



Investindustrial
building *better* companies

Principal Adverse Sustainability Impacts Statement

March 2021



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Financial market participant: *BI-Invest Endowment Management S.a r.l. (the "Manager")*

This section is the consolidated principal adverse sustainability impacts statement of the Manager which is provided in accordance with article 4(1)(a) of the EU Regulation 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector ("**SFDR**"), concerning principal adverse impacts of investment decisions on sustainability factors.

Sustainability factors are defined in the SFDR as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters (sustainability factors are referred to herein as "**ESG factors**").

The Manager is a member of the Investindustrial Group, a group of independently managed investment, holding, advisory and management companies ("**Investindustrial**"), and it follows the Investindustrial Group's sustainability related policies and procedures. Dedicated resources within the Investindustrial group advise on environmental, social and governance ("**ESG**") activities, including a Sustainability Team, which supports Investindustrial in conducting ESG risk assessment and monitoring processes. The Manager also engages external advisers to support it in the evaluation and monitoring of ESG factors.

Summary

The Manager considers principal adverse impacts of its investment decisions on ESG factors.

The investment philosophy of Investindustrial is to achieve significant long-term capital gains by considering ESG related issues and working actively with portfolio companies' management to improve their ESG performance by encouraging them to integrate sustainability into their corporate strategy.

1. As part of its initial due diligence process Investindustrial assesses the current performance of each potential portfolio company against a set of pre-determined adverse sustainability impact indicators ("**ESG indicators**") that cover environmental, social and governance matters, compliance with internationally recognised human rights, anti-corruption and anti-bribery standards. The results of the ESG assessment are presented, using Investindustrial's proprietary framework, in both the preliminary investment recommendation and final investment recommendation memoranda which highlight the current impact of the proposed investment on ESG factors and mitigation measures as well as potential opportunities for remedying any non-compliance. The results of the ESG assessment are taken into account when considering the viability of the proposed investment, among other commercial considerations for each relevant fund.
2. At the post-investment stage, Investindustrial will seek to engage with each portfolio company in relation to their performance against the ESG indicators and require portfolio companies to carry out periodic ESG reporting to Investindustrial.

Description of policies to assess principal adverse sustainability impacts

Investindustrial has adopted an ESG Policy and Responsible Investment Policy that can be found on Investindustrial's website.

The Head of the Sustainability Team, as the "Sustainability Officer", is responsible for the maintenance and implementation of the ESG Policy and Responsible Investment Policy and for providing information on responsible investment to the relevant stakeholders at Investindustrial. The Sustainability Team is involved in the initial ESG due diligence and ongoing monitoring of each portfolio company. Investindustrial also engages external advisers to support it in the evaluation and monitoring of principal adverse sustainability impacts.

Investindustrial has integrated environmental, social and corporate governance considerations across all stages of the portfolio company's investment lifecycle, from pre-investment activities through the post-investment holding period and exit in accordance with the sustainability strategy and objectives of Investindustrial.



1. Pre-investment stage

Investindustrial seeks to understand the performance of the proposed investment against ESG indicators which are then considered alongside material ESG risks, and opportunities, and other risks as part of its holistic approach in the investment decision-making process. As part of its due diligence process, Investindustrial:

- a) carries out an assessment of the environmental, social, governance, compliance, data responsibility and security, cultural and ethical factors collected through the ESG Due Diligence Questionnaire and a climate risks analysis which contributes to the consideration of the adverse impact of the potential portfolio company on ESG factors;
- b) carries out a desk-top analysis on ESG issues deemed pertinent to the relevant industry in accordance with the Sustainable Accounting Standards Board (SASB) industry materiality criteria to identify the key ESG indicators;
- c) performs a bespoke and peer benchmarking review to assess the portfolio company's business against other competitors in the market against the pre-determined ESG indicators. There is no standardised methodology for such a review and the scope is determined by the Sustainability Team on case-by-case basis;
- d) uses a set of internal benchmarks/score cards with respect to environmental, social and corporate governance metrics and will benchmark the portfolio company's performance against these metrics in order to assess the level of sophistication of the portfolio company in relation to ESG matters including its impact on the ESG factors; and
- e) conducts interviews with service providers to better assess and understand the culture and ethics of the target portfolio company along with many other pertinent ESG related issues and seek to understand whether a target portfolio company has proposals in place to address defined significant future legislation on ESG issues.

The ESG indicators used by Investindustrial, include, but are not limited to: greenhouse gas emissions, energy performance, water management, waste and hazardous materials management, product design and lifecycle management, supply chain management, employee well-being, diversity and inclusion, anti-corruption and anti-bribery, the adherence to UN Global Compact Principles, OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

Depending on the business profile of the target portfolio company and the results of a desk-top analysis on ESG issues deemed pertinent to the relevant industry in accordance with the SASB industry materiality criteria, the Sustainability Team will determine whether any additional ESG indicators should be used to assess the target portfolio company.

In addition, Investindustrial seeks to ensure that the potential portfolio company does not operate in one of the excluded sectors which Investindustrial considers not appropriate due to its sustainability philosophy and complies with the basic social, environmental and governance guidelines (i.e. respecting human rights, no child labour, etc.).

In making a decision with respect to each portfolio company investment, Investindustrial takes into account the results of the ESG assessment which covers the performance against the ESG indicators. The results of the ESG assessment are included in both (i) the preliminary investment recommendation and (ii) final investment recommendation memoranda. Investindustrial takes a holistic approach to assessing a broad range of risks as part of its investment decision making processes.

2. Post-investment stage

Investindustrial will seek to establish a dialogue between representatives of portfolio companies and stakeholders encouraging alignment of sustainability approaches and the adoption and integration of the appropriate sustainability strategy by the portfolio company. Investindustrial uses the ESG assessment carried out at the pre-investment state to recommend an action plan for each portfolio company in respect of sustainability issues to improve its performance against the ESG indicators ("**ESG plan**"). For the avoidance of doubt, it is the responsibility of the management of each portfolio company to operate the company on a day-to-day basis and implement rigorous compliance system and procedure. The decision by any portfolio company or its affiliates to adopt, enact, amend, or take any action pursuant to, any ESG



policy or related matter will be a decision for the board of directors (or similar governing body) of such portfolio company or its affiliates as applicable, and not a decision of any direct or indirect shareholder including Investindustrial's funds or of Investindustrial.

Each portfolio company is encouraged to identify an ESG representative with whom the Sustainability Team collaborates on an ongoing basis to implement the recommended sustainability approach and integrate it into its own policies and procedures to reduce principal adverse sustainability impacts of its business operation on ESG factors. This will typically take place over a three-year period, depending on the sophistication of each business and the maturity of their existing sustainability programs and initiatives.

The Sustainability Team and each portfolio company will work on an ongoing basis through both formal and informal ad hoc engagement with a view to ensuring alignment of sustainability approaches between Investindustrial and the relevant portfolio company.

Progress in relation to the agreed ESG plan and ongoing performance of each portfolio company against ESG indicators is monitored on a regular basis through quarterly and annual reporting which covers:

1. key ESG indicators, including carbon footprint broken down by scope, business unit and country;
2. progress in relation to the portfolio company's sustainability objectives and targets as determined by the portfolio company; and
3. expected and actual impact of sustainability initiatives to business growth, profitability, reputation, risk reduction and business continuity.

The regulatory environment in which Investindustrial is operating is evolving with guidance from competent regulatory authorities still developing regarding how ESG factors and their adverse impacts are defined and evaluated. In light of these circumstances, Investindustrial will keep these policies under review as the legal framework and market practices develop in this area and will update such policies accordingly, including in order to take into account applicable Regulatory Technical Standards developed in the EU under article 4 of SFDR.

Engagement policies

As explained above, each portfolio company is encouraged to work with Investindustrial to implement the recommended sustainability approach and integrate it into its own policies and procedures.

The Manager has determined that it is not appropriate to develop a shareholder engagement policy for the purposes of Article 3(g) of the EU Shareholder Rights Directive 2007/36/EC as amended by Directive (EU) 2017/828. This is because investing in shares traded on a regulated market situated or operated within the European Union does not form a material part of its investment strategy and any investment in shares traded on a regulated market is expected to be ancillary to the private equity activities of Investindustrial's funds.

References to international standards

Investindustrial was the first private equity operator with a focus on Southern Europe to become a signatory to the UN Global Compact (www.unglobalcompact.org) in 2008, and strives to implement the Ten Principles in the areas of human rights, labour, environment and anti-corruption through all its business activities.

In 2009, Investindustrial Group became a signatory to the UN PRI and continues to be committed to applying its six Principles for Responsible Investment (www.unpri.org) in relation to all of its material investments.

Investindustrial Group also contributes to the UN Sustainable Development Goals, through its portfolio companies, its own operations, Invest for children and the Investindustrial Foundation.

In 2020 Investindustrial Group achieved B Corp™ Certification (www.bcorporation.net) and became a signatory/ supporter of the Climate Action 100+ (www.climateaction100.org), the Taskforce for Climate-related Financial Disclosure (www.fsb-tcdf.org) and joined the Initiative Climate International (iCI), a collective commitment to understand and reduce carbon emissions of private equity-backed companies and secure sustainable investment performance.

