Compliance and risk management process

The **European Commission's Sustainable Action Plan** is adopting **new rules for integrating sustainability considerations** to already implemented regulations or directives. Among them its the **Regulation (EU) 2019/2088**, the Sustainable Finance Disclosure Regulation (**SFDR**), which entered into force on 10 March 2021.

This regulation, directed to financial market participants, includes **transparency requirements** and **integration of sustainability risks** for all funds.

The SFDR also requires the investment funds to declare themselves as either funds with a sustainable objective (article 9), **funds that promote ESG characteristics** (**article 8**), or "standard" investment funds (article 6) and able to provide investors sufficient information to understand the investment process.

Sustainability Risk integration

With reference to investment activities, **the analysis of ESG factors is integrated during the entire process** and considers the peculiarities of the investments, for each asset class of managed funds:

- During the **investment phase**, eligible opportunities, considered compatible with the selection criteria by DeA Capital Alternative Funds, are analyzed through an ESG due diligence process to evaluate the possible presence of ESG criticalities to identify the mitigation measures of potential risks.
- The **monitoring phase** of portfolios is based on strong interaction with the ESG representatives of the investee companies and is carried out on a recurring basis.
- In the **divestment phase**, DeA assesses the ESG initiatives implemented during the management phase.

In particular, DeA evaluates the **improvement of the ESG profile of the investment** and the **degree of residual ESG risk**, identifying, among the viable exit options, the one that can best guarantee, in the medium-long term, the correlation between financial value and social value of our investments.

Transparency of adverse sustainability impacts at entity level

DeA Capital Alternative Funds pays **constant attention to regulatory and context changes**. New regulatory interventions can contribute actively to increase sensitivity to ESG topics and the consequent action on the part of the whole industry.

The SGR maintains a **proactive approach** in defining the indicators and metrics with which determine the aforementioned negative impacts, also monitoring the evolution of regulatory provisions of reference. Thus, the SGR will be responsible for providing **promptly updates** on this aspect.

"ARTICLE 8" INVESTMENT FUNDS (REGULATION (EU) 2019/2088)

Taste of Italy 2 and **Sviluppo Sostenibile** have been classified **under art. 8** funds and are **committed to invest in companies that promote Environmental or Social characteristics** and demonstrate appreciation and commitment to sustainability throughout their activities. Both funds aim to invest in companies with **strong ESG profiles**, meaning they manage ESG risks or have serious ESG commitments in place compared to their peers and competitors.

The ESG commitment is demonstrated through exclusion of companies in the investable universe according to DeA Capital Alternative Funds ESG policy. These exclusions range from investments industries to markets where business practice is controversial, where human rights are not respected and where more generally confidence is low in adherence to sustainability principles.

In addition, **portfolio managers select key Environmental or Social indicators** with the aim of improving these indicators during the fund entire lifetime:

- Taste of Italy 2, Sectorial fund specialized in the Food&Beverage sector, selected **Environmentally challenging indicators** (i.e., GHG emissions, environmental pollution, habitat destruction and species extinction).
- Sviluppo Sostenibile, selected **Social challenging indicators** instead.

Both funds aim **to support** only those **companies** which are focusing on continuing their **investments and activities in a sustainable way**.