NOTICE PURSUANT TO ARTICLES 3 AND 5 OF REGULATION (EU) 2019/2088

by

Wise Equity SGR S.p.A.

This disclosure is based on the provisions of Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector, as supplemented by Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports.

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10 March 2021	Creation
20 January 2023	Updated
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Introduction

On 10 March 2021, Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (hereinafter, the "**SFDR**" or the "**SFDR Regulation**") entered into force, as supplemented by Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 with regard to regulatory technical standards (hereinafter, the "**RTS**") specifying the details of the content and presentation of the information disclosed under the SFDR. Both of these measures aim to provide harmonised rules at European level in order to enhance transparency regarding the risks and opportunities associated with sustainability-related investment decisions.

The purpose of this document is to explain how Wise Equity SGR S.p.A. (hereinafter, the "**Company**") intends to comply with the provisions on *web-based disclosures under* Articles 3 and 5 of the SFDR, taking into account the provisions of the RTS. With regard to the provisions on *web-based disclosures under* Articles 4 and 10, the Company has provided this information in other specific documents.

Article 3 of the SFDR – Transparency of sustainability risk policies

With regard to Article 3 of the SFDR, the Company, which signed the *Principles for Responsible Investment* (PRI) in 2015, recognises the importance of responsible *business* management in creating sustainable value in the short and medium to long term and integrates the assessment of sustainability risks, as defined by the SFDR and in accordance with Delegated Regulation (EU) 2021/1255 (hereinafter, the "**Delegated Regulation 1255**"), which amends Delegated Regulation (EU) No 231/2013 as regards sustainability risks.

The Company integrates sustainability risks both at entity level and into its investment decisions through an Investment Procedure, *a* dedicated ESG and responsible investment *policy*, and a risk management *policy*, which identifies the risks to which the AIFs managed by the Company are or may be exposed.

In particular, the Company implements specific processes and procedures aimed at analysing and managing certain categories of sustainability risks, both during the preliminary investment assessment phase and following the investment. These relevant sustainability risks are identified on the basis of the specific characteristics of the *target* company, as well as in relation to the economic sector in which the *target* company operates.

More specifically, during the pre-investment phase, the Company first and foremost excludes the possibility of investing in certain economic activities and sectors, including, by way of example but not limited to, entities whose business activity consists of an illegal economic activity (i.e. production, trade or other activity that is illegal under the laws or regulations applicable to the fund or to the relevant company or entity, or under international conventions and agreements) and companies or other entities that are substantially focused on, or whose main activity falls within, sectors considered controversial, as set out in the regulations of the funds managed from time to time (so-called *'negative screening'*). For further details on investment exclusions, please refer to the documentation relating to each fund, in particular, with regard to funds that promote environmental and/or social characteristics pursuant to Article 8 of the SFDR, the dedicated pre-contractual disclosure attached to the offering document and the website disclosure made pursuant to Article 10 of the SFDR.

Furthermore, for managed funds that promote environmental and/or social characteristics pursuant to Article 8 of the SFDR (so-called 'Article 8 funds'), including the Wisequity VI fund and the Wisequity VII fund, the Company carries out an assessment of the sustainability profiles of the *target* companies, including an assessment of sustainability risks relating to environmental, social and *governance* issues – including physical and transition climate risks – through *a* dedicated ESG *due diligence process*. For the remaining funds under management, which are currently in the process of divestment (Wisequity IV and Wisequity V), the Company carried out the assessment described above through an ESG pre-assessment.

With regard to all funds under management, where it appears that the *target* company, due to its business activities or the sector in which it operates, manages one or more production sites and is therefore exposed to significant potential

environmental risks, the Company carries out a specific and additional environmental *due diligence* process in order to investigate in depth the environmental impacts and risks associated with the potential investment.

Furthermore, during the pre-investment phase, the *Risk Management* function, as formalised in the risk management *policy*, monitors the climate risks (physical and transition risks) to which the *target* company is exposed through quantitative analyses using data provided by external providers and taking into account the Net Zero scenario by 2050.

The results of the analyses described above are included in the documents prepared by the Management *Team* for discussion with the Fund's Investment Committee (where applicable) and with the Company's Board of Directors and, together with other assessment factors, form the basis for the decision on whether to proceed with the investment process.

With regard to the post-investment phase, for all funds under management, the management of each portfolio company draws up an *ESG Action Plan*, setting out specific objectives to mitigate ESG risks or capitalise on the ESG opportunities identified, to be implemented over a multi-year horizon during the investment period. Once drawn up, *the* ESG *Action Plan* is approved by the board of directors of the portfolio company, in order to ensure high-level commitment to the implementation of the ESG objectives. Starting from 2025, the Company has also defined a predefined set of ESG objectives common to all portfolio companies, in order to standardise the implementation of relevant ESG safeguards at portfolio level, including, in the environmental area, energy efficiency initiatives and GHG emissions reduction; in the social area, the adoption of occupational health and safety management systems and diversity and equal opportunity policies; and in the governance area, the adoption of the organisational and management model pursuant to Italian Legislative Decree No 231/2001 and the implementation of ESG criteria in supplier assessment.

For the purposes of periodically monitoring the risk profile (including sustainability risk as provided for in Delegated Regulation 1255) of the funds under management and the *assets* in the portfolio, the Company, in coordination with the *Risk Management* function, uses the:

- *'Fund Risk* Assessment', which enables the overall risk level of the Fund to be estimated and monitored over time; and
- *"Asset Risk* Assessment", which enables the overall risk level of individual *target* companies to be estimated and monitored over time.

The ESG Action Plan and the ongoing monitoring of specific KPIs – defined on the basis of international sustainability reporting standards and also collected through a dedicated IT platform – enable the Company to compare the environmental, social and *governance performance* of portfolio companies before and after investment, assessing the progress made, including from a sustainability risk perspective, as well as, more generally, the value generated in the context of sustainability. Finally, with regard to the divestment phase, the Company intends to make relevant ESG information on the portfolio companies, including sustainability risks, available to potential buyers.

The activities underpinning the processes described above are carried out, where deemed appropriate, with the assistance of specialist third-party advisers.

It should be noted that the Company has included updates on sustainability in the annual training programme for its senior management involved in management activities, so that they have an adequate understanding of sustainability-related issues.

Article 5 of the SFDR – Transparency of remuneration policies regarding the integration of sustainability risks

The Company is required to adopt sound and prudent remuneration and incentive policies that reflect and promote sound and effective risk management in line with the risk profiles and regulations of the funds it manages.

In accordance with this principle, from 2023 onwards, the Company's remuneration policy includes a scheme to incentivise the development and implementation of ESG activities and objectives (the so-called 'ESG Bonus') for all senior staff in the Investment Division (*Senior Partners* and *Principals*) and the *Chief Financial Officer*.