POLICY

Code	**POLICY ESG**	Version	**V.02 as of 30/03/2021**
Subject		**“Responsible Investment Policy”**	

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V. 01/2019	July 31st 2019	Board of Director	First Version
V. 02/2021	March 30th 2021	Board of Directors	Amendments resulting from regulatory and organizational changes.

Courtesy Translation

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1. INTRODUCTION

DeA Capital Alternative Funds SGR S.p.A. ("DeA") is the reference partner in Italy for alternative investments in private equity (both direct funds and funds of funds), in turnaround and NPL, with local and global exposure.
In 2016, DeA launched investment funds focused on Non-Performing Corporate Credits.

The adoption of the UN Principles for Responsible Investments establishes a new approach for creating value for the benefit of each class of stakeholders and is a primary commitment for Dea Capital. The consideration of environmental, social and governance (ESG) elements is therefore a cornerstone in all investments:

- ***Direct investments in Private Equity:*** aimed at supporting and developing emerging companies through the construction of a governance structure based on Best Practices and best environmental practices for the benefit of customers, workers and local communities;
- ***Direct investments in Corporate Credit Recovery:*** where DeA supports companies in financial crisis in order to restore the best economic and operating conditions to ensure long-term sustainable growth, with a positive impact on workers and local communities;
- ***Indirect investments:*** through the selection and constant monitoring of a multitude of funds managed externally, DeA optimizes its choices based on sustainability as well as on financial performance, sector and geographical location;
- ***Investments in notes issued by securitization vehicles, with underlying non-perfoming exposure portfolios (****hereinafter also* ***"NPL Funds"):*** through which, as an investor, DeA promotes the development of sustainability principles amoungst the clients (for example the Servicers, in charge of credit recovery), for various reasons, involved in securitization transactions.

DeA promotes the development of sustainability principles also in the context of providing investment advisory services, in accordance with the needs and characteristics of its clients.

In January 2019, DeA formalized its commitment by adhering to the principles established by the PRI (Principles of Responsible Investment). These principles invite participating investors to integrate ESG principles within the entire decision-making process, aimed at risk management and mitigation and with the aim of creating sustainable value in the long term.

DeA, recognizing and acknowledging the urgency of the fight against climate change and the crucial importance of achieving the objectives set out in the Paris Agreement, assess the risks and opportunities related to climate change in its investment activities, taking into consideration, where possible, the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures)

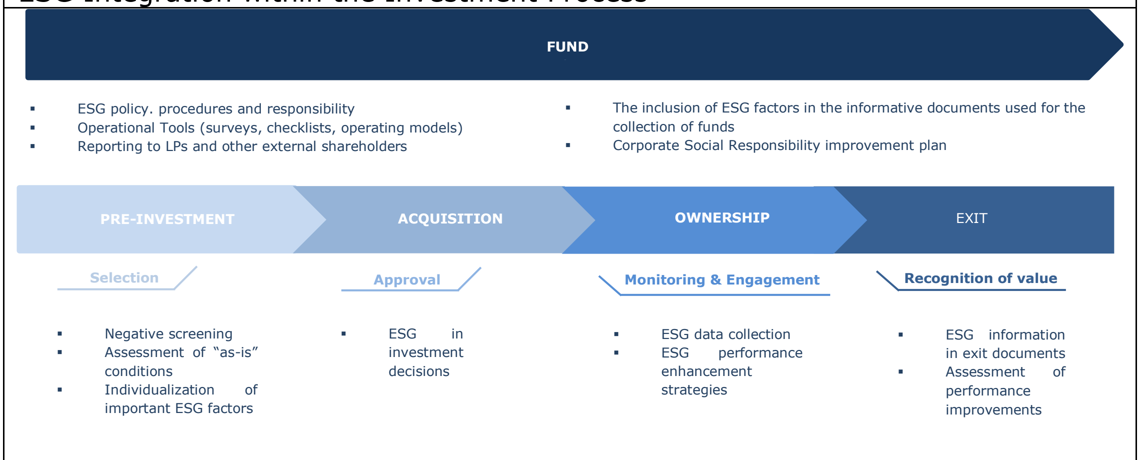
With effect from 10 March 2021, the EU Regulation no. 2088/2019 (hereinafter also "SFDR"), which aims to establish harmonized rules on transparency for financial market participants and financial advisors regarding the integration of sustainability risks[1] and the consideration of negative effects for sustainability in their processes and in the communication of information related to sustainability relating to financial products.

While adopting the necessary safeguards to fully comply with the new regulatory provisions, mentioned above, DeA conducted - among other things - a preliminary classification of the Funds it manages, with the aim of distinguishing between: i) Funds that promote environmental and social characteristics (see article 8 SFDR); ii) Funds which have as their objective sustainable investments (see article 9 SFDR) and, iii) the remaining Funds which, do not have any of the characteristics listed above (see articles 6 and 7 SFDR). This classification, referred to in **Attachment no. 1** of this document, allows DeA to correctly regulate the obligations both in terms of process and of an informative nature required by current legislation.

On the occasion of the launch of a new Fund / Service, the relative classification will be carried out in the terms indicated above and with the methods regulated - from time to time – with the relevant internal company procedures.

The objective of this Responsible Investment Policy is to illustrate how DeA intends to integrate ESG factors within its investment process, ensuring a responsible approach aimed at sustainable growth in the long term.

ESG Integration within the Investment Process



[1] An environmental, social or governance event or condition that, if it occurs, could cause a significant actual or potential negative impact on the value of the investment.

2. VISION AND OBJECTIVES

The integration of ESG factors within the investment process allows for a better understanding of risks and opportunities, while optimizing the creation of value in the long term.

A correct approach to responsible investment aims to exceed compliance forecasts: it means acquiring a deep awareness of the factors that could negatively affect ones investment, the underlying risks and opportunities aimed at maximizing the economic return in the long term.

As a signatory of the PRI principles, DeA has signed its commitment to:

1. integrate ESG issues in the analysis and decision-making processes regarding investments;

2. be active investors by incorporating ESG issues into active share ownership policies and practices;

3. request adequate information on ESG issues from the companies it invests in;

4. promote the acceptance and implementation of responsible principles within the financial sector;

5. collaborate to improve the effectiveness of the implementation of the Principles;

6. communicate the activities and progress made in implementing the Principles.

Consistently with what has just been described, the objective of this Policy is to affirm and clarify how these principles will be integrated into DeA's investment process.

Further, through the integration and implementation of these principles within the governance and investment process, DeA aims to increase the creation of value for its stakeholders through:

- the creation and enhancement of new business opportunities to attract investors interested in the correct management of ESG issues and opportunities;
- cost reduction, increasing efficiencies and savings of resources and limiting exposure to potential liabilities;
- the reduction of financial and reputational risks, through an in-depth knowledge of all the main non-financial metrics.

3. SCOPE

Full ESG commitment in all direct and indirect investments, through a tailored approach to ensure efficient and effective action.

DeA is committed to integrating ESG criteria into all its investment activities, adapting its approach based on each investment area, in order to ensure both efficient and effective action. Regarding some specific governance topics, such as the management of conflicts of interest, this policy refers to the specific policies of DeA.

In particular, the scope of this Responsible Investment Policy concerns:

(i) Direct Investments and;

(ii) Indirect Investments including Funds of Funds.

Although ESG performance has also been taken into consideration and monitored in the past, this Responsible Investment Policy governs the principles and procedures applicable in the various phases of the investment process, therefore in pre-investment, acquisition, management and divestment phases.

4. GOVERNANCE

ESG governance requires clear accountability across the organization.

The governance of ESG responsibilities within DeA is shared between the following parties:

- ***Board of Directors***

Approve DeA's ESG policy and strategies. It defines the degree of relevance of the ESG factors that can have an impact on DeA's business, its investments, and its stakeholders, taking into account the reports produced by the ESG Manager.

- ***ESG Manager***

He reports to DeA's Board of Directors and is responsible for ensuring, supervising, and improving the implementation of DeA's ESG policy within the organization, collecting reports and information provided by ESG Champions.

The ESG manager is responsible for ensuring compliance with this policy and ensuring that policy activities are consistent with DeA's sustainability objectives as a PRI signatory

- ***ESG Champions***

Appointed within the management team of each individual fund, they will be responsible for assessing and monitoring ESG risks and opportunities during the pre-investment, acquisition, ownership and exit phases. The ESG Champion is the recipient of adequate training and instructions from the ESG Manager.

5. IMPLEMENTATION

Effective implementation of the principles set out in this document requires a differentiated approach, considering the characteristics of the investments involved.

The analysis of ESG factors is integrated throughout the entire investment process[2].

This ESG analysis is planned and implemented considering the relevance of the investment and its characteristics, both in terms of objectives and in terms of the nature of the assets concerned.

Pre-investment:

All potential investments are subject to a selection process based on ESG factors, in order to exclude investments that are not compatible with the eligibility criteria established by DeA and to preliminarily identify the relevant ESG issues based on the characteristics of the potential investment such as for example the sector of operation and the type of activity.

Compatible investments are then assessed as part of a due diligence process focused on relevant ESG issues defined together with the management of the potential investment also through the use of the Value Creation tool in order to verify the existence and relevance of any critical ESG area, as well as in order to verify the effectiveness of the control systems in the following areas:

- Environmental Issues: DeA will verify the existence of adequate tools for monitoring and monitoring environmental risks.

- Social Issues: DeA will verify the existence of sustainable practices in the management of human capital and in respect of human rights.

- Governance issues: DeA will verify the presence of an effective and balanced corporate governance system.

In particular:

- <u>Indirect Investments:</u>

The ESG Champion will communicate with potential GPs to evaluate their experience and understanding of ESG issues and the ways in which interested GPs integrate ESG factors within their investment process. The commitment by GPs in the ESG area will also be assessed on the basis of publicly accessible information, as well as membership of organizations and / or associations for the promotion of responsible investment and sustainable finance.

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[2] At the date of this update, the set of indicators of the Value Creation Tool to be used as part of the investment, monitoring and divestment process is being finalized for NPL Funds.

- Direct Investments in Private Equity and Corporate Credit Recovery:

When evaluating an investment opportunity, the ESG Champion, on its own or with the help of external consultants, will assess the existence of potential risks in the ESG area, measuring their relevance through interaction with the managers of the target companies, on-site checks, and analysis of available documentation.

Acquisition:

The Board of Directors of DeA, based on the information included in the investment memorandum, containing the main observations resulting from the ESG due diligence activity, the observations of the compliance function and the opinion of the Advisory Committee, will decide on the approval of the investment.

Ownership

The monitoring of portfolio investments and the interaction with relevant counterparties are carried out efficiently and continuously in accordance with the ESG Best Practice, with the aim of monitoring ESG performance, identifying opportunities for improvement and guaranteeing the creation of value also through the definition of specific action plans that can integrate the results of the due diligence activities. In addition, DeA encourages the dissemination of ESG best practices among the companies in its portfolio and supports them in their implementation.

DeA has adopted procedures for monitoring ESG risks and to ensure constant dialogue with relevant counterparties, such as taking into account the specific characteristics and purposes for individual investments regarding:

- Indirect Investments:

The responsibility for monitoring and managing the ESG risks of the funds in which DeA invests falls primarily on the competent GPs. Conversely, the management teams involved are required to evaluate the resources and methodologies used by GPs for ESG issues and the degree of integration of ESG analysis in the investment process.

The competent ESG Champion will assess the ESG performance of the investments for which they are responsible by verifying the information that GPs are required to provide, including through the questionnaire prepared for this purpose by DeA; as well as through an active promotion of communication and dialogue with GPs, in order to share with them the DeA ESG strategy and the objectives connected to it.

The competent ESG Champion will inform the ESG Manager about the results of the engagement with the GPs or monitoring the ESG performance of the investment.

- Direct Private Equity investments

The responsibility for monitoring and managing ESG risks falls primarily on the board of directors of the portfolio company.

The competent ESG Champion will assess the ESG performance of the investments for which it is responsible through the analysis of the reports prepared by the portfolio companies, as well as through an active promotion of dialogue with the companies in the portfolio.

DeA will exercise its voting rights, also in connection with the resolutions relating to the election of the management bodies of the companies in the portfolio. Where appointed, DeA representatives participate in the work of the board of directors and contribute to promoting the ESG performance of the company concerned, in line with DeA's ESG strategy.

The competent ESG Champion will inform the ESG Manager about the results of the engagement with the companies in the portfolio or monitoring the ESG performance of the investment.

- <u>Investments in Corporate Credit Recovery:</u>

The responsibility for monitoring and managing ESG risks falls primarily on the board of directors of the portfolio company.

The competent ESG Champion will assess the ESG performance of the investments for which they are responsible, by analysing the reports produced by the companies in the portfolio; as well as through an active promotion of dialogue activities with them.

Where applicable, DeA will exercise the voting rights attached to its shareholdings.

The reporting activity required of the portfolio companies and the ESG requirements to be met will be defined based on the influence and role of DeA in the governance of the investment.

Exit:

In the divestment phase, DeA will conduct an impact assessment of the ESG initiatives implemented during the ownership phase. DeA will evaluate the improvement of the ESG profile of the investment and will verify the degree of residual ESG risk. Based on these results, DeA will then define the best exit strategy in order to identify, among the feasible options, the one that can best guarantee the creation of sustainable value in the long term.

The information regarding the ESG profiles will then be included in the information material drawn up in the divestment phase.

In particular, DeA will provide potential investors with a summary of:

- the main environmental, social and governance factors considered relevant to the specific investment;
- the ESG performances recorded during the ownership phase;
- the improvements in the ESG areas recorded since DeA's entry into the investment;

- ESG initiatives supported or promoted by DeA.

6. APPROVAL OF THE RESPONSIBLE INVESTMENT POLICY

The Board of Directors of DeA approved - in its first version - this Responsible Investment Policy on July 31, 2019

DeA's commitment to environmental, social and corporate governance issues is considered, by DeA, to be of significant and substantial importance.

In consideration of the complexity and continuous evolutions of the market context, DeA will supervise the activities carried out in the ESG area, by publishing the relevant updates as part of a process of constant improvement of its ESG practices.

The approval by the Board of Directors of DeA of this Responsible Investment Policy is therefore part of this context.

The main terms of the Responsible Investment Policy are set out below:

- DeA will periodically communicate the results achieved in applying this Responsible Investment Policy.
- The ESG Manager will inform, at least annually, the Board of Directors of DeA about the state of application of this Responsible Investment Policy and any proposals for its improvement.
- DeA will monitor the practices of the reference market. Where necessary, the Board of Directors of DeA will make any updates or changes to this Responsible Investment Policy.

In order to align the principles and objectives set out in this policy with those of its personnel, DeA, in line with the sector regulations (SFDR) and best practices regarding the remuneration and incentives of personnel, has integrated related objectives ESG issues within the framework of variable remuneration and personnel incentive schemes.

Finally, DeA undertakes to support the process of improving and disseminating the principles included in this Responsible Investment Policy through the participation in events and activities to promote the integration of ESG factors in financial decisions, collaboration with other operators of the sector and participation in political consultations; research and improvement of practices in this area (also using external consultants); the promotion of an internal culture through continuous training and involvement of its staff.

APPENDIX N. 1 – Classification of the managed Funds, compliant with Reg. 2088/2019

Classification of Funds according to criteria pertinent to Regulation EU n. 2088/2019			
Managed Funds	Article 8 (cd **Light Green Funds**)	Article 9 (cd **Dark Green Funds**)	Article 6,7 (cd "**Normal Funds**")
Idea I Fund of Fund			✓
ICF II			✓
Idea Crescita Globale			✓
ICF III			✓
DeA Endowment			✓
DeA Private Equity International			✓
Investitori Associati IV			✓
Idea Opportunity I			✓
Idea Efficienza Energetica e Sviluppo Sostenbile			✓
Taste of Italy			✓
Idea Agro			✓
Taste of Italy 2	✓		
Sviluppo Sostenibile II	✓		
Idea Corporate Credit Recovery I			✓
Idea Corporate Credit Recovery II			✓
Atlante			✓
Italian Recovery Fund			✓