

Exit phase (divestment)

- ESG performance achieved during the holding period is recorded;
- an ESG data sheet attached to the Exit Memorandum document is prepared.

The policy adopted to assess the good governance of the companies benefiting from the investments is structured as follows:

- during the acquisition phase, in the stage of the internal ESG analysis, the following are observed:
 - % of women on the Board of Directors;
 - % of independent directors on the Board of Directors;
 - presence of an ESG Policy;
 - presence of an ESG Report;
 - presence of a Code of ethics;
 - presence of an anti-corruption Policy;
 - presence of a Risk Management Policy;
 - presence of a Whistleblowing Policy;
 - adoption of the 231 Model;
 - adherence to sustainable international standards (B-Corp or GRI);
 - appointment of a Head of ESG.

- in addition, in a more advanced stage of the same phase, in the event of an approval of the Investment Committee, if it is deemed appropriate, accounting, tax, labor, legal and ESG due diligence are carried out by third parties, aimed at highlighting any critical issues and/or relevant aspects that deserve to be subjected to a careful and immediate evaluation.

- during the management phase, however, the Fund aims to obtain, at its best effort, that the investee companies appoint a member of the Fund as a member of the Board of Directors.

5. Proportion of investments

The Fund has a direct exposure to the investments and each of them complies with the binding elements and the investment strategy.

6. Monitoring of environmental or social characteristics

Below are the indicators that could be monitored by the Fund, on an annual basis, to promote environmental or social characteristics:

Environmental characteristics	Indicators
Climate change actions	CO2 emission calculation
Use of renewable energy	% of renewable energy used
Social characteristics	Indicators
Gender equality	% of female representation in employees, managerial positions, Board of Directors and Gender Pay Gap
Staff training	% of the team that has followed training courses and average hours of training per trained employee
Sustainable supply chain	% of suppliers selected with ESG criteria
Cyber security e data privacy	Policies and procedures in place to monitor cyber security and data privacy

7. Methodologies for environmental or social characteristics

As described in the "Investment Strategy" section, the Fund establishes a continuous dialogue with its investee companies, in which a resource dedicated to the ESG thematic is appointed, in order to oversee ESG operations. To support activities to promote environmental or social characteristics, the Fund uses the ESG Model through which:

1. prioritize the material indicators through a double materiality analysis (Financial and Stakeholders);
2. measure the ESG performance of the material indicators and assign an ESG Score (from 0 to 10) which translates, in turn, into an ESG Rating notch (A>B>C>D>E), which is integrated into the financial evaluation model;
3. identify an Action Plan to improve the ESG performances.

8. Data sources and processing

Most data is collected directly from portfolio companies during the holding period and the Fund is committed to ensuring that data and information are accurate, reliable and verified where possible. External data that can be considered useful must be derived from authoritative and/or certified sources. All data collected are processed through the ESG Model that is able to direct the Fund in the correct management of ESG information. All data collected from portfolio companies should be nominal and reliable rather than estimated.

9. Limitations to methodologies and data

The implementation of the ESG Action Plans in collaboration with portfolio companies allows to minimize the risk of data shortages and to build effective data governance. The communication flows established between the Fund and the ESG representatives of the portfolio companies improve the data collection process.

10. Due diligence

As described in the "Investment Strategy" section, the pre-investment phase is characterized by a sectoral exclusion and an ethical screening in line with what provided for by the Fund Regulation. At a later stage (acquisition), investment projects are evaluated using the ESG Model that can estimate the level of ESG risk/opportunity based on several factors. The results of this preliminary assessment are submitted to the Fund's Investment Committee for approval/rejection of the investment. At the same phase, but at a more advanced stage, following the positive opinion of the Fund's Investment Committee, among others, if it is deemed appropriate, an ESG due diligence is carried out, in this case, conducted by an external advisor.

11. Engagement policies

Engaging with the investee companies in the portfolio is essential to develop effective Action Plans through which to promote the environmental or social characteristics of the Fund. During the monitoring phase, in order to raise awareness on the implementation of the defined Action Plans, a reward system may be applied to the management of the investees, depending on whether ESG performance improves (or worsens). At this stage, the Fund communicates

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regularly with ESG representatives and the top management of the investee companies with the aim of:

- share sustainable culture, knowledge and methods;
- monitor the progress of the Action plans;
- incentivize performances.

12. Designated reference benchmark

No benchmark has been designated by the Fund to promote the environmental or social characteristics of this financial product.