

ARTICLE 10

SUSTAINABILITY-RELATED PRODUCT DISCLOSURES

This template is based on the "Annex II to the Commission Delegated Regulation supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council 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 precontractual documents, on websites and in periodic reports" published on April 6, 2022.

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TURNAROUND OPPORTUNITIES FUND

The Turnaround Opportunities Fund is a pioneer in Environmental Social and Governance (ESG) focused control distressed investing in the high potential Italian market focusing on the following sectors:

- niches of Italian “excellence” and industrial heritage;
- fragmented or damaged sectors with scope for consolidation;
- markets underserved/overlooked by traditional financing;
- asset-heavy industries that provide downside protection in case of liquidation.








With the goal of promoting a specific set of environmental and social (E/S) characteristics (see [Paragraph C.](#)), IQ-EQ Fund Management (Ireland) Limited (“IQEQ”), with the assistance from Pillarstone S.p.A. (“Pillarstone”) in the capacity as non-discretionary investment advisor, has launched the Turnaround Opportunities Fund (hereinafter “the Fund”), classified under article 8 of the EU Regulation 2088/2019 (or “SFDR”), i.e. “Financial products that promote, among other characteristics, environmental or social characteristics, or a combination of those characteristics”.


B. NO SUSTAINABLE INVESTMENT OBJECTIVE

The Fund promotes E/S characteristics but it does not have as its objective sustainable investment.

C. ENVIRONMENTAL OR SOCIAL CHARACTERISTICS PROMOTED BY FUND IV

The Fund promotes the following E/S characteristics:

	Topics		Description of E/S Characteristics
	Climate Change		<i>Support Portfolio Companies (PCs) in measuring and monitoring their carbon footprint and climate change risks and in implementing GHG emissions reduction initiatives, promoting climate change awareness also in their supply chains.</i>
	Resources Management	 	<i>Promote production and consumption models that seek to achieve efficient and responsible management of natural resources, such as non-renewable energy sources, raw materials, water, and land in one or more stages of the life cycle of the process. It also considers the development and deployment of resources management technologies, such as energy efficient products</i>
	Material Sourcing and Product Circularity		<i>Foster the incorporation of ESG considerations in products and services, including within their supply chain, managing the lifecycle impacts, and addressing customer demand for more sustainable products and services.</i>

 Missione 2: Rivoluzione verde e transizione ecologica

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	S	Labour Practices	 	<p>Support best labour practices and health and safety at the workplace to promote competitiveness in a global context, guaranteeing just working conditions for all workers, including transparent and fair wages, by encouraging employees' attraction, retention, and motivation initiatives.</p>
	S	Diversity and Inclusion	 	<p>Encourage working practices that embrace the building of a diverse and inclusive workforce that reflects the makeup of local talent pools and its customer base. This also includes ending all form of discrimination, reduce inequalities and ensure equal opportunities throughout human capital.</p>



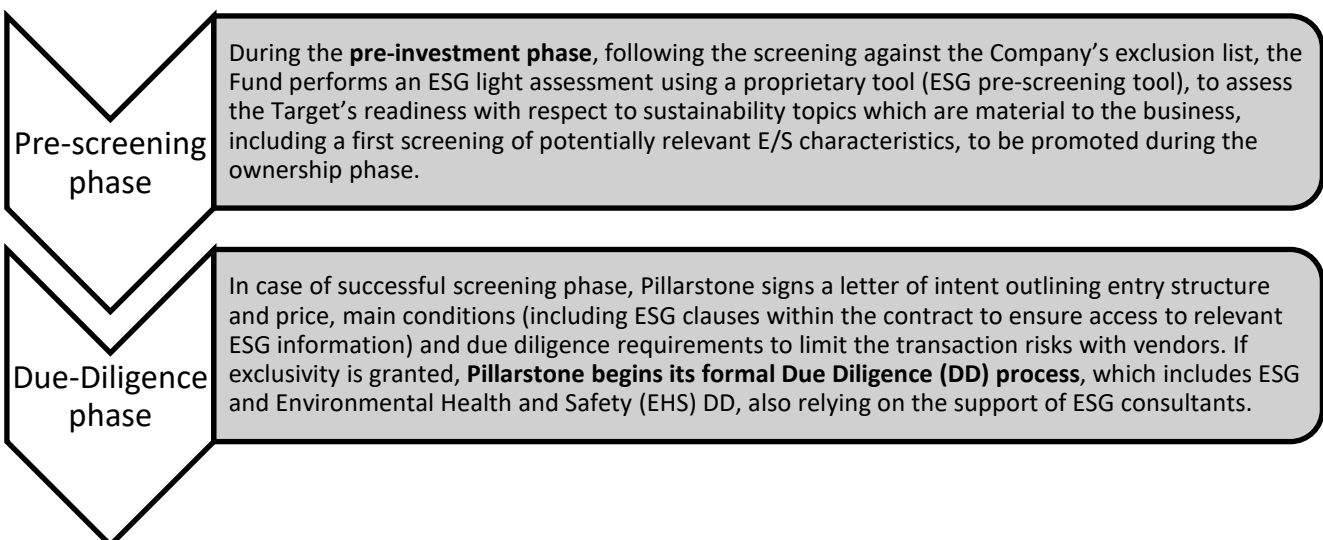
Missione 5: Coesione e inclusione



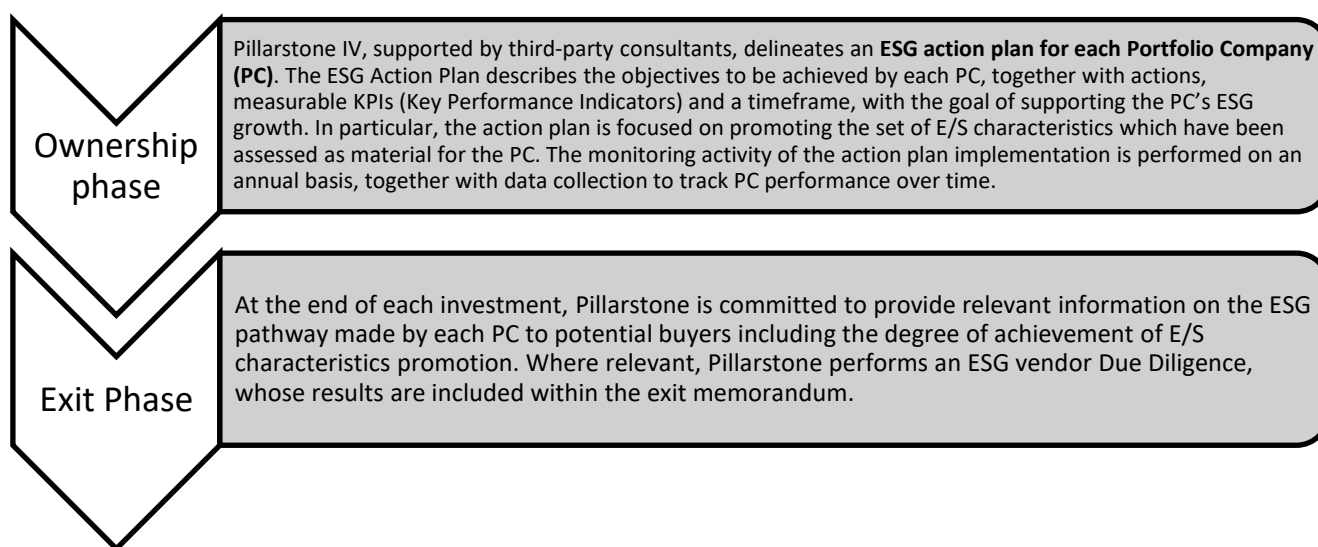
The E/S characteristics promoted by the Fund are inspired by the United Nations Sustainability Development Goals (UN SDGs) and the Missions 2 and 5 (Green revolution & ecological transition and cohesion & inclusion) of the *Piano Nazionale di Ripresa e Resilienza (PNRR)*, the Action Plan defined by the Italian Government within the framework of the Next Generation EU Programme.

D. INVESTMENT STRATEGY

The investment strategy adopted by the Fund integrates ESG considerations along the entire investment process and is tailored to achieve the promotion of the E/S characteristic(s) which are deemed as material for to the Portfolio Companies (PCs). With the goal of facilitating the attainment of such characteristics, the Fund has defined an ESG Governance, both at Fund and PC level and has developed and implemented ad hoc proprietary tools, as described below:



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Governance structure to ensure promotion of E/S characteristics

To ensure E/S characteristics are promoted consistently through the investment, **each PC appoints an ESG responsible person** reporting to the Pillarstone's ESG Manager, part of the investment team. The ESG responsible oversees the implementation of the activities described within the ESG Action Plan and performs the data collection activity.

In addition to that, Pillarstone's ESG Manager engages in periodical meetings with the ESG responsible person at PC level, to monitor the Action Plan implementation status and support ESG initiatives (e.g., workshops/training activities on ESG topics). Pillarstone's ESG Manager, supported by the investment team trained on ESG topics, reports to Pillarstone's Board of Directors, which in turn escalates updates and findings to the review forum established in the framework of the Fund and the board of directors of IQEQ.

E. PROPORTION OF INVESTMENTS






The Fund responsible investment strategy is applied to the 100% of the Fund's investments, with the aim of attain the environmental and social characteristics promoted, based on a materiality criterion.

In the early investment stages the Fund usually has a limited leverage in the PC's decision-making process since it mainly acquires debts. During the first year of investment, as soon as the debt-to-equity acquiring process takes place, the Fund takes the full control of the company and therefore can integrate the ESG topics within the decision-making process.

F. MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS

Through the annual data collection and monitoring activity, the Fund tracks progresses made by the PCs with respect to the KPIs chosen to measure each material E/S characteristic and with respect to the implementation status of the ESG action plan that support KPIs' improvement. Each E/S characteristic is measured through a set of quantitative indicators:

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	Topics	KPIs
	E Climate Change	<ul style="list-style-type: none"> • Carbon footprint (Scope 1 and 2, Scope 3) • # of engagement activities with PCs related to climate change • % of PCs with climate change objectives in line with Paris Agreement/Science Based Targets (SBTs) • # of climate related initiatives developed by the PCs.
	E Resources Management	<ul style="list-style-type: none"> • % of renewable energy consumed/produced by PCs • Tons of waste generated • % of non-recycled waste generated by PCs • % of waste generated by PCs recycled or reused • % of hazardous waste generated by PCs • Tons/m3 of water emissions • # of PCs with environmental management policies/systems
	E Material Sourcing and Product Circularity	<ul style="list-style-type: none"> • # of product sustainability related initiatives • % of investments in R&D for sustainable materials, products or services • # PCs incorporating ESG considerations into supply chain selection and monitoring activities (e.g., through formalized policies/procedures)
	S Labour Practices	<ul style="list-style-type: none"> • # of lost working days due to injuries, accidents or illness • # of claims received regarding violations of labor rights • Ratio of average top management to average worker pay gap • % of PCs employees with integrative contracts comprising a welfare or benefit scheme • % of PCs' employees covered by collective agreements • Average voluntary training hours per employee • # of PCs with talent management policies/professional development plans • # of PCs that conduct Employee Engagement Surveys
	S Diversity & Inclusion	<ul style="list-style-type: none"> • Average ratio of female to male board members • Average unadjusted gender pay gap • # of discrimination related episodes recorded during the year • # of PCs with whistleblower protection systems • # of PCs with inclusion, diversity and equal opportunities policies

In order to ensure consistency of data, the ESG Manager together with the investment team checks the quality of reported information and discusses inconsistencies and relevant variances with respect to the previous year with the ESG manager at PC level. The ESG Manager is supported by external ESG consultants, where necessary.

In addition, Pillarstone's ESG manager engages in periodical meetings with the ESG responsible person at PC level, to monitor the Action Plan implementation status and support ESG initiatives (e.g. workshops/training activities on ESG topics).

The monitoring of the performance of its investments with respect to environmental and social characteristics will not be conducted through a designated reference benchmark, but through quantitative indicators that are collected on a periodic basis.

G. METHODOLOGIES

In order to measure the contribution of each PC for the attainment of the E/S characteristics promoted by the Fund, Pillarstone has developed a methodology based on the use of proprietary tools aligned with

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sustainability international standards and developed based on sectorial Materiality Analysis, which is performed according to the Sustainability Accounting Standard Board's (SASB) approach.

Specifically, during the pre-investment phase, the Fund performs a first screening of material E/S characteristics for the potential investment through the proprietary ESG pre-screening tool and the ESG Due Diligence: based on the business sector, type of operations, assets location and maturity towards certain sustainability related areas, the E/S characteristic(s) to which the Target may contribute the most are identified.

During the ownership phase, these characteristics are promoted throughout the investment cycles: the steps of this "E/S promotion path" are described within the ESG Action Plan developed for each PC, based on the results of the ESG Due Diligence. PCs' contribution in achieving the E/S characteristics promoted by the Fund is periodically monitored using a proprietary ESG Data Collection and Monitoring Tool, through which the Funds collect a set of selected ESG KPIs, including the sustainability adverse indicators to measure Principal Adverse Impacts (PAI).

H. DATA SOURCES AND PROCESSING

The Fund relies on data and information provided by the PCs during the pre-investment (data collection performed during due diligence) and the ownership phase (annual ESG data collection). The Fund may rely on information provided by relevant third-party data providers and by the PC itself through direct engagement. The fund processes and aggregates data provided by the PCs to derive results at fund level.

I. LIMITATIONS TO METHODOLOGIES AND DATA

No limitations to methodologies and data have currently been identified. Should any limitations arise, timely and prompt notification will follow and corrective action to address them will be implemented.

J. DUE DILIGENCE

Pillarstone, supported by third-party consultants, performs in-depth ESG Due Diligence processes (including an analysis of Environmental and Health and Safety aspects) on all its potential investments, with the goal of assessing the Target's ESG maturity and identify risks and opportunities prior to the investment.

In particular, the Fund does not proceed with the transaction if:

- there are doubts around the sustainability, growth drivers or cash flow generation potential of the company (post-turnaround);
- the valuation is too high;
- the opportunity does not comply with Pillarstone's exclusion list;
- the value-creation strategy / path is unclear;
- the exit prospects are too complex and / or uncertain;
- the environmental, social or business policies / practices, as well as unethical behaviour that do not adhere to Pillarstone's ESG principles;

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- due diligence reveals significant risks that cannot be eliminated or mitigated during the ownership phase,
- the legal restructuring process is overly onerous or complex;
- the envisaged entry structure does not offer suitable risk/reward potential (e.g. where there may not be scope to provide super senior new money to protect the downside).

In case of acquisition, results are used to draft the ESG action plan to be implemented during the ownership phase.

K. ENGAGEMENT POLICIES

As part of the ownership phase, the Fund undertakes engagement activities with the PCs to support their ESG growth. Engagement and active dialogue with PCs represent core to the Fund as they allow monitoring the risk profile of the Portfolio, the achievement of the ESG objectives set and the E/S characteristics promoted and to collect continuous feedback from PCs.

The engagement activity can be distinguished in:

- **Thematic ESG engagement:** concerning topics related to the Fund's responsible investment strategy and specifically to the E/S characteristics promoted by the Fund. These engagement activities are cross-portfolio and are aimed at raising awareness among the PCs on the Fund's ESG approach;
- **Regulatory engagement:** activated as a response to regulatory violations by the PC, detections of ESG KPIs trends not in line with the Fund's objectives or other events that can jeopardize the reputation of the Fund and/or its ESG performance.