

Disclosure on the promotion of environmental and/or social characteristics pursuant to art. 10 SFDR

Gradiente III

a) Introduction

The closed-end investment fund reserved to Professional Investors Gradiente III (hereinafter "the Fund") managed by Gradiente SGR, falls within the scope of application of art. 8 of Regulation (EU) 2019/2088, i.e. is a financial product that promotes, among others, environmental and/or social characteristics, provided that the companies in which the investments are made respect good governance practices.

b) Environmental and social characteristics of the financial product

The Fund adopts an ESG Strategy based on a Responsible Investment Policy integrated into its investment process.

As part of this strategy, the Fund has identified the following environmental and social characteristics, in accordance with Article 8 of the SFDR, which will be promoted and monitored across its investments through sustainability indicators:

- Health and Safety at work, in order to ensure the well-being, health and safety of workers;
- Respect for workers' rights and human rights;
- Protection of Stakeholders (customers, suppliers, employees) also in terms of:
 - Respect for workers' rights and safety measures in the workplace;
 - Product quality;
 - Fight against illegality;
 - Protection of public health, safety, mental health and combating gambling;
 - Combating corporate practices that can generate controversies such as environmental disputes or discrimination of any kind.
- Green transition of portfolio companies.

The table below shows the social characteristics and the related indicators used to measure their achievement.

Characteristics	Indicators
<i>Respect for workers' rights and safety measures in the workplace</i>	<ul style="list-style-type: none"> ○ <i>number and type of accidents at work</i> ○ <i>number and types of employment contracts (e.g. fixed-term contracts vs. permanent contracts)</i> ○ <i>worker turnover (e.g. incoming workers / outgoing workers based on the reference year)</i> ○ <i>confirmed cases of violation of workers' rights (e.g. labour law disputes)</i> ○ <i>cases of discrimination in terms of human rights (e.g. internal reports)</i>
<i>Product Quality</i>	<ul style="list-style-type: none"> ○ <i>customer complaints about product quality</i> ○ <i>investments in research and development</i>
<i>Countering illegality</i>	<ul style="list-style-type: none"> ○ <i>absence of companies or entities whose activity is illegal (i.e. any production, trade or other activity that is illegal under the law or regulation applicable to the Fund, including, but not limited to, human cloning for reproductive purposes)</i>
<i>Protection of public health, safety, mental health and fight against gambling</i>	<ul style="list-style-type: none"> ○ <i>absence of companies or entities operating in one of the following sectors:</i> <ul style="list-style-type: none"> - <i>production and trade of tobacco;</i> - <i>main production of distilled alcoholic beverages. It is understood that by distilled alcoholic beverages we mean the distillates produced with the distiller having a degree higher than 40°;</i> - <i>financing, production and trade of weapons and ammunition of any type. It is specified that the prohibition referred to in point (ii) does not apply to cases in which such activities are part of or ancillary to explicit</i>

	<p><i>policies of the European Union or are to be used for defensive purposes);</i></p> <ul style="list-style-type: none"> - <i>gambling or gambling-related products, casinos and casino-like businesses;</i> - <i>research, development or technical applications relating to electronic data programs or electronic data solutions that:</i> - <i>are specifically aimed at:</i> <ul style="list-style-type: none"> - <i>providing support to one of the sectors referred to in points (a) and (b) from (i) to (iv) above;</i> - <i>gambling on the internet or online casinos;</i> - <i>pornography,</i> <p><i>or</i></p> <ul style="list-style-type: none"> - <i>are intended to allow:</i> <ul style="list-style-type: none"> - <i>illegal access to an electronic data network;</i> - <i>illegal download electronic data;</i> - <i>production or distribution of pornographic material;</i> - <i>real estate trading or real estate development activities.</i>
<p><i>Countering practices that can generate controversies in the fields of human rights and the environment</i></p>	<ul style="list-style-type: none"> ○ <i>absence of companies or entities involved in serious disputes concerning ESG factors (e.g. involvement in environmental disputes, cases of discrimination in the workplace).</i>
<p><i>Green transition of portfolio companies</i></p>	<ul style="list-style-type: none"> ○ <i>progressive reduction of the environmental impact indicators of the companies in the portfolio.</i>

c) Investment strategy

The investment strategy adopted by the SGR for the Fund will be guided (inter alia) by:

- exclusion of investments in expressly prohibited sectors, in order to adapt to the principles of responsible investment in the management of investment funds and target companies;

- a policy for the evaluation of good governance practices of the companies/entities being invested in which takes into account indications and application clarifications regarding "ESG" information;
- a set of indicators to evaluate the level of awareness and commitment of the investee companies with respect to ESG factors.

Period	Activity
<i>Pre-investment (screening, assessment and due diligence)</i>	<ul style="list-style-type: none"> ○ <i>application of negative screening criteria (exclusion of prohibited investments)</i> ○ <i>preparation and use of specific information questionnaires referring to ESG factors, aimed at a preliminary evaluation of good governance, environmental and social factors</i> ○ <i>assistance of and cooperation with a specially designated consultant with specific skills in the evaluation of ESG factors with respect to individual investment transactions, in order to identify both the risk profiles and the opportunities connected to the investment;</i> ○ <i>execution of specific environmental due diligence, where the environmental risk factor is potentially significant with reference to the sector of activity in which the company/entity being invested operates.</i>
<i>Investment decision</i>	<ul style="list-style-type: none"> ○ <i>evaluation of the investment (for example if it is such as to allow the promotion of environmental and social characteristics as well as compliance with good governance practices in coherence with the investment policy) and the related risks, including sustainability risks</i> ○ <i>approval of the investment if in line with the social characteristics promoted by the Fund</i>
<i>Investment management</i>	<ul style="list-style-type: none"> ○ <i>Monitoring of the ESG performance of investee companies, through the calculation and periodic disclosure of sustainability indicators</i>

	<ul style="list-style-type: none"> ○ <i>Continuous dialogue initiatives with the management of the investee companies for ESG improvement actions</i>
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d) Proportion of investments

The investments will be made in accordance with what is defined in the Investment Policy formalized within the Fund Regulations.

With reference to the allocation of assets, it has been planned that the investments of the Fund used to respect the environmental or social characteristics promoted by the financial product are equal to at least 80% of the total investments of the Fund itself.

The entirety of this share is represented by investments that promote other social characteristics and these investments do not have sustainable investment objectives.

The remaining portion (which will be equal to a maximum of 20% of the Fund's total investments) is represented by other investments that are not aligned with social characteristics, nor are they considered sustainable investments.



e) Indicators established to monitor the environmental and social characteristics promoted by the Fund

With reference to the indicators for monitoring and evaluating the performance of each investment with respect to the environmental and social characteristics promoted, please refer to the table referred to in paragraph c) above (Environmental and social characteristics of the financial product).

f) Methodology used to evaluate, measure and monitor environmental or social characteristics

The methodology adopted by the Fund to measure the contribution of the investee companies to the environmental and social characteristics promoted is based on a data collection and monitoring tool: the data collection activity is carried out by the investee companies and the analysis of the same for the calculation of indicators based on the data collected.

In the event of a lack of available data, we evaluate whether to carry out a disclosure activity on the perimeter of the companies for which it was possible to collect data or whether to formulate specific estimates on the basis of elements possibly collected in consideration of the specific sector to which the investee company belongs.

g) Sources and processing of data

The data sources primarily concern the Portfolio Companies in which the Fund invests. Additional data sources may come from relevant third-party data providers. Exceptionally, they can be considered estimated data if real data are not available and it is possible to proceed with estimates.

Gradiente SGR is responsible for the processing and management of all data used.

g) Limitations on methodologies and data

Currently, no limitations to the methodologies and data have been identified and, should limitations emerge, they will be promptly communicated

h) Due Diligence

ESG Due Diligence is carried out on all investment opportunities using expert consultants with the aim of evaluating the risks and opportunities associated with the potential investment and analysing its maturity and ability to manage them. In the event that significant critical issues emerge from the Due Diligence activity, the Fund may decide not to continue the investment. The due diligence activity that is conducted on the companies/entities subject to investment in the ESG context by means of these main phases of this process:

- preventive exclusion of investments in expressly prohibited sectors as indicated in the section "Which environmental and/or social characteristics are promoted by this financial product";
- carrying out ad hoc due diligence regarding ESG factors, according to the following three main guidelines: (i) preparation and use of specific information questionnaires relating to ESG factors, aimed at a preliminary evaluation of good governance,

environmental and social; (ii) the assistance of (and cooperation with) a (specially designated) consultant with specific skills in the evaluation of ESG factors with respect to individual Investment Transactions, in order to identify both the risk profiles and the opportunities connected to the investment of reference; (iii) the execution of specific environmental due diligence, where the environmental risk factor is potentially significant with reference to the sector of activity in which the company/entity being invested operates. Based on the results of the due diligence, also carried out through the consideration of specific ESG indicators, the SGR assesses whether the investment is such as to allow the promotion of environmental and social characteristics as well as compliance with good governance practices in line with the investment. The results of the ESG Due Diligence activity are considered as investment inclusion criteria, taking into account, in particular, the social characteristics that the Fund intends to promote.

i) Engagement policies

Gradiente SGR has defined engagement and monitoring strategies with the aim of supporting investee companies in improving their ESG performance.

In this regard, Gradiente SGR publishes an ESG report every year with the ESG performance of each portfolio company, which includes:

- For each Portfolio Company: an analysis of the progress made in terms of ESG and of each investee company's compliance with its ESG Target KPIs, established on the basis of the sustainability indicators identified for measuring the degree of promotion of the environmental and social characteristics of the Fund;
- the relevant data and information used by the SGR to carry out the analysis;
- an overview of the overall ESG performance of the Fund's portfolio;
- the percentage of ESG Target KPI achieved by each individual company in the portfolio;
- the evaluation of the percentage of ESG Target KPI achieved (also based on an average of each KPI) on the occasion of the Divestment Operation of the Portfolio Company.

j) Designated reference benchmark

The monitoring and evaluation of social characteristics are carried out through quantitative indicators collected on a periodic basis which allow the trend to be analysed and the performance of previous years to be compared.

A reference benchmark has not been identified to compare the performance of investments with respect to the social characteristics promoted.