TCFD Report
21 Invest SGR S.p.A.

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1. Introduction

Founded in 1992, 21 Invest has grown as a European private equity platform guided by a long-term vision that combines Institutionalization, Growth and Sustainability. We view sustainability as a strategic lever for value creation and risk management, embedding ESG principles across our activities. As a PRI signatory since 2009, we have strengthened our Group Sustainability Policy and integrated SFDR requirements across our funds to advance responsible investment in a consistent, transparent way.

This first TCFD report explains why climate matters to a mid-market private equity platform like 21 Invest and how we intend to make disclosures decision useful for investors. It covers 21 Invest portfolio as of 31st December 2024, applying a materiality lens consistent with TCFD recommendations across different time horizons and scenarios, tailored to the life of our assets. As a first edition, we plan to further enhance this report in terms of depth and comparability of metrics over time, informed by our annual sustainability reporting.

Publishing this first TCFD aligned report marks an important step in our transparency journey. Building on the structured alignment process undertaken to meet Banca d'Italia's Supervisory Expectations on climate and environmental risks—including the development of a dedicated ESG Due Diligence process, regular ESG policy updates, and targeted training— this report represents a further evolution in our approach. To support the preparation of this report and enhance the robustness of our climate risk analysis, we have adopted *Altitude*, a highly specialized software solution designed for advanced scenario analysis and risk assessment. By embedding climate-related risks and opportunities into our governance, strategy, risk management, and metrics & targets, we not only fulfill regulatory requirements but also pursue our objective of continuously strengthening our climate and environmental risk management framework. This ongoing commitment supports informed dialogue with investors and stakeholders and reinforces our dedication to resilient, sustainable value creation.

2. Governance

21 Invest has established a structured governance framework to ensure that climate-related risks and opportunities are effectively integrated into decision-making processes. This framework defines clear roles and responsibilities at both the Board and management levels, ensuring oversight, accountability, and alignment with the firm's sustainability strategy.

Board Oversight

The Board of Directors plays a central role in overseeing climate-related issues. It reviews and approves the Sustainability Policy and the various sustainability reports published annually, ensuring that climate considerations are embedded in strategic planning, major action plans, risk management policies, budgets, and significant investments. The Board is regularly informed about climate-related developments through formal reporting processes and monitors progress against any sustainability goal and target. Oversight also includes evaluating how climate-related risks and opportunities influence long-term value creation and resilience, particularly in relation to investment decisions and portfolio management. The Board ensures that climate-related objectives are aligned with the overall business strategy and that appropriate governance mechanisms are in place to track implementation and performance.

Management's Role

Management is responsible for implementing the sustainability strategy and integrating climate-related considerations into day-to-day operations and the investment cycle. The Sustainability Officer coordinates ESG activities, monitors regulatory developments, and ensures that climate risks are assessed during screening, due diligence, and portfolio monitoring. This role also facilitates internal coordination between the investment team and control functions such as Risk Management, Compliance, and Internal Audit.

The Sustainability Policy Coordination Committee, which includes senior executives and the Sustainability Officer, meets at least annually to review progress, update policies, and address emerging issues. The investment team applies ESG and climate criteria throughout the investment process, from pre-investment screening to exit, supported by proprietary tools and external experts when necessary. Management also promotes capacity building by providing annual sustainability training to all employees and embedding sustainability objectives into performance evaluations, reinforcing accountability across the organization.

3. Strategy

21 Invest has been raising awareness about sustainability at the management company and portfolio level for more than 15 years and it maintains an active role in promoting sustainability best practices as value creation drivers.

Since 2025, 21 Invest started to integrate climate considerations into its strategic planning through systematic scenario analysis using *Altitude*. This approach evaluates transition and physical risks, as well as opportunities, across short and longer-term horizons. Unless otherwise specified, the physical analysis refers to the SSP2 - 4.5 scenario, which represents "a medium pollution-control scenario with air pollutant emissions following current trends" according to the IPCC[1]. This analysis is applied at the level of each fund: our investment strategy is fund-specific— with objectives, risk appetite and KPIs defined per product— and is anchored in 21 Invest's Group Sustainability Policy. The Policy sets the principles, exclusions and processes that guide screening, due diligence, active ownership and reporting, ensuring that ESG data can be translated into fund-level investment theses, value-creation plans and engagement priorities.

<u>Risks and opportunities for different timeframes</u>

Based on the data provided by *Altitude*, 21 Invest has estimated the physical risks and associated Average Annual Losses (AAL) across its portfolio. Flood exposure and landslides are identified as the most significant threats, affecting approximately half of the portfolio companies, while water stress and wildfires impact around a quarter.

Despite this exposure, the potential AAL from property damage remains very low—ranging from 0.003% to 1.702% of asset value depending on the company—with an overall average of 0.15%. Even under the most pessimistic scenario (SSP5 – 8.5), this figure is expected to increase only marginally to 0.16% by 2050. Business interruption losses are similarly limited, currently estimated between 0.01% and 1.398% of company revenues, with a portfolio-wide average of 0.21%. In the worst-case scenario, this could rise to 0.29% by 2030 and reach 0.7% by 2050. Notably, no actual incidents of property damage or business interruption have been reported to date. A comprehensive overview of all the *Altitude*'s modelled potential AAL by risk type, timeframe and scenario can be found in the following table.

Risk category	Risk type	2025 – SSP2	2030 | SSP2	2030 | SSP5	2050 | SSP2	2050 | SSP5
Property damage (in % of asset value)	Flood	0.11%	0.11%	0.11%	0.11%	0.12%
	Earthquake	0.01%	0.01%	0.01%	0.01%	0.01%
	Tropical cyclone	0.02%	0.02%	0.02%	0.02%	0.02%
	Wildfire	0.01%	0.01%	0.01%	0.01%	0.01%
	All risks	**0.15%**	**0.15%**	**0.15%**	**0.15%**	**0.16%**
Business interruption (in % of asset revenues)	Flood	0.09%	0.09%	0.09%	0.09%	0.09%
	Drought	0.01%	0.01%	0.01%	0.01%	0.01%
	Extreme heat	0.09%	0.1%	0.18%	0.24%	0.58%
	Tropical cyclone	0.02%	0.02%	0.02%	0.02%	0.02%
	All risks	**0.21%**	**0.22%**	**0.29%**	**0.36%**	**0.7%**

Transition risks show considerable variation. Under the Nationally Determined Contributions (NDCs)[2] scenario, 21 Invest portfolio is not broadly exposed to any major transition risk by 2030. The most prominent concern is the potential increase in raw material costs, affecting only two portfolio companies. Other risks—such as shifts in customer preferences and rising energy and electricity prices—are present but remain at a lower level of relevance.

Conversely, under the same scenario, 21 Invest portfolio reveals strong potential for climate transition opportunities. These are

[1] IPCC Sixth Assessment Report - Working Group 1: The Physical Science Basis – Technical Summary, TS.1.3.1 Climate Change Scenarios.
[2] This scenario includes all pledged policies even if not yet implemented. It is referred in the Analysis as the "Business As Usual" (BAU) scenario and, unless differently specified, it is the considered scenario.

particularly evident in the adoption of lower-emission energy sources and the expansion of low-emission product lines. Additional opportunities—though less pronounced—emerge in areas such as improving production and distribution efficiency and adapting to evolving customer preferences.

Impact of risks and opportunities on the business strategy and financial planning

Climate-related risks and opportunities influence investment priorities, operational decisions, and capital allocation. Physical risks drive adaptation measures such as site selection and water efficiency programs, which achieved a 16% reduction in water intensity in 2024 (a -20% CAGR since 2021) with a share of recycled wastewater of 11% (stable compared to 2023). Transition risks accelerate decarbonization roadmaps, energy audits, and renewable procurement, with renewable energy share in the portfolio reaching 6.4% in 2024, a 67% increase from 2023. Opportunities are reflected in R&D, which grew at a 69% CAGR since 2021, supporting new business lines and operational improvements. Revenues from low-carbon products have increased annually by 5% since 2022, reinforcing the strategic shift toward sustainable value creation.

Resilience across different climate scenarios

The resilience of 21 Invest's strategy is also tested against moderately and highly more ambitious scenarios, like the "Net Zero 2050"; in that regard, 21 Invest is actively promoting the management of physical risks posed by climate change, implementing adaptation and resilience strategies at multiple levels. Portfolio companies are engaged in adopting preventive measures, including strengthening infrastructure, diversifying supply chains, and implementing more flexible management systems. Initiatives are also being promoted to enhance the efficient use of natural resources and increase the capacity to respond to adverse climate events. These actions are guided by scenario analysis results and aim to reinforce operational strength and long-term competitiveness, ensuring alignment with the objectives of transitioning toward a more sustainable economy.

4. Risk Management

21 Invest formalized the role of the Risk Management function in a specific internal Policy. The Risk Management function, in collaboration with the Investment Team, conducts an analysis of the key elements related to the sustainability of the relevant portfolio company. Among the sustainability aspects considered, a risk analysis is carried out, both current and forward-looking, related to climate change and environmental degradation. Therefore, physical and transition risks are assessed.

As part of a continuous improvement approach and oversight of the activities carried out by 21 Invest in the area of climate and environmental risk monitoring, the Company periodically conducts a materiality assessment aimed at identifying its exposure to such risks, as well as the related impacts and any mitigation actions.

Identification and assessment of climate-related risks

The identification and assessment of climate-related risks occur throughout the investment lifecycle, starting from the initial screening phase. Pre-screening excludes sectors with significant environmental and social impacts, with particular focus on high-impact climate sectors. Detailed sectoral analysis shows that 0% of our investments operates in fossil fuel sectors, demonstrating the effectiveness of the exclusion process. During due diligence, climate risks are analyzed using structured tools like the ESG Risk Mapping Test, which assigns a risk score and integrates the results into the Risk Management Report. The analysis covers both physical and transition risks and, where relevant, includes the measurement of greenhouse gas emissions (Scopes 1, 2, and 3) and, when appropriate, life-cycle assessments. These steps provide a clear, data-driven basis for estimating the potential magnitude and likelihood of climate-related risks, ensuring that they are considered alongside financial and operational factors in investment decisions.

Management of climate-related risks

Risk management actions are tailored to the findings of the due diligence process. A Sustainability Action Plan may be developed for approved investments to address identified risks, focusing on initiatives such as energy efficiency, renewable energy sourcing, water resource management, and reduction of environmental impacts across the value chain. During the holding period, an annual ESG monitoring process is carried out to track progress and identify emerging risks. This monitoring combines quantitative and qualitative data collection through questionnaires, interviews, and public sources, ensuring that corrective actions are implemented and performance improvements are documented. Results are consolidated into periodic reports for internal governance and investor disclosure, reinforcing accountability and continuous improvement.

Integration of climate-related risks into overall risk management

Climate risk management processes are fully embedded into the broader enterprise risk framework through standardized workflows, digital tools for ESG data collection and analysis and within the Risk Management Policy. Outputs from due diligence—such as risk scores, emissions metrics, and mitigation requirements—are incorporated into the Risk Management Report alongside other financial and operational risk assessments. During the holding period, ESG indicators are updated via a centralized digital platform that enables data traceability, portfolio-level aggregation, and dashboard reporting. These insights feed into the overall risk indicator at fund level, support periodic risk reviews, and inform strategic decisions on capital allocation, deal structuring, and exit planning. This integration ensures that climate-related risks are managed with the same rigor and governance as other material risks across the organization.

5. Metrics and Targets

Environmental Metrics for the Italian Portfolio

21 Invest systematically monitors climate-related metrics across its portfolio to track progress, inform strategic decisions, and ensure transparency for stakeholders. This section presents key environmental performance indicators and outlines the firm's targets and commitments for addressing climate-related risks and opportunities.

Over the last three years, 21 Invest portfolio experienced growth primarily through several buildups and standalone acquisitions within the manufacturing sector. Notably, there were no portfolio exits during this timeframe. This expansion in manufacturing activities contributed to increases in both scope 1 emissions and overall energy intensity across the portfolio. Despite the rise in direct emissions and energy use, portfolio companies made substantial investments in renewable energy generation and energy efficiency initiatives, seeing a more than proportional increase in their renewable electricity consumption, compared to overall consumption. These efforts were instrumental in achieving reductions in Scope 2 emissions, which pertain to indirect emissions from purchased and self-produced electricity.

Looking ahead, the current pipeline of investment deals includes companies operating in sectors characterized by low energy intensity. As these transactions progress, it is reasonable to anticipate further reductions in both scope 1 and scope 2 emissions, alongside a decrease in the portfolio's overall energy intensity.

Metric	Unit	2022	2023	2024
Scope 1 GHG emissions[3]	**tCO_2e.**	**3,326.06**	**3,610.60**	**4,634.83**
YoY variation		*n.a.*	*+9%*	*+28%*
Scope 2 GHG emissions[3]	**tCO_2e.**	**4,631.98**	**4,471.13**	**3,679.70**
YoY variation		*n.a.*	*-3%*	*-18%*
Scope 3 GHG emissions[3] [4]	**tCO_2e.**	**207,068.27**	**370,240.90**	**213,605.68**
YoY variation		*n.a.*	*+79%*	*-42%*
GHG intensity[3]	**tCO_2e. / €mln. of sales**	**1,956.91**	**1,019.37**	**496.21**
YoY variation		*n.a.*	*-48%*	*-51%*
Share of non-renewable energy consumption	**%**	**97%**	**96%**	**94%**
YoY variation		*n.a.*	*0%*	*-3%*
Energy intensity[5]	**MWh / €mln. of sales**	**98.44**	**86.15**	**93.49**
YoY variation		*n.a.*	*-12%*	*+9%*

[3] Calculated as defined in the RTS Regulation (EU) 2022/1288, supplementing Regulation (EU) 2019/2088.
[4] Scope 1 and 2 emissions have been calculated using an activity-based methodology while scope 3 emissions have been calculated using a proxy, hence the reduction from 2023, when an average emissions-data methodology had been applied instead.
[5] Calculated using the formula indicated in the RTS Regulation (EU) 2022/1288, supplementing Regulation (EU) 2019/2088, for GHG intensity.

From a more qualitative perspective 100% of investments comply with environmental standards with 43% of them having also a formalized environmental policy (+5% from 2023). All investments have also implemented at least three types of waste management initiatives, such as separate collection of paper, plastics, electronic waste, and production scraps; moreover, 78% of the invested value corresponds to assets that have undergone at least one energy audit in the past two years, while 91% is allocated in companies featuring at least one on-site photovoltaic plant.

Environmental Targets and Commitments

21 Invest has set out a series of environmental commitments and targets for the whole Group, committing to define a GHG emissions reduction trajectory and submit science-based targets (SBTs) for approval, with the objective of reaching at least 30% of investments (in value) covered by approved SBTs by 2030. While quantitative reduction targets are not yet formalized, 21 Invest continues to monitor and report GHG emissions and other environmental indicators annually, with the intention to set reduction objectives once a robust baseline and methodology are established.

6. Conclusions

This enhanced TCFD report demonstrates 21 Invest's commitment to comprehensive climate risk management and transparent disclosure. Through the integration of detailed portfolio analysis data, the firm has significantly strengthened its ability to identify, assess, and manage climate-related risks and opportunities.

The systematic methodology encompassing governance, strategy, risk management, and metrics & targets outlined herein establishes a robust foundation for climate-resilient investment decisions. Advanced quantitative analysis capabilities enable precise risk assessment and targeted mitigation strategies, supporting the firm's objective of sustainable value creation while advancing the broader transition to a low-carbon economy.

As environmental challenges continue to evolve, 21 Invest remains dedicated to continuous improvement, enhanced transparency practices, and maintaining its leadership position in responsible investment.