

## SFDR DISCLOSURES

**Pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852**

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

**Product name:** Special Capital Fund

**Legal entity identifier:** IQ EQ Fund Management (Ireland) Limited

### Environmental and/or social characteristics

Does this financial product have a sustainable investment objective?	
<span style="color: green;">●●</span> <input type="checkbox"/> <b>Yes</b>	<span style="color: green;">●○</span> <input checked="" type="checkbox"/> <b>No</b>
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: ___%</b>	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments
<input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input type="checkbox"/> with a social objective
	<input checked="" type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>

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**What environmental and/or social characteristics are promoted by this financial product?**

A successful financial restructuring forms the base of the Fund 's value creation strategy focused on rebalancing the capital structure and aligning diverse stakeholders around a restructuring plan leveraged to ensure a stable base from which to grow.

As part of this strategy, the Fund promotes environmental and social characteristics in accordance with Article 8 of the SFDR, described as follows:

	<b>Characteristic</b>	<b>Indicators</b>
<b>Climate change</b>	<i>Support the investments in measuring and monitoring their carbon footprint and climate change related risks and in implementing GHG emissions reduction initiatives promoting climate change awareness also in their supply chain.</i>	<ul style="list-style-type: none"> <li>• Carbon footprint (Scope 1 and 2, Scope 3)</li> <li>• # of engagement activities with PCs related to climate change</li> <li>• % of PCs with climate change objectives in line with Paris Agreement/Science Based Targets (SBTs)</li> <li>• # of climate related initiatives developed by the PCs.</li> </ul>
<b>Resources Management</b>	<i>Promotion of 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 efficiency products.</i>	<ul style="list-style-type: none"> <li>• % of renewable energy consumed/produced by PCs</li> <li>• Tons of waste generated</li> <li>• % of non-recycled waste generated by PCs</li> <li>• % of waste generated by PCs recycled or reused</li> <li>• % of hazardous waste generated by PCs</li> <li>• Tons/m3 of water emissions</li> <li>• # of PCs with environmental management policies/systems</li> </ul>
<b>Material sourcing and product circularity</b>	<i>Fostering the incorporation of ESG considerations in products and services including within their value chain, managing their lifecycle impacts and addressing customer demand for more sustainable products and services.</i>	<ul style="list-style-type: none"> <li>• # of product sustainability related initiatives</li> <li>• % of investments in R&amp;D for sustainable materials, products or services</li> <li>• # PCs incorporating ESG considerations into supply chain selection and monitoring activities (e.g., through formalized policies/procedures)</li> </ul>
<b>Labour practices</b>	<i>Supporting best labour practices and Health and safety in the workplace to promote competitiveness in a global context ensuring the best working conditions for all workers, including transparent and fair wages, by encouraging employees' attraction, retention, and motivation initiatives. It also addresses protecting labour rights both at organisational level and along the supply chain.</i>	<ul style="list-style-type: none"> <li>• # of lost working days due to injuries, accidents or illness</li> <li>• # of claims received regarding violations of labor rights</li> <li>• Ratio of average top management to average worker pay gap</li> <li>• % of PCs employees with integrative contracts comprising a welfare or benefit scheme</li> <li>• % of PCs' employees covered by collective agreements</li> <li>• Average voluntary training hours per employee</li> <li>• # of PCs with talent management policies/professional development plans</li> <li>• # of PCs that conduct Employee Engagement Surveys</li> </ul>
<b>Diversity &amp; Inclusion</b>	<i>Encouraging 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 forms of discrimination, reducing inequalities, and ensuring equal opportunities throughout human capital.</i>	<ul style="list-style-type: none"> <li>• Average ratio of female to male board members</li> <li>• Average unadjusted gender pay gap</li> <li>• # of discrimination related episodes recorded during the year</li> <li>• # of PCs with whistle-blower protection systems</li> <li>• # of PCs with inclusion, diversity and equal opportunities policies</li> </ul>

The Management Company, with the support of the Investment Advisor, shall ensure that at least the majority of investments of the Fund will be made in investee companies that actively promotes the above-described environmental and/or social characteristics.

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.

- **What sustainability indicators are used to measure the attainment of the environmental or social characteristics promoted by this financial product?**

The approach adopted by the Fund aims to create value for its investors and all other company stakeholders through the integration of sustainability factors into the entire investment process.

The Fund has adopted proprietary processes and tools developed on the basis of international standards (e.g., UN PRI, UN SDGs, SASB, etc.) that allow to identify and monitor investment's material sustainability issues and related risks and opportunities on the basis of the investment's characteristics and specificities such as size, sector of operation, location of activities, markets served, etc. In this sense, during the pre-investment phase, based on the investment's material sustainable issues, the Management Company, also based upon the advice and inputs from the Investment Advisor, selects the most relevant characteristics among the once promoted by the fund. To measure the achievement of the environmental and/or social characteristics selected, the related monitoring KPIs, as reported in the table at section 1, are included in the data collection tool used to monitor on a regular basis the target's performance.

Moreover, these KPIs and, where applicable, improvement actions will be integrated into the value creation plan of the portfolio company (including financial and non-financial aspects), in line with the Fund's active management strategy. The Management Company, also based upon the advice and inputs from the Investment Advisor, will support the investee in the achievement and measurement of the forementioned action relying on external experts throughout this process where necessary.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained

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**Does this financial product consider principal adverse impacts on sustainability factors?**

- Yes
- No

**Principal adverse impacts** are the most significant negative impact of investment decisions on

sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters.

The Fund considers the principal adverse impacts (PAI) of its investment decisions on sustainability factors. In particular it has defined an approach to integrate ESG factors into the investment selection and management process and to identify, assess and monitor the related potential negative effects on sustainability factors. During the initial screening phase, all potential investments are assessed using proprietary methodologies and, where necessary, due diligence activities are performed by external subject matter experts with the aim of identifying potential sustainability risks and understanding how these risks are managed and, if necessary, could be mitigated. During the ownership phase the Fund actively engages with its investee companies, supporting them in defining action plans to improve their ESG performance and monitor their progress through the definition of specific KPIs. In addition, the Fund has adopted specific monitoring system which integrates selected adverse sustainability indicators as reported in table 1, 2 and 3 of the Annex 1 to Commission Delegated Regulation (EU) adopted on 6 of April. Currently, not having performed any investments, no quantitative data in relation to the PAI are available. However, starting from next year reporting period (i.e., June 2023) and in any case after making at least one investment, the Fund is expected to be able to report quantitative information regarding the consideration of the negative effects of investment decisions on sustainability factors, as indicated by article 7 of the SFDR.

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### What investment strategy does this financial product follow?

The Fund's Investment Policy will focus on the sectors ((i) Niches of Italian “excellence” and industrial heritage, (ii) Fragmented or damaged sectors with scope for consolidation, and (iii) Markets underserved/overlooked by traditional financing) where an ambitious financial restructuring combined with transformational commercial and operational turnaround measures to drive industry consolidation and accelerate sustainable value recovery across stakeholders. This top-down thematic sourcing approach is combined with intensive bottom-up company diligence to identify opportunities ripe for the Fund’s investment.

- **What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?**

The binding elements of the investment strategy used in the selection of investments to achieve the environmental or social characteristics promoted by the Fund are described below.

Firstly, the Fund excludes from its investment targets certain sectors listed in its exclusion list. In particular, the Fund shall not invest, guarantee or otherwise provide financial or other support,

**Investment strategy** guide investment decisions based on factors such as investment objectives and risk tolerance

directly or indirectly, to companies or other entities whose business activities:

- Concentrate substantially on the production of and trade in arms and ammunition of all types.
- Concentrate substantially on research, development or technical applications relating to electronic programmes or solutions, which aim specifically at pornography.
- Concentrate substantially on casinos and equivalent enterprises.
- Concentrate substantially on the manufacture and trade of tobacco products.

With reference to Article 6.1.a of Regulation (EU) 2019/2088 on disclosure of information relating to sustainability in the financial services sector, (hereinafter "SFDR"), the investment process considers sustainability risks and is based on its own analysis. For this purpose, the Fund uses proprietary tools in the pre-screening phase and in the due diligence phase to assess the risks and opportunities related to the material sustainability issues for the investment case by case, identify the relevant environmental and social characteristics to be promoted by the target as well as to develop sustainability action plans. The sustainability risk of the investments will depend, inter alia, on the company or business in which the investment is made, as well as its sector of activity or geographic location. In relation to Article 6.1.b of SFDR, currently the Fund is not in the position to assess and quantify the impact of the aforementioned risks on the returns of the fund not having performed any investment yet.

With regards to compliance with Article 8.1 of SFDR, the responsible investment approach of the Fund affects the entire investment process. That is to say, during the pre-screening phase, the Fund, usually having limited leverage in the company's decision-making process, performs a light pre-screening assessment and introduces pertinent ESG clauses within the contract to ensure access to relevant ESG information, if applicable. The Fund, with all the company's information available, delineates a full ESG action plan to improve the performance of the investment, especially with respect to the environmental and social characteristics promoted. Compliance with these requirements will be monitored throughout the life of the investment, along with the monitoring of specific quantitative sustainability indicators selected from time to time on the basis of the material themes.

As embodied in its ESG Policy, the Fund also addresses sustainability topics in the analysis and decision-making processes

of any new investment. In its role as a shareholder and stakeholder, it strives to be an active and conscious investor, considering all the relevant ESG matters. As soon as possible, the portfolio companies are requested to monitor the progress of identified ESG initiative and to publish all their information pertaining to ESG topics, counting on the assistance of the Fund.

- **What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?**

No specific rate to reduce the scope of the investments considered prior to the application of the investment strategy has been defined as the Fund, since its establishment, has aimed to promote the E/S Characteristics according to its investment strategy.

- **What is the policy to assess good governance practices of the investee companies?**

Corporate governance represents a material financial risk and should therefore be specifically assessed during each phase of the investment process. In this sense, the responsible investment approach defined by the Fund and the tools which implements allow for the identification and monitoring of the good governance practices adopted by the investment and where improvement actions are needed.

The Fund, through its active management strategy, is well-positioned to significantly increase awareness of corporate governance issues and implement the necessary practices and governance structures to improve ESG issues in its investee companies.

Based on the results of the application of the tools and the due diligence and monitoring process, the Fund collaborates with the investee companies to develop sustainability action plans aimed at improving their performance also in relation to the implementation of good governance practices which contribute to long-term shareholder value creation.

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

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### What is the asset allocation planned for this financial product?

The Fund will implement its investment strategy to align at least the majority of its investments with the previously identified environmental and social characteristics.



### How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

The Fund's assets may be used to buy and/or sell derivative or to engage in currency exchange transactions, including through derivatives, for the sole purpose of hedging the risks associated with investment or divestment transactions and in any case not for speculative purposes and within the limits provided in the Fund Rules. It is considered that the use of derivatives as described above does not disregard the environmental and social characteristics promoted by the Fund.

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### Where can I find more product specific information online?

More product-specific information can be found on the website:

<https://iqeq.com/sfdr-disclosures/>