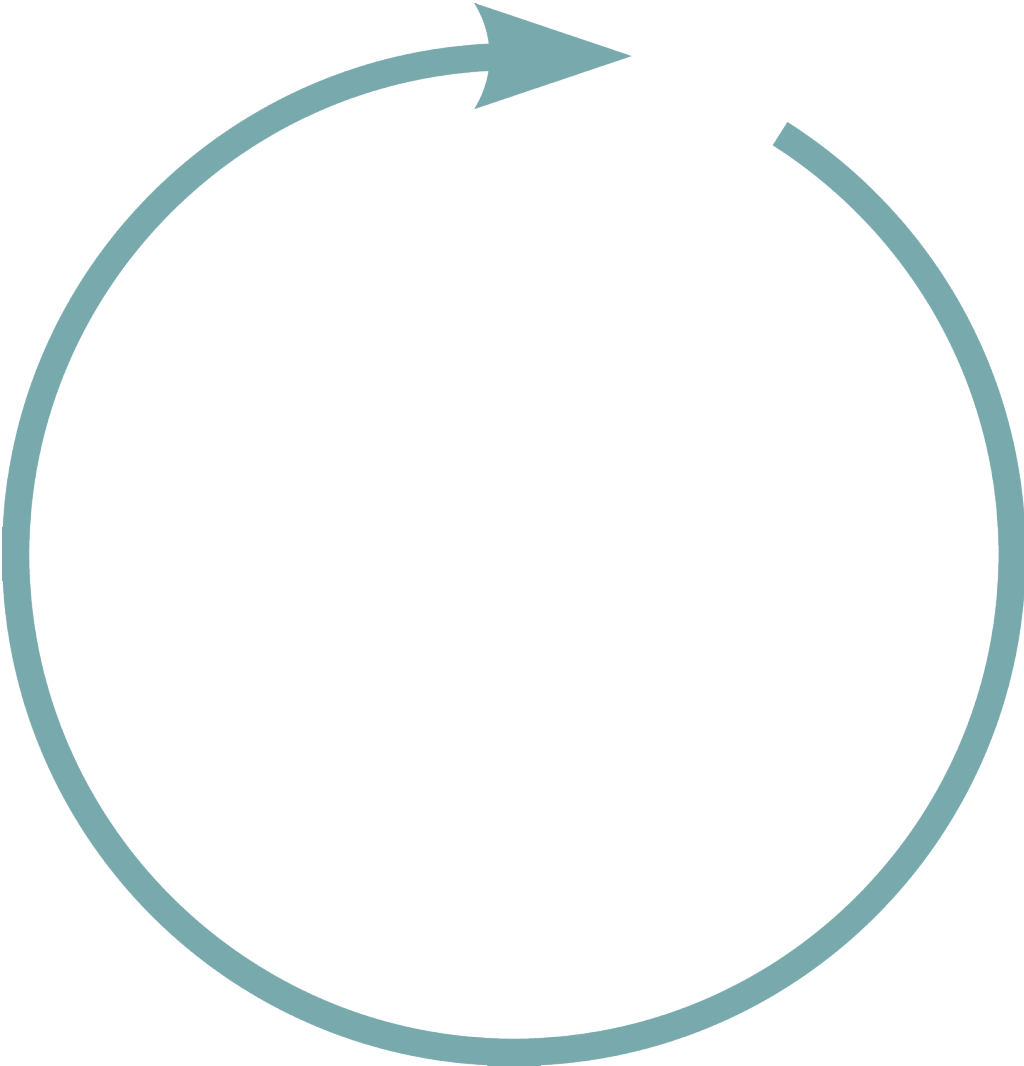


# 21 Invest

Sustainability Policy  
2024



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21 Invest engages with portfolio companies to grow and generate profit in a way that is admired by employees, clients, suppliers, shareholders.

21 Invest's sustainability policy has been developed in the respect of international law on human rights and to the application of environmental, social and governance ("ESG") criteria, including the "Ten Principles" published by the United Nations Global Compact and the fundamental principles and rights of the International Labour Organization, to the management of its private equity portfolio

Results achieved are measured and reported periodically with details of financial and sustainability performance.

This sustainability consciousness has always been part of 21 Invest's DNA and progressively has become an essential part of the value creation plan conceived for portfolio companies.

To make companies grow in a sustainable way, 21 Invest systematically implements the same value creation approach based on three levers:

**Managerialization, Institutionalization and Commercialization.**

## Managerialization

Management is a key driver for the development of portfolio companies. If necessary, management is reinforced, mainly in sales & marketing, finance & accounting, production and IT areas.

## Institutionalization

21 Invest seeks to use its knowledge and expertise to institutionalize portfolio companies' businesses with the aim of increasing efficiency and improving performance. Actions in this area include those aimed at improving corporate governance and decision-making processes, introducing new monitoring and reporting tools in the finance area, developing a brand – from conception to the communication strategy, investing to streamline or industrialize production processes and introduce best safety practices.

## Commercialization

21 Invest has a track record of creating value through domestic and international

sales expansion and ensures that all angles for growth acceleration are explored and exploited. Actions in this area includes strategic actions for developing domestic and foreign sales such as: build-ups, commercial agreements, strategic partnerships for distribution in new geographies, or expansion in new business segments.

In addition, 21 Invest systematically works on **sustainability** and **digitalization** across the portfolio

## Sustainability

21 Invest has maintained an active role in raising awareness of sustainability at the management company and portfolio company level and recognizes that sustainability practices remain integral to achieving value creation.

To make value creation substantial and effective, 21 Invest SGR decided to strengthen its ESG approach by designing its latest fund "21 Invest Italy IV" according to Regulation EU 2019/2088 "SFDR". Funds under SFDR article 8 promote environmental and social characteristics through their investment activities. More detail on the characteristics promoted by the fund and its investment strategy is provided in **Annex I**.

To make portfolio companies grow in a sustainable way is the core activity of the investment team.

In addition to the investment team, 21 Invest has established a dedicated Sustainability Team that coordinates with the investment team to ensure environmental, social and governance issues as well as ethical issues are managed and monitored while making portfolio companies grow.

To better integrate ESG factors into the company's corporate governance, 21 Invest SGR also appointed a sustainability officer and established a sustainability policy coordination committee as set out in **Annex III**.

## Digitalization

In 21 Invest's experience, supporting portfolio companies on the implementation of digitalization strategies and introducing digital tools to enhance and/or support

sales and marketing and improve communication with clients, are often key to creating value in SMEs.

### **Sustainability in each phase of the investment cycle**

The purpose guiding managerial decisions in all investment operations is long term growth, to be realized not only by supporting a company in its development but concurrently focusing on the socioeconomic ecosystem in which it operates.

The following formalized approach has been developed to carefully investigate ESG issues and collect and share high quality ESG information from portfolio companies.

#### **Risk analysis**

Sustainability risk analysis and management is incorporated in the investment process. This analysis is conducted before the investment as well as throughout the holding period, with a view to identify the impact of environmental and social risks on sales and margin growth potential and on the future value of the target company.

#### **Prior to investment**

In the initial screening process of a potential investment, 21 Invest ensures that the potential investee company's core business is not related to certain sectors, as specifically detailed in the rules of each fund.

In particular, 21 Invest excludes investments based on our organization's values, inter alia those in the following sectors:

- human cloning;
- tobacco;
- distilled alcoholic beverages and related products;
- weapons and ammunition of any kind;
- casinos and equivalent enterprises;
- pornography and pedopornography;
- fur production;
- internet gambling and online casinos;
- electronic data programs or solutions, which are intended to enable to illegally enter into electronic data networks or download electronic data;
- fossil fuels;
- research and exploitation of mineral

- resources;
- drugs production and commercialization;
- provision of services of sexual nature.

For each potential investment, the team shall complete an ESG Risk Mapping Test, which is attached to the investment memo forming a basis for the investment decision in order to flag up any potential issues for further investigation.

Should any ESG issues arise during the assessment of a potential investment opportunity, which could potentially have an impact on its valuation, the investment team shall investigate these issues further, carrying out specific environmental, social and/or governance due diligences for the potential investee company, where necessary.

#### **During the holding period**

During the holding period an annual sustainability monitoring is conducted based on information provided directly by the portfolio companies and specific sustainability KPIs are examined. Moreover, the risk management function annually examines the overall risk of the portfolio, including the risk related to environmental and social issues. The results are submitted for discussion by the Board of Directors.

If necessary, the investment team works with portfolio company management to mitigate risk factors.

Sustainability is integrated into standard portfolio tracking activity, thus enabling performance in this area to be measured equally alongside the other key indicators of value creation being sustainability, digitalization, alongside managerialization, sales & marketing, finance, operations.

Throughout the entire holding period, the investment team works alongside portfolio company management to improve performance in high priority areas. Portfolio company management is educated on the impact of ESG and an annual ESG Portfolio Monitoring Report is sent to each portfolio company.

Detailed information about ESG performance of each portfolio companies is included in the Sustainability Report. The report, once approved by 21 Invest's Board

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of Directors, is sent to all investors as well as to the PRI as part of the annual reporting activities.

Sustainability indicators refer to:

## → Environmental

The investment team ensures that those companies which face environmental issues have continuous improvement plans in place. 21 Invest promotes best in class approaches, encourages the use of environmentally friendly technologies and ensures that an annual energy efficiency audit is carried out where necessary. The team also assesses portfolio companies' climate related risk and opportunities.

Moreover, 21 Invest actively monitors Climate Change physical and transition risks for its portfolio companies, reducing the probability of loss of value and its exposure to adverse endogenous factors.

21 Invest periodically monitors its portfolio companies carbon footprint as well as that of its offices in Treviso, Milan and Paris, encouraging energy efficiency solutions and emissions reduction.

## → Social

The investment team seeks to correct and improve the management of social issues in investee companies, with an initial plan based on social due diligence findings. Moreover, the investment team monitors social performance in terms of specific indicators.

In accordance with international best practices 21 Invest aims to implement actions that allows to build a path toward the following gender equity targets by 2030:

- 25% of women in the funds' investment committee
- 40% of women in the investment team
- 30% of women occupying c-level roles in the portfolio companies

## → Governance

At the heart of the investment policy and, in order to implement sound value creation strategies, 21 Invest ensures

that key conditions are in place, such as adequate representation in the portfolio company's board of directors, top management incentives aligned with those of the shareholders and sufficient quality of operational and financial reporting. Frequent meetings with the portfolio company's management allow the investment team to ensure that corrective actions are implemented if necessary.

## Contribution to Sustainable Development Goals (SDG)

21 Invest actively works at management company level and alongside portfolio companies towards various sustainable development goals promoted by the United Nations. The SDGs where 21 Invest is more active and actions or monitoring are carried out in all investments are the following:

### → Goal 5 – Achieve gender equality and empower all women and girls

21 Invest implements actions to foster gender equality. It also monitors strategic KPIs such as unadjusted and adjusted gender-pay gap.

### → Goal 8 – Decent Work and Economic Growth

21 Invest actively works to create the conditions that support growth and allow people to have quality jobs, by monitoring growth in sales and margins as well as social and employee matters related to working conditions, staff turnover, injury rate, employee benefits, employee litigations, quality of employee relationships, health and safety standards for customers and employees, introduction of code of ethics and anti-corruption and anti-bribery policies.

### → Goal 13 – Climate Change

21 Invest considers the material impact of climate change-related factors and recognizes growth opportunities and risks related to climate change, by monitoring various environmental indicators, including water and energy consumption and waste management.

To take a step further, starting from funds launched post-2020, in order to enhance consciousness on the adverse impacts of investment decisions on sustainability factors, 21 Invest has

expanded pre-investment ESG due diligence to include the measurement of the following environmental indicators: Greenhouse Gas Emissions, Activities negatively affecting biodiversity in sensitive areas, Emissions to water, Production of hazardous waste, Energy performance.

### **Diagnostic tools**

Diagnostic tools used to make portfolio companies grow in a sustainable way:

Pre investment:

- **Compliance Checklist**  
prepared by the compliance officer to exclude investments non-compliant with 21 Invest Sustainability Policy and applicable fund rules
- **Sustainability Tools**  
prepared by the investment team to flag up potential sustainability issues related to the investment opportunity as detailed in the Management Process of each fund
- **Risk management report**  
prepared by the risk management to examine risks of an investment opportunity including environmental and social risks, among others

Post investment:

- **Efficiency Mapping**  
updated by the investment team once a year with the evolution of on long term and short-term actions to make a portfolio company grow
- **ESG Monitoring Report**  
prepared by the team to monitor ESG KPIs, the report is based on data received from portfolio companies

### **Annexes**

- **Annex I**  
21 Invest Italy IV Fund Management Process
- **Annex II**  
21 Invest Healthcare Fund Management Process
- **Annex III**  
21 Invest SGR S.p.A. – ESG Bodies and Officers

# Annex III

## 21 Invest SGR S.p.A. – ESG Bodies and Officers

The present document (hereinafter “**ESG Bodies and Officers**”) formalizes the integration of ESG issues into the corporate governance of 21 Invest SGR S.p.A. (hereinafter the “**SGR**”) by defining specific bodies, roles, functions and responsibilities. It also defines the methods of coordination among the corporate functions involved in the implementation of sustainability policies, with particular regard to the investment team and the heads of control functions.

The ESG Bodies and Officers therefore aims to define tools and measures to empower the governing body to perform an active steering and governance role with respect to ESG issues, both with respect to the SGR and its related investment activities.

### The Sustainability Officer

The increasing focus on sustainable practices as a strategic aspect in both corporate and financial matters has led the SGR to formalize the role of internal sustainability policy officer (hereinafter the “**Sustainability Officer**”), defining his or her functions and duties.

The appointment of the Sustainability Officer also responds to the need to equip the SGR with the necessary resources and expertise to enable the effective integration of sustainability risks into its investment activities, as required by Delegated Regulation 2021/1255.

The duties of the Sustainability Officer are listed below:

- monitoring of regulatory and interpretative developments - and related compliance - in particular with reference to Regulation 2019/2088 (hereinafter “**SFDR Regulation**”) on sustainability-related disclosures in the financial services sector;
- coordinating activities related to the PRI, to the Shared Value Initiative, the annual sustainability reporting to investors, and the preparation of the annex to the periodic disclosure addressed to investors as required by Article 11 of the SFDR Regulation, where applicable;
- ensuring that the investment and

monitoring processes of portfolio companies carried out by the investment team include consideration of sustainability factors;

- verifying that the investment team has assessed whether - and how - sustainability risks have been taken into account by portfolio companies;
- ensuring internal coordination with the investment team and the Risk Management, Compliance and Internal Audit functions in all matters under their responsibility, providing and receiving any appropriate information;
- promoting the development of further initiatives and dialogue on sustainability-related issues with the relevant industry, investors, stakeholders and regulators;
- requesting the Managing Director to convene the Sustainability Policy Coordination Committee, when necessary, for the consideration of issues that fall within its duties;
- making proposals for the preparation and revision of the Sustainability Policy, when necessary;
- monitoring sustainability standards and frameworks and coordinating any ESG performance measurement, evaluation and reporting activities related to the company's business, when required by industry regulations.

The Sustainability Officer reports to the Managing Director an annual report on activities carried out and issues addressed with regard to ESG topics.

### The Sustainability Policy Coordination Committee

The Sustainability Policy Coordination Committee (hereinafter the “**Committee**”) is the intermediate body between the Sustainability Officer and the Board of Directors, with a role of verification, evaluation and stimulus, as well as coordination between the Sustainability Officer and other functions concerned with ESG issues.

The Committee consists of the

Sustainability Officer, the Risk Management Officer, the Compliance Officer, the Internal Audit Officer and the Managing Director, in his dual capacity as a member of the Board of Directors and the investment team, the latter serving as chairman.

The tasks of the Committee are listed below:

- reviewing the Sustainability Officer's annual reports, proposed revisions to the Sustainability Policy submitted by the Sustainability Officer, other changes and updates to the sustainability strategy as deemed appropriate, taking into account regulatory and industry developments, as well as indications and requests from supervisory authorities, submitting a note for the Board of Directors in relation to any resolutions to be adopted;
- examining issues that may arise in the application of the SGR's sustainability policies and in the coordination of the Sustainability Officer with the investment team and the Risk Management, Compliance and Internal Audit functions, providing guidance and promoting appropriate solutions;
- defining and promoting initiatives to raise awareness about sustainability issues in the business context (e.g., from staff, towards suppliers and/or business partners etc.);
- identifying, also upon stimulus from the Sustainability Officer, the areas in which the SGR may need to receive support, either recurrently or on specific matters, from consultants specialized in sustainability issues, reporting to the Board of Directors for any resolutions to be adopted;
- dealing with other sustainability issues entrusted by the Board of Directors.

The Committee meets whenever requested by the Sustainability Officer or the Board of Directors, when convened by the Managing Director. In any case, the Committee meets at least once a year.