

## SUSTAINABILITY (SFDR)

### 1. Introduction

Regulation (EU) 2019/2088 on *Sustainability Disclosures in the Financial Services Sector* (hereinafter the "SFDR Regulation" or "SFDR"), which came into force last March 10, 2021, requires financial market participants, including asset management companies, to meet specific transparency obligations on sustainability risks related to management and investment activities. The SFDR has been supplemented by Regulation (EU) 2019/1288, which contains regulatory technical standards to specify, among other things, the content and presentation of information regarding the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites<sup>1</sup>.

The transparency obligations to which market participants are subject also vary depending on the type of financial product, and among them, the SFDR Regulation pays special attention to those financial products that promote, among other, environmental or social characteristics or a combination of such characteristics (Article 8 SFDR) or have sustainable investment objectives (Article 9 SFDR), with a different impact on the investment process.

In particular, in accordance with the provisions of Article 2 point 17 of the SFDR, ‘sustainable investment’ means an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

### 2. Transparency in sustainability risk policies (according Art. 3 SFDR)

In order to acquit the transparency requirements of the aforementioned SFDR Regulation, market participants must first supplement their decision-making processes with policies designed to continuously assess and measure the sustainability risks associated with investments.

In accordance with the provisions of Article 2 point 22 of the SFDR Regulations, “‘sustainability risk’ means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment”

Indaco Venture Partners SGR (the "SGR") understands that managing of risks and opportunities related to Environmental, Social, and Governance (ESG) matters and integrating related aspects into the investment and risk management process enables it to foster and enhance value creation in the medium to long term.

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<sup>1</sup> The Commission Delegated Regulation (EU) 2022/1288 of April 6, 2022, supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of information related to the "do no significant harm" principle, which specify the content methodologies and presentation of information related to sustainability indicators and adverse sustainability effects, and the content and presentation of information related to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports. These Regulations came into force on January 1, 2023.

The SGR's goal is to adopt a focused approach to social and environmental responsibility, cascading value for all stakeholders involved: investors, portfolio companies within the managed funds, as well as the communities involved.

In light of the above regulations, the SGR has adopted:

- a differentiated Investment Decision Making Process according to the type of AIFs managed by the SGR and, in particular, it has been supplemented to illustrate the specific activities envisaged with reference to the AIFs under Article 8 SFDR (hereinafter also referred to as "ESG Product") currently managed by the SGR;
- a Risk Management Policy (the "Risk Management Policy") integrated to consider, among other things, sustainability risk (and to the extent applicable environmental and climate risks) at the individual asset level as well as at the AIF level;
- an ESG Policy in which are, among other things, defined (i) the roles and responsibilities of the Board of Directors, the ESG Responsible and the ESG Officer in charge; (ii) the essential aspects related to the investment decision-making process and the related monitoring of the investments of the Article 8 SFDR AIFs established by the SGR and the related engagement activities with target companies; and (iii) training initiatives on ESG matters.

## **ESG product**

SGR manages two SFDR Article 8 AIFs named, respectively, Indaco Bio fund and Indaco Bio Parallel fund (hereafter referred to as "SFDR Article 8 AIF" or "ESG Product").

## **[SUSTAINABILITY DISCLOSURE INDACO BIO FUND](#) [SUSTAINABILITY DISCLOSURE INDACO BIO PARALLEL FUND](#)**

### **3. No consideration of adverse impacts of investment decisions on sustainability factors**

#### ***Statement pursuant to Article 4(1)(b) of Regulation (EU) 2019/2088 (SFDR) as well as Article 12 of Delegated Regulation (EU) 2022/1288 (RTS)***

The SGR agrees with the general principle that the investment choices made by the funds it manages can have impacts and produce negative effects on sustainability factors E, S, G. At present, due to the size, nature of the assets and overall type of financial products managed, the stage of life they are in, the areas in which they invest and the social characteristics they are intended to promote, the SGR does not yet intend to report adverse impacts on sustainability.

The SGR reserves the right to re-evaluate its position in the future, also in consideration of the activities started with reference to the funds under Article 8 SFDR managed and of the related consolidation of the information gathered during the initial investments. In this case, the SGR will make the necessary updates of this declaration, adopting the format required by the provisions of the SFDR as supplemented by the RTS.

Although it does not intend to report on adverse impacts from the outset, the SGR has since the inception of the Article 8 SFDR funds set up a thorough investment selection process that includes: (i) a screening activity, (ii) dedicated ESG due diligence and then (iii) monitoring of the target companies in which, among other things, the necessary information is collected, which is functional, eventually, for the preparation of the Statement by financial market participants that they do consider principal adverse impacts of their investment decisions on sustainability factors according to the template in Annex I of Delegated Regulation (EU) 2022/1288 (RTS) supplementing Regulation (EU) 2019/2088 (SFDR).

The SGR therefore intends to carry out an accurate identification and prioritisation of the principal adverse impact on the basis of market practices that are still evolving and of the concrete and full availability, especially for the Article 8 SFDR funds managed, of information on the individual indicators, also taking into account the peculiarities of the target companies as well as the social characteristics the funds promote. Among others, it is also important to undertake, at every useful opportunity of meeting and/or contact with the target companies in which the SGR funds are invested, to have an open dialogue on taking on a responsible approach and how ESG sustainability factors affect their business. The SGR's engagement with portfolio companies is

therefore also carried out in order to mitigate, where necessary, any adverse impacts on sustainability related to the investment choices of the Article 8 SFDR funds managed.