

Renewable Energy & Infrastructure Credit Impact
Art.10 – Transparency of Sustainable Investments

Summary

The Italian closed-end alternative investment fund reserved to qualified investors called "Renewable Energy & Infrastructure Credit Impact" ("REICI"), classified pursuant to Article 9 of Regulation (EU) 2019/2088 - SFDR, aims to pursue sustainable investment objectives through investments in sectors such as renewable energy and energy transition, including the financing of energy efficiency solutions and circular economy solutions. Through its investment activities, the Fund contributes substantially to two main environmental objectives identified in Article 9 of EU Taxonomy Regulation 2020/852: climate change mitigation and transition to a circular economy.

In pursuing the objectives, various elements are taken into consideration, such as:

- negative screening process;
- positive screening process and assessment of compliance with good governance practices;
- alignment with EU Taxonomy Regulation;
- verification of DNSH principle pursuant to Article 2(17) of Regulation (EU) 2019/2088 (SFDR);
- management of negative impacts arising from so-called "ESG Incidents" for the companies benefiting from investments.

The Fund will exclusively promote (i.e., in a proportion equal to 100%) investments that are aligned with the environmental objectives that the Fund intends to pursue. Furthermore, at least 10% of such investments will be dedicated to activities considered aligned with EU Taxonomy.

The achievement of each sustainable objective is monitored and evaluated based on an approach articulated in five macro-phases:

- screening & pre-assessment;
- ESG due diligence;
- investment approval;
- monitoring and reporting;
- exit.

The data necessary to assess and monitor the achievement of the sustainability objective are collected, directly or through third parties, during the due diligence and monitoring process.

The AIFM submits each investment opportunity to an ESG Due Diligence conducted by the Advisory identified for the Fund (Advisory Investment Team). The results of this analysis are

transmitted to the Investment Committee and subsequently presented to the Board of Directors for approval of the investment transaction.

To measure the efforts undertaken in pursuing sustainability objectives, the Fund has adopted an environmental impact index based on CO2 equivalent avoided per million euros of financed cost, calculated using an ad hoc developed model

No significant harm to the sustainable investment objective

The sustainable investments made by the Fund do not cause significant harm to any of the aforementioned sustainable investment objectives, as for investments eligible under EU Taxonomy, the Fund conducts a systematic assessment based on technical screening criteria and delegated acts, while for sustainable investments pursuant to Art. 2(17) SFDR, DNSH verification is carried out through detailed analysis of Principal Adverse Impacts (PAI) indicators.

The Fund systematically integrates PAI assessment into its investment process, prioritizing the most relevant indicators and defining targeted mitigation measures to progressively reduce negative impacts associated with portfolio companies.

Compliance with minimum safeguards is further ensured through the application of negative screening criteria (both during the selection phase and during continuous portfolio monitoring) to ensure full compliance with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

Sustainable investment objective of the financial product

The Fund pursues two environmental objectives under the EU Taxonomy for the classification of environmentally sustainable economic activities, namely climate change mitigation and the transition to a circular economy, by investing in the renewable energy and energy transition sectors.

In particular, the Fund will finance plants to produce energy from renewable sources – both existing and newly built – with a specific focus on wind and photovoltaic plants. These investments will be accompanied by investments aimed at improving the energy efficiency of existing infrastructure, in line with the technical criteria established within Annex I to Delegated Regulation (EU) 2021/2139.

Investment strategy

Considering the ESG investment strategies adopted by the Fund, to pursue sustainable environmental objectives, the consideration of sustainability elements will be executed through a screening and pre-assessment process to preliminarily evaluate a potential investment through the application of both negative and positive screening criteria.

With reference to negative screening, compliance with the exclusions identified within the Responsible Investment Policy adopted by the AIFM is verified, as well as any further limits and restrictions provided for in the Fund's Management Regulations.

The Fund also adopts a positive selection process, which provides for the assessment of the eligibility of investment activities under EU Taxonomy, by verifying the conformity of the proposed activities with the eligible categories defined in the relevant delegated acts.

Once this preliminary evaluation phase is completed, the investment process continues with the initiation of ESG due diligence, aimed at analyzing in detail the ESG profile of each investment transaction.

Within this activity, the following verifications are also conducted:

- compliance of target companies with good governance practices, both ex ante and throughout the investment period, assessed through the administration of ad hoc questionnaires adopted by the AIFM across all funds under management;
- the investment's capacity to contribute to the Fund's objective in terms of annual avoided emissions;
- alignment with EU Taxonomy for investments considered eligible;
- compliance with DNSH pursuant to Article 2(17) SFDR.

Proportion of investments

The Fund will exclusively (i.e., in a proportion equal to 100%) make investments that are aligned with the environmental objectives that the Fund intends to pursue. Furthermore, with reference to the component relating to investments that contribute to the pursuit of an environmental objective, at least 10% of such investments will be dedicated to activities considered aligned with EU Taxonomy, as provided for by current regulations.

Monitoring of sustainable investment objective

Throughout the entire investment holding period, the AIFM conducts quarterly monitoring, entrusted to the Fund Management team with the support of specialized technical advisors, aimed at verifying the degree of alignment of each transaction with the Fund's sustainable investment objectives through the analysis of identified target ESG KPIs, verification of good governance practices, and tracking of progress with respect to improvement areas identified during due diligence.

This activity is conducted through a structured engagement process with portfolio companies, based on the adoption of dedicated ESG questionnaires, and supported by continuous monitoring of environmental impacts through on-site visits, critical review of data, and independent validation by external ESG advisors.

Where monitoring reveals deviations from the set targets, corrective actions are promptly identified aimed at their achievement, with a view to maximizing the overall sustainability benefit.

Methodologies

To measure the achievement of the Fund's sustainable investment objectives and to assess the alignment of individual investments with respect to such objectives, three main measurable and monitorable ESG Target KPIs have been identified over time, applicable to all the different asset classes subject to financing transactions:

- Installed power (MW)
- Annual renewable energy production (MWh/year)
- CO2 emissions avoided (tCO2e/year)

Data sources and processing

The data necessary to assess and monitor the achievement of the Fund's sustainable objectives are collected, directly or through third parties, during the due diligence process. Where possible, databases and external or public sources are also used.

To ensure data quality, controls are performed to identify any distortions. The impact that different sources have on investment decisions is also assessed.

Data is received through different transmission methods, which may vary from information transmitted via email or received through automated processes. The latter is the preferred method to avoid any form of operational risk or unnecessary human intervention. The data received is inserted into internal databases, so that it is always available to the Fund for various assessments. Where possible, point data is always preferred. Limited to sporadic situations where point data is not available, estimation procedures are used, providing adequate disclosure of the proxies used.

Limitations to methodologies and data

The main limitations arising from the methodology for measuring how the sustainable objectives promoted by the financial product are achieved are represented by the possible unavailability of data relevant for measuring the performance of KPIs. The AIFM will obtain the data, possibly also formulating reasonable assumptions, to prevent such limitations from affecting the way the objectives promoted by the Fund are satisfied.

Due Diligence

Each investment opportunity is subject to a structured ESG due diligence, an integral part of the selection process, aimed at assessing the sustainability profile of the transaction and identifying any areas for improvement.

The assessment is conducted through an ESG Due Diligence Checklist that assigns a score to each indicator, defining an overall score. Investment approval is subject to exceeding a minimum ESG threshold.

The checklist includes specific checks on compliance with good governance practices, on the investment's capacity to contribute to the Fund's objective in terms of avoided emissions, on

alignment with EU Taxonomy where applicable, and on compliance with the DNSH principle pursuant to Art. 2(17) SFDR.

The results of the due diligence, together with the outcomes of the previous analysis phases conducted by the Advisory Investment Team, are included in the information package submitted to the Investment Committee and subsequently to the Board of Directors for final approval, followed by the execution phase for the contractual formalization of the transaction.

Engagement policies

Engagement techniques consist of constructive dialogue with stakeholders to discuss how to manage ESG risks and seize business opportunities associated with sustainability challenges.

The AIFM uses a proactive approach focused on long-term and financially relevant ESG opportunities and risks that may influence the assessment of investment opportunities and the ability to create value. The Fund's primary objective is to create value for investors also through the achievement of objectives at the portfolio level and at the individual investment level.

Attainment of the sustainable investment objective

To concretely measure the efforts made in activities aimed at achieving sustainability objectives, the Fund has adopted an environmental impact index based on CO2 equivalent avoided per million euros of financed cost.

The designated index is not based on a general market index, as its measurement was carried out using a calculation model developed ad hoc, using standard emission factors, calculated based on the main technical characteristics of technologies available on the market, aimed at estimating the CO2 equivalent emissions avoided for each type of investment made.

To ensure comparability of sustainability performance, an annual reference value (the so-called target value) has been established for the index, set at 400 tonnes of CO2 equivalent avoided annually per million euros of financed cost.

For each investment, both during the due diligence phase and during periodic monitoring activities, its contribution to the achievement of the Fund's sustainability objectives is assessed.

To ensure alignment with the reference index, for each investment, both during the due diligence phase and during periodic monitoring activities, the contribution made to achieve the reference index is measured through the analysis of specific technical parameters, which allow for a prospective estimate of the contribution in terms of avoided emissions.