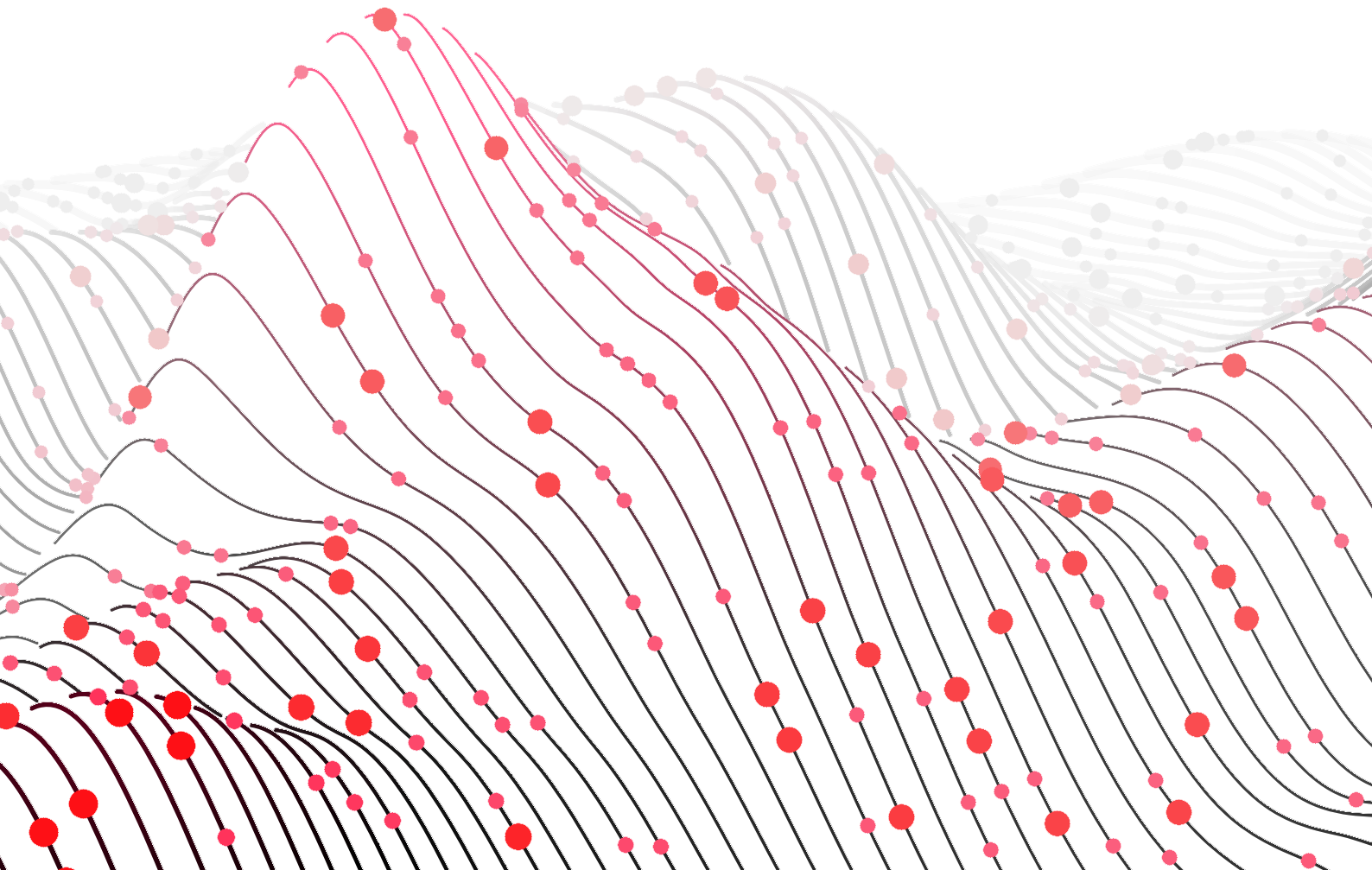


**Disclosure pursuant to Regulation (EU)  
2019/2088 of the European Parliament  
relating to the information on the  
sustainability in the financial services  
sector (“SFDR”)  
Articles 3, 4 and 5**

Last update: October 11, 2023



# Introduction

Mindful Capital Partners S.A. (hereinafter referred to as “**MCP**”) adopts and supports the global framework for sustainable development, defined by the United Nations Assembly on 25 September 2015. In accordance with this framework, MCP directs its investment choices towards sustainable development objectives, contributing to the achievement of certain Sustainable Development Goals (“**UN SDGs**”), selected on the basis of the impact that MCP may have.

The purpose of this disclosure is to explain the choices made by MCP - as expressly required by Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 (hereinafter referred to as the

“**SFDR**”) - on the sustainability statements in the field of financial services with reference to:

- Information on the policies on the integration of sustainability risks adopted by MCP in their decision-making processes relating to investments (Article 3 of the SFDR).
- Information on whether or not MCP takes into account the principal adverse impacts (also “**PAIs**”) of investment decisions on sustainability factors (Article 4 of the SFDR).
- Information on how MCP has aligned its remuneration policy with the sustainability risk management objectives (Article 5 of the SFDR).

## Art. 3 - Transparency of sustainability risk policies

MCP commits to integrating sustainability factors within its responsible investment framework and approach. As part of MCP's commitment to promoting a responsible investment activity, MCP became a signatory of the Principles for Responsible Investment ("UN-PRI") in December 2015, recognizing the centrality of the six principles for responsible investment:

1. Incorporation of ESG issues into investment analysis and decision-making processes.
2. Being active owners and incorporating ESG issues into the ownership policies and practices.
3. Seeking appropriate disclosure on ESG issues by the entities in which MCP invests.
4. Promotion of acceptance and implementation of the principles within the investment industry.
5. Working together with all the stakeholders to enhance effectiveness in implementing the principles.
6. Reporting on the activities and progress towards implementing the principles.

Moreover, since November 2022, MCP has adhered to the ten principles of the **UN-Global Compact** and included them within its strategy, culture, and day-to-day operations.

In line with the above-mentioned adhesions, MCP has embodied the consideration of Sustainability Risks and **Principal Adverse Impacts ("PAIs")** within its investment

decision-making process. Sustainability risks and PAIs are concepts introduced in the context of the SFDR. More specifically:

**I) Sustainability risk** (outside-in risks) means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment. Such risks can include **environmental risks** (e.g., climate change, resource scarcity), **social risks** (e.g., labor practices, human rights violations), and **governance risks** (e.g., corruption, board composition). Sustainability risks can impact the financial performance and reputation of organizations and investment portfolios.

**II) PAIs** (inside-out risks) are impacts of investment decisions or advice that result in a negative effect on sustainability factors, such as environmental, social and employee concerns, respect for human rights, anti-corruption, and anti-bribery matters. Financial market participants, such as MCP, are required to report on these impacts as part of their sustainability disclosures. PAIs are primarily concerned with the financial materiality of adverse impacts.

MCP has established a structured and formalized approach to identify, prioritize, and manage sustainability risks and Principal Adverse Impacts (PAIs) that affect its investments. While we direct you to our ESG Policy for more in-depth information, below, we outline the essential, core components of MCP's investment strategy for selecting investments, spanning from the pre-investment ESG assessment to the execution of the transaction, the ownership phase, and the exit.

### 1. INVESTMENT EXCLUSION LIST

The list, included in the ESG Policy, foresees the following exclusions:

- Weapon manufacturing and trade.
- Gambling and gaming.
- Production and trading of items related to sexual activity.
- Production and trading of products containing tobacco, marijuana, cocaine, other similar drugs unless they are to be used for therapeutic purposes.

### 2. PRE-INVESTMENT ESG ASSESSMENT

The ESG Assessment is a crucial component of MCP's due diligence, as well as the overall risk and value creation assessment of the target company.

Upon verification against the exclusion list check, included in the ESG Policy, all potential primary investments are subject to an analysis of material sustainability risks and opportunities.

The ESG Assessment is performed at the pre-investment phase, and it includes a high-level analysis using: i) ESG Questionnaire sent to target companies. ii) EHS Checklist for initial red flags.

Wherever material risks are identified, which MCP perceives as non-effectively mitigable, the board of directors of MCP (the "**Board of Directors**") has the authority to reject the investment. In cases where material sustainability risks are identified, and MCP believes they can be effectively mitigated, they may be addressed either prior to or during the ownership phase.

The findings of the ESG Assessment are included in the investment report delivered to the Advisory Committee, Executive Committee, and Portfolio Manager of MCP. Before any investment is submitted to the Board of Directors for final approval, the two internal committees must provide their favorable comments.

Once the acquisition is approved, based on the outcome of the ESG Assessment, the vendor may be asked to fulfil additional responsibilities or warranties, which could be included in the purchase agreement or as ongoing commitments.

As part of its entry (and ongoing) ESG Due Diligence, MCP assesses the good governance practices of investee companies with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

## Art. 4 Transparency of adverse sustainability impacts at entity level

### 3. ESG MONITORING

At the beginning of the ownership period, MCP establishes the E/S expectations and identifies responsibilities at the portfolio company (“**Portfolio Company**”) level. Specifically:

- The board of directors of the Portfolio Companies is made responsible and accountable for all material ESG-related topics.
- The Portfolio Company is required to report to MCP on a predefined set of ESG KPIs, and any ESG incident that may occur.

The Fund-level ESG Officer oversees and monitors the progress of the required ESG corrective and improvement actions, resulting from the pre-investment ESG Due Diligence. Moreover, MCP engages with the Portfolio Company’s ESG representatives to structure an ESG action plan focused on performance improvement.

### 4. ESG DEDICATED REPORTING

The Portfolio Companies are required to participate in a post-acquisition ESG review and monitoring process: more specifically, MCP periodically requires each Portfolio Company to compile an internal tool with quantitative indicators to track their performance in terms of sustainability and to confirm/identify additional Sustainability Risks and opportunities.

The results of MCP’s Portfolio Company level monitoring and engagement activities are shared with its investors every year, through the Investor Report and the annual ESG Report. Moreover, to guarantee transparency on sustainability-related concerns, MCP has implemented an ESG Incident Procedure for the communication of any accident that could result in negative environmental, social, or governance effects. MCP offers guidance to its Portfolio Companies on how to apply the Procedure.

MCP presents to its investors the ESG achievements obtained during the holding period and may choose to value them in the ESG Vendor Due Diligence memorandum for prospective buyers.

MCP considers the principal adverse impacts of its investment decisions on sustainability factors (“**Principal Adverse Impacts**” or “**PAIs**”).

The consolidated PAIs’ Statement reported in the following pages covers the reference period from January 1st, 2022, to December 31st, 2022. The structure of the PAIs’ Statement is aligned to the latest guidelines provided in the SFDR RTS<sup>1</sup>.

As per SFDR, the PAIs are defined as the “*negative effects, material (or likely to be material) on sustainability factors that are caused, aggravated by or directly linked to investment decisions and advice performed*” by MCP.

To keep track of the PAIs and manage them, MCP has introduced proper tools to be used during its investment process and set adequate responsibilities.

The first set of data refers to full year 2022 and has been collected in the first half of 2023, with respect to MCP’s current investments.

MCP monitors all mandatory PAIs and two additional indicators from those listed in Table 2 and 3 of Annex 1 of the SFDR RTS. The list of monitored PAIs and the actual values occurred in 2022 is reported in the table below.

<sup>1</sup> Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 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 pre-contractual documents, on websites and in periodic reports.

**Indicators applicable to investments in investee companies**

Adverse sustainability indicator	Metric	Impact 2022	Actions taken, actions planned and targets set for the next reference period
<b>Climate and other environment-related indicator</b>			
<b>Greenhouse gas emissions</b>	<b>1. GHG emissions</b>	Scope 1 GHG emissions	21,276 tCO <sub>2</sub> e
		Scope 2 GHG emissions	4,065 tCO <sub>2</sub> e
		Scope 3 GHG emissions	n/a
		Total GHG emissions	25,341 tCO <sub>2</sub> e
<b>2. Carbon Footprint</b>	Carbon footprint	81 tCO <sub>2</sub> e/M€	MCP calculates GHG emissions using an internally developed monitoring system. Values identified as outliers on any of the GHG emission indicators, or which exhibit high adverse impact across several indicators will be subject to further analysis and potential reduction actions, in line with MCP's commitment towards decarbonization and tackling climate change.
<b>3. GHG intensity of investee companies</b>	GHG intensity of investee companies	152 tCO <sub>2</sub> e/M€	
<b>4. Exposure to companies active in the fossil fuel sector</b>	Share of investments in companies active in the fossil fuel sector	0%	
<b>5. Share of non-renewable energy consumption and production</b>	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage	97%	
<b>6. Energy consumption intensity per high impact climate sector</b>	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector <sup>2</sup>	Sector C 3.0 GWh/M€	

Adverse sustainability indicator	Metric	Impact 2022	Actions taken, actions planned and targets set for the next reference period
<b>Biodiversity</b>	<b>7. Activities negatively affecting biodiversity-sensitive areas</b>	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0%
			MCP considers the impact on biodiversity during the investment decision process and prefers companies operating in sectors, or with plants, that do not have an adverse impact on biodiversity.  MCP is committed to maintaining a balance between economic gain and the protection of biodiversity.
<b>Water</b>	<b>8. Emissions to water</b>	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0
			MCP considers the emissions to water of priority substances and the direct emissions of nitrates, phosphates, and pesticide during the investment decision process. MCP commits to conducting further analysis and implementing corrective actions if the indicator shows outliers.

<sup>2</sup> All the investee companies operate in the high impact climate Sector C - Manufacturing

Adverse sustainability indicator	Metric	Impact 2022	Actions taken, actions planned and targets set for the next reference period
<b>Waste</b>	<b>9. Hazardous waste ratio</b>	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average	1.2 tons/M€
			<p>MCP considers the hazardous and radioactive waste during the investment decision process and controls whether the target company has all the necessary authorizations and documents required by applicable laws.</p> <p>MCP commits to conducting further analysis and implementing corrective actions if the indicator shows outliers.</p> <p>None of the current portfolio companies generate radioactive waste.</p>

Adverse sustainability indicator	Metric	Impact 2022	Actions taken, actions planned and targets set for the next reference period
<b>Social and employee, respect for human rights, anti-corruption and anti-bribery matters</b>			
<b>Social and employee matters</b>	<b>10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises</b>	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0%
	<b>11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises</b>	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	50%
			<p>MCP adhered to the UN Global Compact principles (“Principles”).</p> <p>MCP’s aim is to ensure that investee companies comply with these Principles. During the investment decision process, MCP identifies whether the target company has been involved in violations of the Principles.</p> <p>With respect to the OECD Guidelines for Multinational Enterprises, is not applicable because all the current portfolio companies are SMEs and not listed on international markets.</p> <p>MCP commits to improve the indicator 11 by promoting among the portfolio companies’ adherence to the Principles.</p>

Adverse sustainability indicator	Metric	Impact 2022	Actions taken, actions planned and targets set for the next reference period
<b>12. Unadjusted gender pay gap</b>	Average unadjusted gender pay gap of investee companies	21%	The focus on promoting diversity and inclusion policies is one of the pillars of MCP's ESG strategy. MCP commits to conducting further analysis to eventually evaluate the definition of targets and implementing corrective measures.
<b>13. Board gender diversity</b>	Average ratio of female to male board members in investee companies	10%	
<b>14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)</b>	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0%	

**Other indicators for principal adverse impact - ADDITIONAL PAI**

Adverse sustainability indicator	Metric	Impact 2022	Actions taken, actions planned and targets set for the next reference period	
<b>Energy performance</b>	<b>5. Breakdown of energy consumption by type of non-renewable sources of energy: share of energy from non-renewable sources used by investee companies broken down by each non-renewable energy source.</b>	Total natural gas consumption	90%	MCP is working to identify opportunities for energy efficiency and commits to conducting further analysis and implementing corrective actions if the indicator shows outliers.
		Total fuel oil consumption for transports	2% <sup>3</sup>	
		Total electricity consumption from non-renewable sources	8%	
<b>Social, human rights, anti-corruption &amp; anti-bribery</b>	<b>3. Number of days lost to injuries, accidents, fatalities or illness</b>	Number of workdays lost to injuries, accidents, fatalities or illness of investee companies expressed as a weighted average	176	Attention to health and safety ("H&S") is a major concern for MCP in engaging with its portfolio companies. MCP is committed to ensuring that portfolio companies maintain a high level of H&S measures, and that all employees receive the necessary H&S training required by law. Moreover, portfolio companies should promptly notify MCP about any incidents.

<sup>3</sup>Please note that Waico has been excluded from the calculation for this PAI as the data was not available.

## DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITIZE THE PAIs

The conceptual framework within which MCP operates is represented by the UN-PRI (joined in 2015) and the UN Global Compact (joined in 2022). MCP has developed a robust ESG Policy, aligning with these international standards. These values and principles, first and foremost, along with the requests from our investors and the financial market, have led MCP to prioritize the list of PAIs specified by the European regulator.

The ESG Policy, last approved by the Board of Directors in September 2023, defines roles and responsibilities in the ESG function. More specifically:

- I. The Board of Directors is responsible for approving the ESG Policy, and for defining MCP's approach to ESG Factors.
- II. The fund-level ESG Officer, in coordination with the asset-level ESG Manager, takes care of properly maintaining the ESG Policy and oversees the pre-investment ESG Due Diligence processes in the pre-investment

phase, while in the ownership phase the Officer engages and dialogues with the Portfolio Companies to support improving their sustainability performance, from the set-up of an ESG performance monitoring system, to the implementation of any ESG action plans and the supervision of the periodic ESG data collection process, along with the verification of the accuracy of the data collected from each Portfolio Company. The ESG Officer is also accountable for consolidating the data collected at the fund level.

III. The ESG Committee convenes on an ad-hoc basis to address ESG matters, such as assessing the sustainability of a target investment. The ESG Committee also convenes in the event of a conflict of interest occurring or being anticipated, which could potentially result in a breach of MCP's ESG Policy's values and principles.

IV. The ESG referent persons within the Portfolio Companies are tasked with the careful collection of data and conducting an initial review of the compiled information.

V. External ESG counsel in establishing and enhancing the internal data collection tools.

MCP considers the **Principal Adverse Impacts** of its investment decisions on the sustainability factors deemed relevant for the companies in which it invests throughout the entire investment process.

### Pre-investment phase - ESG Assessment:

upon verification against the exclusion list, all potential investments are subject to an analysis of material sustainability risks (and opportunities), including the PAIs. Please refer to the description provided above in the section "Art. 3 - Transparency of sustainability risk policies".

If material, the Principal Adverse Impacts on sustainability factors, are identified in the pre-screening phase, in relation to a prospective investment, and the MCP Team determines that the Principal Adverse Impacts cannot be sufficiently mitigated during the ownership phase, the investment opportunity is not carried any further. On the other hand, if Principal Adverse Impacts on sustainability factors, are identified but deemed manageable during the ownership phase, they are typically addressed in both the pre-investment and ownership phases.

### Ownership phase - Measurement and monitoring of Principal Adverse Impacts:

within the scope of the Due Diligence, MCP establishes a list of priority ESG corrective and improvement actions to be implemented by the target company, as well as a set of ESG key performance indicators (including all the 14 PAIs as per Article 6.1 SFDR and 2 facultative PAIs as per Article 6.1(a)-(b)-(c)), which will be measured and monitored during the holding period through the use of a proprietary tool, developed in 2023 under the

guidance of a reputable external ESG counsel. After the acquisition, the Portfolio Company provides regular updates on the progress of the ESG actions and the ESG KPIs. These updates will be included in the annual ESG Report.

Additionally, MCP conducts periodic monitoring and assessment of the Principal Adverse Impacts of its investments on sustainability factors. The prioritization of these impacts is based on the results of the ESG Due Diligence and the magnitude of potential adverse impact that each investment might have on sustainability factors, as assessed through the monitoring tool. Any necessary mitigation actions are included in the ESG Action Plan.

The usual limitations to data collection methodologies and interpretation that MCP experiences in these kinds of processes are listed herewith below:

**I) Data Quality / Availability:** missing or uncomplete information. The limited availability of data and/or their poor quality can stem from various situations. For instance, incomplete information is common among companies undergoing significant M&A activities during the reference period. Availability can be limited when the information is external and not directly accessible. This is the usual situation when the analysis pertains to the calculation of Scope 3 GHG emissions.

**II) Assumption Dependency:** many analyses involve assumptions, as is often the case with estimations of GHG emissions. These emissions are typically not directly measured



but instead calculated using specific algorithms. However, these algorithms might not hold true in all cases, potentially leading to errors.

**III) Limited Scope:** the chosen methodology and Indicator(s) might not encompass all relevant factors, leading to an incomplete understanding of the subject.

**IV) Inconsistent Definitions:** inconsistent definitions across Portfolio Companies datasets can create confusion and hinder accurate analysis.

To address the risks related to Assumption Dependency and Limited Scope, MCP has designed an ESG data collection tool under the guidance of a reputable external ESG counsel.

To minimize the potential risk of confusion and ensure accurate analysis, MCP arranges regular training sessions in collaboration with an external professional. These sessions involve the individuals who have been designated as primary contacts for the Portfolio Companies. Additionally, the oversight of the data collection process and the validation of data consistency from each Portfolio Company directly fall within the responsibilities of the Fund-level ESG Officer.

## ENGAGEMENT POLICIES

MCP is committed to carefully incorporating ESG factors into its decision-making processes. Therefore, the ESG Policy foresees the measuring of ESG KPIs, including

Principal Adverse Impacts, at the level of the Management Company and at the Portfolio Companies. From the outset of the ownership period, MCP engages with each Portfolio Company to identify actions for mitigating the Principal Adverse Impacts identified; these actions are included in the ESG Action Plan, primarily based on pre-investment analysis and ESG Due Diligence.

Clear responsibilities are set as well, with the Portfolio Company's board of directors held responsible for ESG-related topics, including the implementation of the ESG Action Plan. In addition, MCP oversees and monitors the progress of the priority ESG corrective and improvement actions resulting from the pre-investment ESG Due Diligence: periodic meetings are held with the Portfolio Company's ESG representative(s). ESG indicators of the Portfolio Companies are reviewed and discussed, along with the outcomes of any action plans that have been agreed upon during the initial investment made by MCP.

If the engagement with Portfolio Companies does not lead to the expected results, the issue will be immediately managed by MCP in dialogue with the Portfolio Company.

## REFERENCES TO INTERNATIONAL STANDARDS

In the context of the PAIs identification and prioritization, MCP refers to responsible business conduct codes and internationally recognized standards for due diligence and reporting to provide consistency to its approach.

As a UN PRI signatory, MCP is committed to adhere to the 6 Principles for Responsible Investment, during all the investment-decision process:

1. Incorporate ESG issues into investment analysis and decision-making processes.
2. Be active owners and incorporate ESG issues into the ownership policies and practices.
3. Seek appropriate disclosure of ESG issues by the entities in which MCP invests
4. Promote acceptance and implementation of the UN Principles within the investment industry.
5. Work together with all the stakeholders to enhance the effectiveness in implementing the UN Principles.
6. Report on the activities and progress of MCP towards implementing the UN Principles.

Moreover, as a UN Global Compact's signatory, MCP and its Portfolio Companies support the Ten Principles of the UN Global Compact on human rights, labor, environment, and anti-corruption. Specifically, they are committed to:

### HUMAN RIGHTS

1. Support and respect the protection of internationally proclaimed human rights.
2. Make sure that they are not complicit in human rights abuses.

### LABOR

3. Uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Promote the elimination of all forms of forced and compulsory labor.
5. Promote the effective abolition of child labor.
6. Sustain the elimination of discrimination in respect of employment and occupation.

### ENVIRONMENT

7. Support a precautionary approach to environmental challenges.
8. Undertake initiatives to promote greater environmental responsibility.
9. Encourage the development and diffusion of environmentally friendly technologies.

### ANTI-CORRUPTION

10. Work against corruption in all its forms, including extortion and bribery.

### HISTORICAL COMPARISON

MCP considers the PAIs of its investment decisions on sustainability factors since 2022. The first comparison of data YoY will be in the PAIs Statement FY23, available in June 2024.

## Art. 5 - Transparency of remuneration policies in relation to the integration of sustainability risks

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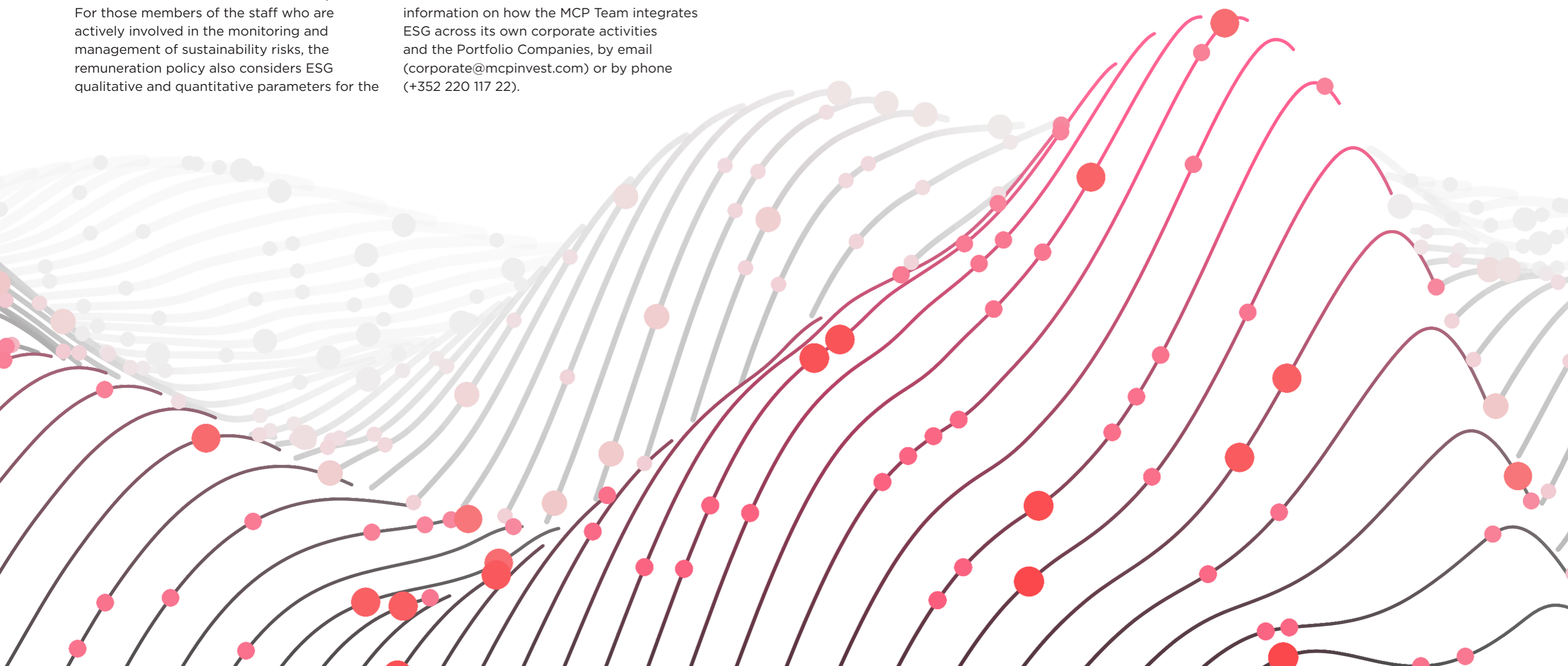
MCP incorporates objectives in terms of sustainability risk management in its remuneration policies in order to correlate the incentive system with the pursuit of the objectives of the ESG Policy.

Remuneration in MCP is based on a combination of fixed and variable components. For those members of the staff who are actively involved in the monitoring and management of sustainability risks, the remuneration policy also considers ESG qualitative and quantitative parameters for the

allocation of the variable component.

However, these are established in such a way that the compensation plan does not encourage excessive risk taking with respect to sustainability risks.

You are welcome to contact us for further information on how the MCP Team integrates ESG across its own corporate activities and the Portfolio Companies, by email ([corporate@mcpinvest.com](mailto:corporate@mcpinvest.com)) or by phone (+352 220 117 22).





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