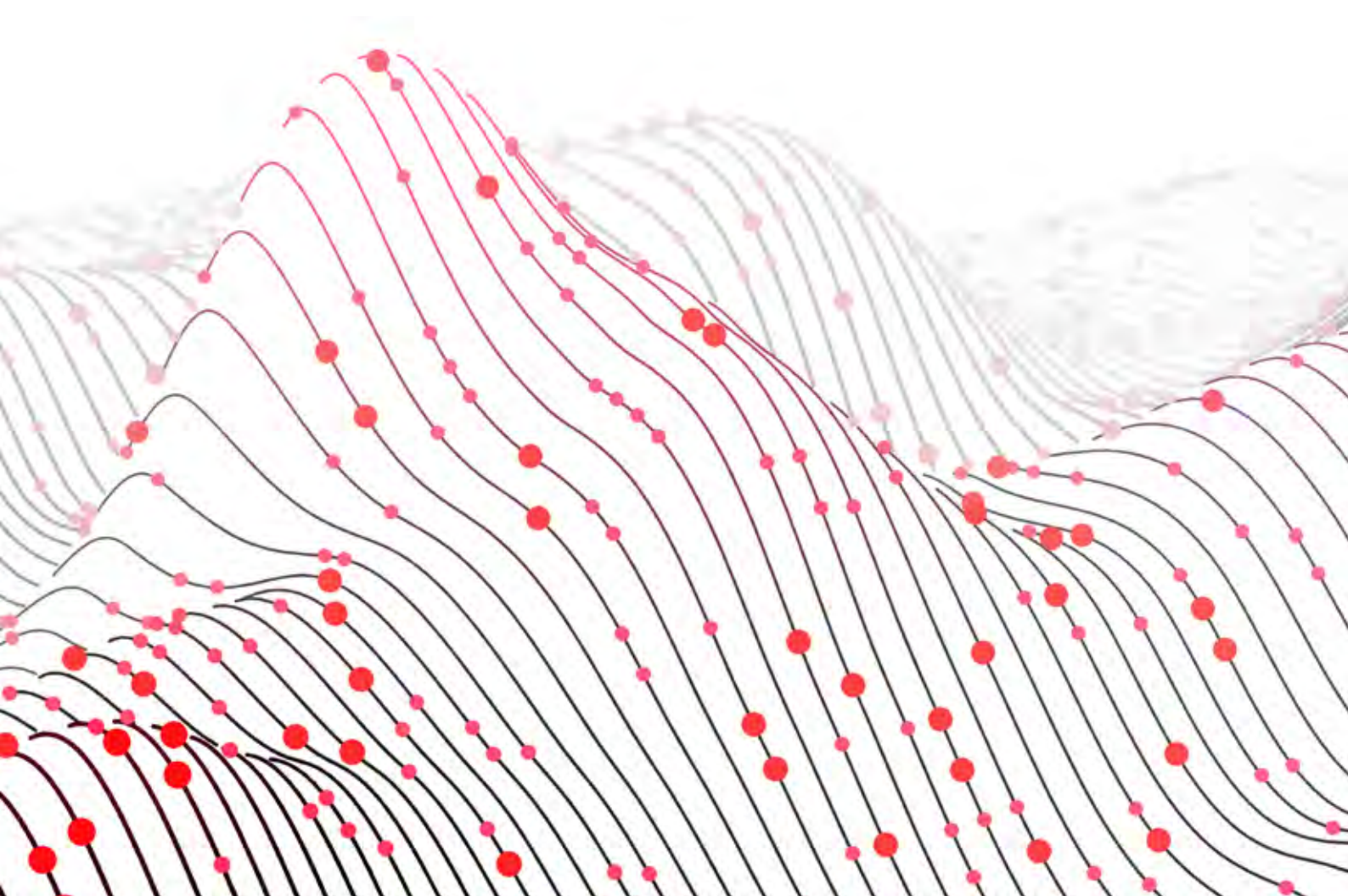


Fund: **Mindful Capital Partners III SCA**  
**SICAF RAIF (“MCP-III”)**

**Disclosure pursuant to Regulation (EU)  
2019/2088 of the European Parliament  
relating to the information on the  
sustainability in the financial services  
sector (“SFDR”)  
Article 10**

Last update: September 11, 2023



The present document outlines the information required by EU Regulation 2088/2019 (“**SFDR**”) under Article 10, related to the transparency of the promotion of environmental or social characteristics and of sustainable investments on websites for the MCP-III fund (hereinafter the “**Fund**”). The Fund is managed by Mindful Capital Partners S.A. (hereinafter “**MCP**”) and is classified as an Article 8 under the SFDR. Article 8 Fund under the SFDR is defined by the European Regulation as “a financial product that promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices”.

**Product name:**

Mindful Capital Partners III SCA SICAF RAIF

**Legal entity identifier (LEI code):**

222100KJD7DO2YWUX515

## A) SUMMARY

**MCP** will be the authorized AIFM of the alternative investment fund Mindful Capital Partners III SCA SICAF RAIF (hereinafter also “**MCP-III**” or the “**Fund**”), which is classified under Article 8 of the SFDR as a “financial product that promotes environmental or social characteristics, or a combination of those characteristics” without pursuing a sustainable investment objective.

As part of the development of a framework of responsible investment, MCP has identified the following six environmental and social (“**E/S**”) characteristics to be promoted through the investment activity:

1. **Tackling climate change:** raise awareness among Portfolio Companies (PCs), supporting them in monitoring their GHG emissions and in adopting carbon reduction initiatives. Promote the use of renewable energy sources and energy efficiency measures.
2. **Improving product sustainability:** encourage the incorporation of ESG considerations in products development and design: i) support R&D investments for sustainable materials, products, services; ii) support waste management measures including the reduction of hazardous and non-hazardous waste; iii) encourage adequate water management practices.
3. **Responsible sourcing:** support the incorporation of ESG criteria into the supply chain selection and monitoring.
4. **Employee safety:** ensure safe working conditions for all workers.
5. **Employee engagement and well-being:** support PCs’ employees’ growth, engagement, and retention by promoting voluntary training (not H&S or other mandatory trainings) and welfare initiatives.
6. **Diversity and inclusion:** promote culture and hiring and promotion practices based on inclusion and diversity factors. Ensure Equal opportunities.

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The Fund invests in small and medium-sized businesses that might profit from improved growth strategies in global markets through Private Equity (100% of invested capital). Investments are made in businesses that fit the following criteria:

- Are aligned with the MCP's commitment as outlined in the ESG Policy.
- Do not fall within the industries listed in the MCP's exclusion list.
- Their business model can be positively affected by the intervention of the MCP (mitigating factors).

The Fund is committed to applying its responsible investment and to promote the selected environmental and social characteristics to 100% of its investments.

During the **pre-investment phase**, the Fund performs an ESG Due Diligence / Assessment, to gain a deeper insight into the ESG risks and opportunities related to potential investments. When outlining the scope of the ESG Due Diligence, MCP mandates that the external ESG expert, who will be conducting the due diligence, provides a comprehensive overview of the ESG status of the target company. Additionally, the focus should be directed towards the Environmental and Social (E/S) characteristics advocated by the Fund. This approach enables the identification of enhancements within the primary area of interest of MCP (i.e., the selected E/S Characteristics) right from the initiation of the ownership phase. Moreover, 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.

In the **ownership phase**, MCP has adopted a standard approach for engaging ESG matters with Portfolio Companies. Early integration of ESG management in this phase is encouraged to ensure that material ESG matters are prioritized and included in the performance monitoring systems.

MCP seeks to ensure that the board of directors of the Portfolio Companies take responsibility and accountability for all material ESG-related topics. Moreover, responsibilities for ESG monitoring and reporting are allocated either to a single person or to a team depending on the size and complexity of the Portfolio Company.

MCP is committed to maintain regular dialogue with the Portfolio Companies, through formal board meetings and ad hoc meetings between the Investment Team (and/or the Fund-level ESG Officer) and the management team of the Portfolio Company (including the ESG Referent Person).

The progress achieved in the promotion of E/S characteristics throughout the investment process is periodically monitored, through a set of predefined sustainable Indicators. 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 at board of directors' level.

The monitoring methodology is based on the use of a proprietary tool which enables the collection of ESG data - qualitative and quantitative data - for all the sustainability indicators related to the E/S characteristics promoted by the Fund. The tool has been developed in accordance with the requirements of the SFDR, the United Nations Principles for Responsible Investment (UN PRI), and the international best practices. The preferred method is the direct measurement of the selected Indicators. An estimation approach is only employed if direct measurement is not feasible.

For the data collection, within each Portfolio Company, a specific individual is designated as the reference point. This individual is tasked with the careful collection of data and conducting an initial review of the compiled information. The supervision of the data collection process, along with the verification of the accuracy of data gathered from each Portfolio Company, falls directly under the purview of the Fund-level ESG Officer. It is worth noting that the adopted methodologies for the collection and interpretation of the ESG Indicators are inevitably affected by certain limits such as:

1. Data Quality / Availability: missing or incomplete information.
2. Assumption Dependency: many analyses involve assumptions, as is often the case with estimations of GHG emissions.
3. Limited Scope: the chosen methodology and Indicator(s) might not encompass all relevant factors, leading to an incomplete understanding of the subject.
4. Inconsistent Definitions: inconsistent definitions across Portfolio Companies datasets can create confusion and hinder accurate analysis.

The Fund processes and aggregates the ESG data provided by the Portfolio Companies, to assess the overall ESG performance of the Portfolio. The results are shared with its investors and stakeholders every year, through the Investor Report and the **annual ESG Report**.

No reference benchmark has been designated for the Fund.

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## **B) NO SUSTAINABLE INVESTMENT OBJECTIVE**

MCP-III promotes E/S characteristics, but it does not have as its objective sustainable investment.

## **C) ENVIRONMENTAL OR SOCIAL CHARACTERISTICS OF THE FINANCIAL PRODUCT**

MCP has recognized the following six (6) E/S characteristics for the Fund, in accordance with Article 8 of the SFDR, that will be promoted among the Fund's investments:

- 1. Tackling climate change:** raise awareness among Portfolio Companies, supporting them in monitoring their GHG emissions and in adopting carbon reduction initiatives. Promote the use of renewable energy sources and energy efficiency measures.
- 2. Improving product sustainability:** encourage the incorporation of ESG considerations in products development and design: i) support R&D investments for sustainable materials, products, services; ii) support waste management measures including the reduction of hazardous and non-hazardous waste; iii) encourage adequate water management practices.
- 3. Responsible sourcing:** support the incorporation of ESG criteria into the supply chain selection and monitoring.

**4. Employee safety:** ensure safe working conditions for all workers.




**5. Employee engagement and well-being:** support PCs' employees' growth, engagement, and retention by promoting voluntary training (not H&S or other mandatory trainings) and welfare initiatives.





**6. Diversity and inclusion:** promote culture and hiring and promotion practices based on inclusion and diversity factors. Ensure Equal opportunities.

The selection of these six E/S characteristics has been based on an analysis of the expected sustainability priorities of the Fund's stakeholders, with the ultimate goal of identifying the material ESG topics on which to direct MCP's and Portfolio Companies' resources and effort.

MCP has selected a set of performance indicators ("**Indicators**" in the table below) to measure and monitor the promotion of the selected E/S characteristics of the Fund. The definition of an adequate monitoring system aims to create value for the investors and stakeholders by allowing quantitative information to be disclosed. The list of identified Indicators is reported in the table in the next page.

**Table 1. E/S characteristics promoted by the Fund**

Pillar	E/S Characteristics	Indicators		
 <b>E</b>	<b>Tackling climate change</b> Raise awareness among the Portfolio Companies (“PCs”), supporting them in monitoring their greenhouse gas emissions and in adopting carbon reduction initiatives. Promote the use of renewable energy sources and encourage energy efficiency measures.	% of PCs monitoring Scope 1 and 2 GHG Emissions % of PCs that monitor Scope 3 GHG Emission GHG Intensity of Portfolio (weighted average) Energy intensity of Portfolio % of PCs with an GHG Emission reduction plan referred to Scope 1 and 2 % of PCs that use renewable energy % of renewable energy over the total consumption % of PCs that use self-produced renewable energy		
	 <b>E/S</b>	<b>Improving product sustainability</b> Encourage the incorporation of ESG considerations in products development and design: - Support R&D investments for sustainable materials, products, services. - Support waste and water management measures.	% of products including recycled materials % of recycled materials on purchased raw materials, including packaging No. of circular economy (re-use, recycle, extend, sharing) measures % of revenues invested in R&D for sustainable materials, products or services	
		 <b>E/S</b>	<b>Responsible sourcing</b> Support the incorporation of ESG criteria into supply chain selection and monitoring	% of PCs incorporating ESG considerations into supply chain selection and monitoring activities (e.g., through formalized policies/procedures). ESG considerations may include water savings and waste minimization solutions, the switch to renewable sources (autogenerated or purchased) and the adoption of environmental and social criteria (e.g., labor practices, human rights, etc.) % of suppliers included in the above processes

	<p><b>Employee safety</b></p> <p>Ensure safe working conditions for all workers.</p>	<p>Incidence Index: [No. of injuries / No. of employees * 1,000]</p> <hr/> <p>No. of lost working days due to injuries, accidents or professional illness</p> <hr/> <p>No. of claims/litigations/complaints received regarding violations of safety incidents</p>
 	<p><b>Employee engagement and well-being</b></p> <p>Support PCs' employees' growth, engagement and retention by promoting voluntary training (not H&amp;S or other mandatory trainings) and welfare initiatives.</p>	<p>% of PCs with welfare plans</p> <hr/> <p>% of PCs granting flexible working/smart working</p> <hr/> <p>% of employee involved in voluntary training</p> <hr/> <p>% of revenues spent on welfare initiatives (beyond lunch tickets, healthcare or other benefits required by National Collective Labour Agreement, <i>Contratto Collettivo Nazionale del Lavoro</i> - CCNL)</p> <hr/> <p>No. of claims received regarding violations of labor rights</p> <hr/> <p>% of PCs with talent management policies/professional development plans</p> <hr/> <p>% of PCs that conduct Employee Engagement Surveys</p>
	<p><b>Diversity &amp; Inclusion</b></p> <p>Promote culture, hiring and practices based on inclusion and diversity factors.</p> <p>Ensure equal opportunities.</p>	<p>% of women in the workforce</p> <hr/> <p>% of women in the BoD and in the management</p> <hr/> <p>Average unadjusted gender pay gap</p> <hr/> <p>% of PCs with whistleblower protection systems</p> <hr/> <p>% of PCs with inclusion, diversity and equal opportunities policies</p>

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## D) INVESTMENT STRATEGY

Fund invests in small and medium-sized businesses that might profit from improved growth strategies in global markets through Private Equity (100% of invested capital). Investments are made in businesses that fit the following criteria:

- Are aligned with MCP's commitment as outlined in the ESG Policy.
- Do not fall within the industries listed in MCP's exclusion list.
- Their business model can be positively affected by the intervention of MCP (mitigating factors).

MCP incorporates binding factors into its Private Equity investment strategy that are utilized to promote the E/S characteristics identified for the Fund. Such binding factors are described below:

### 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

Since the launch of the Fund, the ESG Assessment has been 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 Investment Exclusion List check, 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



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relations, remuneration of staff and tax compliance.

### **3. ESG monitoring**

At the beginning of the ownership period, MCP establishes the E/S expectations and identifies responsibilities at the 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 Indicators, 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 Assessment. 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

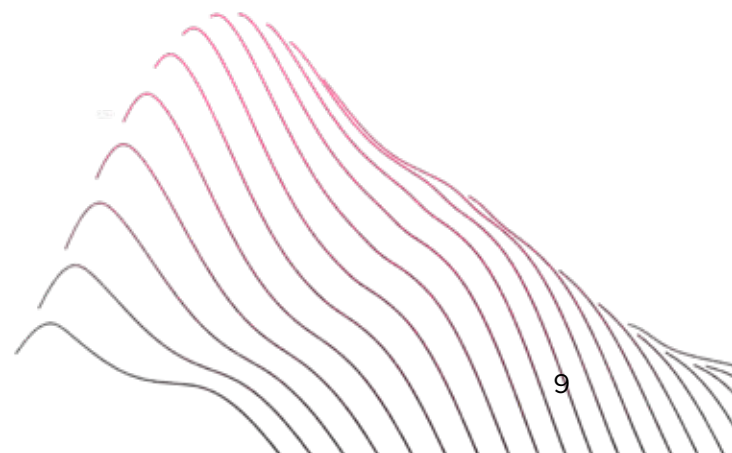
the Investor Report and the annual ESG Report. Moreover, to guarantee transparency on sustainability-related concerns, MCP has implemented an ESG Incident Procedure for the communication of any accident that could result in negative environmental, social, or governance effects. MCP offers guidance to 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 ESG Vendor Due Diligence memorandum for prospective buyers.

## **E) PROPORTION OF INVESTMENTS**

The Fund is committed to applying its responsible investment and to promote the selected environmental and social characteristics to 100% of its investments.

The Fund does not use derivatives to attain the environmental or social characteristics promoted by the Fund.



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## **F) MONITORING OF ENVIRONMENTAL OR SOCIAL CHARACTERISTICS**

MCP mandates each Portfolio Company to utilize an ESG data collection tool periodically. This tool has been developed and is consistently maintained by MCP, with the guidance of an external ESG counsel. The tool includes quantitative indicators and is designed to monitor the sustainability performance of the Portfolio Company. Additionally, it serves the purpose of confirming existing sustainability risks and identifying potential opportunities in this domain.

Within each Portfolio Company, a specific individual is designated as the reference point. This individual is tasked with the careful collection of data and conducting an initial review of the compiled information.

The supervision of the data collection process, along with the verification of the accuracy of the data collected from each Portfolio Company is under the direct responsibility of the Fund-level ESG Officer who is also accountable for consolidating the data collected at the fund level. MCP may receive assistance from an external ESG counsel in establishing and enhancing the internal data collection tools.

The Indicators identified by the Fund for the promotion of the E/S characteristics are listed in Table 1 under section c) Environmental or social characteristics of the financial product.

## **G) METHODOLOGIES**

The Fund periodically monitors the Portfolio Company's contribution to the promotion of the selected E/S characteristics. The monitoring methodology is based on the use of a proprietary tool which enables the collection of ESG data (for all the sustainability indicators related to the E/S characteristics promoted by the Fund as disclosed under section c) Environmental or social characteristics of the financial product).

The preferred method is the direct measurement of the selected indicators. An estimation approach is only employed if direct measurement is not feasible. This scenario typically arises when calculating GHG Emissions Scopes 1, 2, and 3 (further details provided in the next sections).

## **H) DATA SOURCES AND PROCESSING**

ESG data and information are provided by the Portfolio Companies during the ownership and monitoring period. The Fund processes and aggregates the ESG data provided by the Portfolio Companies, to assess the overall ESG performance of the Portfolio. Qualitative and quantitative information on its performance is disclosed on a yearly basis to the Investors.

Within each Portfolio Company, a specific individual is designated as the reference point. This individual is tasked with the careful collection of data and conducting an initial review of the compiled information.

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The supervision of the data collection process, along with the verification of the accuracy of data gathered from each Portfolio Company, falls directly under the purview of the Fund-level ESG Officer.

It is worth noting that certain types of data require an estimation process, as a direct calculation may not be feasible. This is particularly applicable to GHG Emissions Scopes 1, 2, and 3, which are typically estimated based on activity data (such as fuel consumption, vehicle distance traveled, or other pertinent metrics directly linked to emissions) and emission factors (standardized values representing the quantity of CO<sub>2</sub> or other GHGs produced per unit of fuel burned).

## **1) LIMITATIONS TO METHODOLOGIES AND DATA**

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

- **Data Quality / Availability:** missing or incomplete 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.
- **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.

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

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## J) DUE DILIGENCE

During the pre-investment phase, the Fund performs an ESG Due Diligence to gain a deeper insight into the ESG risks and opportunities related to potential investments.

When outlining the scope of the ESG Due Diligence, MCP mandates that the external ESG expert, who will be conducting the due diligence, provides a comprehensive overview of the ESG status of the target company. Additionally, the focus should be directed towards the E/S characteristics advocated by the Fund. This approach enables the identification of enhancements within the primary area of interest of MCP (i.e., the selected E/S Characteristics) right from the initiation of the ownership phase.

The ESG Due diligence process starts with a high-level analysis of the ESG status of the target company. The following proprietary tools are used for the analysis:

- i) ESG Questionnaire sent to the target company.
- ii) EHS Checklist.

The outcomes of the entry ESG Due Diligence consists of a list of observations and consequential recommendations on the priority ESG corrective and improvement actions - with a particular attention towards those actions impacting the selected E/S Characteristics - that should be implemented or planned by the company. These outcomes provide an insight into the ESG performance of the company and are included in the Investment Report submitted to the ExCom, the Advisory Committee and ultimately to the Board of Directors to support their decision-making process.

## K) ENGAGEMENT POLICIES

MCP has adopted a standard approach for engaging ESG matters with Portfolio Companies. Early integration of ESG management in the post-investment phase is encouraged to ensure that material ESG matters are prioritized and included in the performance monitoring systems.

MCP seeks to ensure that the board of directors of the Portfolio Companies take responsibility and accountability for all material ESG-related topics. Moreover,

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responsibilities for ESG monitoring and reporting are allocated either to a single person or to a team depending on the size and complexity of the Portfolio Company (i.e., appointment of an ESG referent person within each Portfolio Company).

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).

MCP is committed to maintain regular dialogue with the Portfolio Companies, through formal board meetings and ad hoc meetings between the Investment Team (and/or the Fund-level ESG Officer) and the management team of the Portfolio Company (including the ESG Referent Person). 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 expected results, the issue will be immediately managed by MCP in dialogue with the Portfolio Company at board of directors' level.

## **L) DESIGNATED REFERENCE BENCHMARK**

No reference benchmark has been designated to compare investments' performance with respect to their contribution to the environmental or social characteristics promoted by the Fund.



Mindful Capital Partners

**Mindful Capital Partners S.A.**

10, rue Antoine Jans, L-1820 Luxembourg

R.C.S. Luxembourg B233903

V.A.T. Number: LU31267114

[corporate@mcpinvest.com](mailto:corporate@mcpinvest.com)

[www.mcpinvest.com](http://www.mcpinvest.com)