Article 10 (SFDR) – EQUITER INFRASTRUCTURE III

This sustainability disclosure is published pursuant to Article 10 of Regulation (EU) 2019/2088 (the "SFDR Regulation") and Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 (the "RTS"), which specify the content and presentation of the information relating to the promotion of environmental or social characteristics on the websites of financial market participants.

The sustainability information is also available in the Sustainability Annex to the Fund's Management Rules (pre-contractual disclosure) and in the Fund's annual periodic report, available on the Equiter SGR website.

Product name: Equiter Infrastructure III

SFDR classification: Article 8 – Product that promotes environmental and/or social characteristics

Manager: Equiter SGR S.p.A.

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A. SUMMARY

The reserved closed-end alternative securities investment fund named Equiter Infrastructure III (the "Fund"), established and managed by Equiter SGR S.p.A. (the "SGR"), promotes

environmental and social characteristics pursuant to Article 8 of Regulation (EU) 2019/2088 (the "SFDR Regulation"), but does not have sustainable investment as its objective.

The Fund's principal objective is investment in the infrastructure sector, in companies presenting innovation and/or sustainability profiles, with particular attention — by way of example but not exhaustively — to the following business segments: (i) Utilities and Renewables segment; (ii) Transport Infrastructure and Urban Regeneration segment; (iii) Protection, Security and Resilience of Critical Infrastructure segment; (iv) Digital Infrastructure segment; (v) Social Infrastructure segment.

The SGR carries out, in line with its own responsible investment policy as amended and updated from time to time (the "Responsible Investment Policy"), the screening, investment, monitoring and divestment activities for the Fund's assets, taking into account environmental, social and governance ("ESG") factors, making investments in companies with governance geared towards best practices and towards environmental and social sustainability for the benefit of the real economy.

Once the investment has been made, the SGR periodically monitors the alignment of the portfolio companies with the ESG criteria and, through engagement activity, promotes dialogue with the investee companies on sustainability-related matters. These activities are carried out through a process of researching and selecting the data necessary to conduct the ESG analyses, obtained through primary and secondary sources, in order to guarantee the completeness and reliability of the information.

B. NO SUSTAINABLE INVESTMENT OBJECTIVE

This financial product promotes environmental or social characteristics but does not have sustainable investment as its objective. The Fund does not commit to making sustainable investments within the meaning of Article 2(17) of the SFDR Regulation and does not commit to a minimum proportion of investments aligned with the EU Taxonomy.

The Fund does not consider the principal adverse impacts ("PAI") on sustainability factors at product level pursuant to Article 7, paragraph 1, of the SFDR Regulation. Nevertheless, the SGR — in addition to adhering to the Principles for Responsible Investment (UN PRI) — integrates a selection of PAI indicators into the process of assessing the sustainability risks of target companies, on the basis of the main international non-financial reporting standards (e.g. PAI; OECD Principles of Corporate Governance). These indicators are used within the sustainability risk assessment carried out during the due diligence and monitoring of portfolio companies.

C. ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT

The Fund promotes environmental and social sustainability characteristics (the "Fund's Sustainability Characteristics"), provided that the companies in which the investments are made follow good governance practices pursuant to Article 8, paragraph 1, of the SFDR Regulation.

The Fund's Sustainability Characteristics are structured across the following environmental and social dimensions, promoted by the SGR through the investment process:

Environmental Characteristics ("E") i) Combating climate change ii) Promotion of the circular economy

Social Characteristics (“S”) i) Promotion of the health and safety of workers and employees ii) Digitalisation and socio-economic development

The Sustainability Characteristics promoted by the Fund are assessed at the level of the individual investment, by selecting specific indicators for the different investments made (the “Indicators”). Some of the indicators used to monitor the Sustainability Characteristics are set out below:

- **Environmental indicators**
  - Consumption from renewable sources
  - % of waste sent for recovery
- **Social indicators**
  - Gender pay gap
  - Workplace accidents (number, severity index and frequency index)
  - Percentage of employees covered by welfare plans
  - Number of digitalisation initiatives or tools activated by the companies

The Fund has not designated a reference benchmark for the purpose of attaining the Sustainability Characteristics promoted, instead relying on a measurement system based on the sustainability Indicators set out above. In addition, given the potentially diversified nature of the Fund’s investments, further Indicators will be assessed in line with the material aspects of each portfolio company and with the aim of promoting the Sustainability Characteristics. In its measurement activity, the Fund will equip itself, where deemed appropriate, with further sub-indicators (hereinafter, the “KPIs”). These KPIs will be used to provide an additional level of detail regarding compliance with the Sustainability Characteristics, thus providing additional data aimed at making the measurement activity solid and rigorous and at providing more precise disclosure to investors.

D. INVESTMENT STRATEGY

The Fund’s investment strategy provides that the SGR takes into account the incidence of environmental and social sustainability risks on investment transactions (the “Investment Transactions”), without, however, any constraint or limitation on the investment of the Fund’s assets other than those expressly provided for by the Management Rules (Paragraph 2.5).

In pursuing the Fund’s principal purpose — namely the increase in the value of the assets through Investment Transactions, mainly of medium and long duration, in financial instruments relating to the infrastructure sector — the SGR applies a responsible investment model that considers, in an integrated manner, the economic, social, environmental and governance aspects of the target initiatives.

The SGR’s responsible investment model is inspired by the following principles:

- preliminary analysis of infrastructure assets carried out on the basis of ESG criteria, excluding initiatives having a negative social and/or environmental impact by reason of the sector to which they belong and/or by reason of the identification of serious controversies or breaches of ESG matters;
- sustainability risk assessment aimed at identifying potential critical and ESG-risk aspects of the target initiatives and the possible mitigation actions to be implemented;
- monitoring of the sustainability profiles and of the actions identified;

- adoption of disclosure and reporting tools for sustainability results in line with its own annual reporting procedures.

The responsible investment process is structured into the following fundamental phases:

Phase 1 – Screening and due diligence: the SGR applies an approach of

a) negative ESG screening (exclusion approach), by means of sectoral and/or breach-based exclusion criteria that preclude the investment opportunity;

b) sustainability risk assessment, by identifying the potential critical and ESG-risk aspects linked to the target initiatives (the "Sustainability Due Diligence");

c) assessment of the possible mitigation actions to be implemented during the investment holding period (the "Action Plans").

With reference to the binding negative screening (sectoral exclusions), the Fund may not, in any event, invest in or acquire exposures to companies involved:

(i) in the production or trade of weapons and ammunition (including anti-personnel mines, cluster munitions and sub-munitions, chemical and nuclear weapons, and depleted-uranium weapons);
(ii) in the production, trade or distribution of tobacco;
(iii) in the production, trade or distribution of alcoholic beverages;
(iv) in gambling or in the production or trade of related products;
(v) in pornography, prostitution or similar activities;
(vi) in the production of illicit substances;
(vii) in the production or trade of products or services that promote the termination of human life;
(viii) in the production and/or extraction of fossil coal;
(ix) in the production or trade of illegal products or services or products/services contrary to international conventions and prohibitions;
(x) in activities that entail the violation of human rights;
(xi) in the production or trade of asbestos or its derivatives;
(xii) in unlawful activities or activities that violate the UN PRI or the guiding principles of socially responsible investment;
(xiii) in companies whose revenues derive for more than 20% from: (A) the production of electricity from coal; (B) controversial hydrocarbon extraction activities (shale gas, shale oil, arctic drilling); (C) the management of assets for the transport and processing of hydrocarbons or coal from controversial extraction activities;
(xiv) in undertakings subject to crisis and insolvency regulation instruments under the Code of Business Crisis and Insolvency (CCII);
(xv) in undertakings that have initiated collective redundancy procedures pursuant to Law No. 223/1991;
(xvi) in banks, financial intermediaries, insurance companies and other entities subject to the supervision of independent Authorities, with the exception of supervised parties that provide exclusively fintech services, payment services, investment advice or similar services.

With reference to exclusion on the basis of breaches, excluded are the potential investments in respect of which serious controversies or serious breaches have emerged with reference to the main international standards, conventions and principles in the field of: human rights, workers' rights and safety, environmental pollution, corruption or fraud, and improper business practices.[1]

During the Sustainability Due Diligence phase, the SGR — with the assistance of external consultants — examines in depth the analysis of the target company and the reference market, assessing the ESG sustainability of the business projections, the sustainability risks and the impact on the Fund's return. With regard to any critical issues that emerge in the sustainability risk assessment, particular attention is paid to the mitigation actions to be implemented in order to reduce that risk, including them in a dedicated Action Plan to be drawn up in collaboration with the management of each portfolio company. The preliminary analysis and the risk assessment conducted in this phase serve the approval of the investment by the SGR's deliberating body. Should tensions emerge between the ESG criteria and the financial-return objectives, the assessment will be submitted to the SGR's deliberating body with a suitably documented analysis.

Phase 2 – Monitoring and management of investments: the SGR carries out careful monitoring of the portfolio companies throughout the holding period, playing an active role and proactively supporting the improvement of ESG aspects, including through the definition of Action Plans.

Phase 3 – Divestment: as part of the divestment process, the SGR assesses the ESG performance of the investee companies, with reference to the improvements achieved in relation to the relevant ESG factors.

Policy for the assessment of good governance practices

The SGR takes into account and assesses the good governance practices of the target companies. The assessment covers the following areas, in line with the provisions of Delegated Regulation (EU) 2022/1288 and the OECD Principles of Corporate Governance:

a) **Sound management structures:** it is verified that the target company adopts control and management systems, procedures to ensure the transparency of decision-making processes, and certifications/procedures on competition matters (legality rating, Model 231, etc.);

b) **Employee relations and respect for workers' rights:** it is verified that there are no convictions/sanctions for the violation of workers' rights, for episodes of discrimination, for fatal or serious workplace accidents, and that salaries and emoluments are paid regularly;

c) **Tax compliance:** it is verified that there are no significant pending matters with the tax administration;

d) **Absence of corruption and fraud:** it is verified that there are no convictions or sanctions for corruption, fraud, or improper business practices;

[1] The main reference standards include: the UN Global Compact Principles, the Universal Declaration of Human Rights, the OECD Guidelines for Multinational Enterprises, the United Nations Convention against Corruption, and the International Labour Organization standards.

e) **Responsible supply chain:** it is verified that there are no suppliers at serious risk of child labour, forced or compulsory labour.

The assessment of good governance practices is carried out within the Sustainability Due Diligence; any corrective actions or improvements to the risk aspects identified must be outlined in the Action Plans and promptly implemented.

Given the exposure of the infrastructure sector to social risks along the supply chain (construction sites, procurement, suppliers in at-risk jurisdictions), the Fund pays particular attention to a specific assessment of these aspects. The assessment covers personnel management, occupational health and safety, the practices of the main suppliers and contractors, respect for human rights within the supply chain, and the potential impacts on local communities.

Good governance practices are then subsequently monitored, on an ongoing basis, through proactive dialogue with the investee companies and active-ownership practices, where possible, through participation in the control bodies of the investee itself.

E. PROPORTION OF INVESTMENTS

The share of investments in target companies that promote the Sustainability Characteristics and follow good governance practices, in line with the provisions of the SFDR Regulation, is equal to 100% of the assets invested directly in target companies (category "#1 Aligned with E/S characteristics").

#1 Aligned with E/S characteristics comprises the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other comprises the remaining investments of the financial product that are neither aligned with the environmental or social characteristics nor qualify as sustainable investments.

Falling exclusively under the "#2 Other" category are any derivatives subscribed or acquired for risk-hedging purposes and the Fund's liquidity invested in short-term, readily liquidatable uses (interest-bearing deposits with banks, financial instruments issued or guaranteed by a State, commercial credit policies, or other low-risk-coefficient uses). Such investments serve the prudent management of the Fund's assets and do not prejudice the promotion of the Sustainability Characteristics. As a minimum environmental and social safeguard, the SGR ensures that these uses too comply with the sectoral exclusion limits provided for by the Management Rules (Paragraph 2.5(c)), where applicable.

The Fund may use derivatives exclusively (i) for hedging purposes, or (ii) for the acquisition of shareholdings — in which case the possibility of settlement by differential (so-called cash-settlement) is excluded. The derivatives subscribed or acquired for hedging purposes do not currently take into account the Sustainability Characteristics.

F. MONITORING OF THE ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

The SGR monitors the Sustainability Characteristics promoted by the Fund and the related ESG indicators throughout the entire life cycle of the financial product, through the following mechanisms:

Internal monitoring: during the investment monitoring phase, with the assistance of external consultants, the SGR verifies the trend of the Indicators identified at the investment decision stage and compliance with the Action Plan. In addition, the SGR monitors the portfolio companies also through the periodic update of the sustainability risk, so as to detect possible variations in the value of the investments. Finally, the SGR intends to adopt active-ownership practices and to maintain a constant and proactive dialogue with all investee companies, formulating proposals for concrete actions suitable to promote ESG factors and monitoring the arising of any controversies.

Annual assessment: at least annually, the SGR carries out — making use of an external consultant — an assessment of each investee company in order to determine its ESG trend (the "Annual Sustainability Report"). The Annual Sustainability Report is presented to the Advisory Committee and to the Investors who request it.

Compliance control: the Compliance and Anti-Money Laundering Function verifies the compliance of the main corporate procedures and policies, as well as of the relevant processes, with the obligations provided for by the reference legislation on ESG matters, overseeing the correct application of the safeguards under the external and internal rules.

Risk control: the Risk Management Function assesses the sustainability risk of the assets at the investment and periodic monitoring stage, reporting on it in the related report presented to the deliberating body, and also assesses and monitors the sustainability risks of the managed Funds and the related impact on the product's return.

G. METHODOLOGIES

The sustainability risk assessment carried out in the Sustainability Due Diligence phase aims to bring to light the critical issues and risks connected with the management of the environmental, social and governance aspects of the target companies. The reference documents used to construct the analysis are the SFDR Regulation and the RTS, with particular reference to the most significant and material PAI, the OECD Principles of Corporate Governance for good governance practices, as well as the methodology defined by the SGR, in line with its own Responsible Investment Policy.

The Sustainability Due Diligence is carried out with the assistance of specialised external consultants, taking into account the Sustainability Characteristics promoted by the Fund and the material sustainability risks of the target company being acquired. On the basis of the results of the Sustainability Due Diligence, the SGR must therefore understand whether it is necessary to define and implement initiatives and actions to reduce risk during the holding phase of the target company through the Action Plans, or whether it is necessary to abandon the investment hypothesis. Without prejudice to the foregoing, the Fund's Management Rules provide that the SGR takes into account the results of the Sustainability Due Diligence when deliberating on the Investment Transaction, while retaining full discretion in this respect within the limits established by the Rules.

H. DATA SOURCES AND PROCESSING

With reference to the activity of assessing and measuring sustainability risks, the SGR obtains the relevant information concerning the assessment of the ESG sustainability risks of the target asset from the company itself and/or through any data and information obtainable from public sources, making use of the support of specialised third-party consultants during the due diligence phase.

Data collection takes place through:

i) structured ESG questionnaires submitted to the target companies;
ii) available public disclosure (sustainability reports, non-financial statements, public registers);
iii) data from specialised ESG providers selected by the SGR on the basis of criteria of sectoral coverage, methodological quality and reliability of the source.

I. LIMITATIONS TO METHODOLOGIES AND DATA

The SGR recognises the inherent limitations of ESG data in the infrastructure mid-market segment. Where the Fund's portfolio companies are not in a position to provide the data necessary to measure the Sustainability Characteristics, the SGR takes action to ensure the feasibility of the collection and to assess whether the unavailability of the data depends on the development conditions of the investment. In such cases, where the data is absent, the SGR may propose, on behalf of the Fund, to redefine the form and methods of measurement without compromising consistency with the Sustainability Characteristics and the Indicators to which the data must respond.

The SGR adopts, where necessary, methodologically sound estimates and proxies, declaring their use in the reporting to investors. The sectoral and breach-based exclusion approach operates independently of the availability of quantitative data and is applied on a binding basis. In addition, the ongoing monitoring and active engagement with the portfolio companies make it possible to progressively supplement the available ESG information. The due diligence activity, carried out with the support of specialised external consultants, makes it possible to mitigate the initial information gaps.

J. DUE DILIGENCE

The SGR applies a high degree of diligence at all stages of the investment process, with particular reference to ESG profiles (including sustainability risks), through the tools and processes described in section D. Before carrying out any Investment Transaction, the SGR proceeds to carry out a specific Sustainability Due Diligence to assess the sustainability profile of the target company. The Sustainability Due Diligence also highlights the potential improvements that the target company can achieve from a social and environmental point of view through the Fund's investment (Action Plans and the definition of specific KPIs).

At the outcome of the Sustainability Due Diligence activity, the SGR prepares a Final Investment Report, which contains the analysis of the ESG matters in terms of the current situation and potential improvement, so that the main sustainability profiles become an integral part of the investment proposal and the decision-making process. The Final Investment Report and the supporting documentation are also submitted to the Risk Management Function, the Compliance Function and the Anti-Money Laundering Function before the meeting of the body that is to deliberate on the investment opportunity.

The Fund's Management Rules provide that the SGR takes into account the results of the Sustainability Due Diligence when deliberating on the Investment Transaction, while retaining full discretion in this respect within the limits established by the Rules.

K. ENGAGEMENT POLICIES

The SGR implements engagement policies as an integral part of its responsible investment strategy. In particular, engagement activities include:

i) **Dialogue forums.** The SGR activates a constant and proactive dialogue with all counterparties, formulating proposals for concrete actions suitable to promote ESG factors.

ii) **Active-ownership practices.** Where possible, the SGR takes an active part in appointing the members of the Boards of Directors and in intervening proactively at the general meetings of the investee companies, adopting a constructive and long-term approach aimed at the constant improvement not only of the economic and financial results but also of corporate governance, environmental and social matters.

iii) **Monitoring of controversies.** During the holding period, the portfolio companies are subject to ongoing monitoring of ESG controversies, with particular regard to violations of human rights and workers' rights, environmental damage, episodes of corruption or fraud, and serious breaches of business practices.

iv) **Engagement escalation.** Where engagement initiatives do not produce adequate results within the expected timeframe, or where significant controversies on ESG matters emerge, the SGR adopts a gradual escalation approach: (a) formal written request for clarification and definition of a remediation plan with timelines; (b) direct dialogue with the investee's Board of Directors; (c) exercise of voting rights against the resolutions deemed inconsistent with its own Responsible Investment Policy; (d) as a last resort, assessment of divestment, taking into account the overall interests of the Fund's subscribers.

L. DESIGNATED REFERENCE BENCHMARK

The Fund has not designated a reference benchmark for the purpose of attaining the environmental and social characteristics promoted pursuant to Article 8 of the SFDR Regulation. The measurement of compliance with the Sustainability Characteristics takes place exclusively through the ESG indicator system and the methodology described in section G of this disclosure.

This disclosure is published and maintained on the website of Equiter SGR S.p.A. in accordance with Article 10 of the SFDR Regulation and will be updated periodically to reflect any significant changes. Information more specifically targeted to the Fund can be found at: https://www.equitersgr.it/