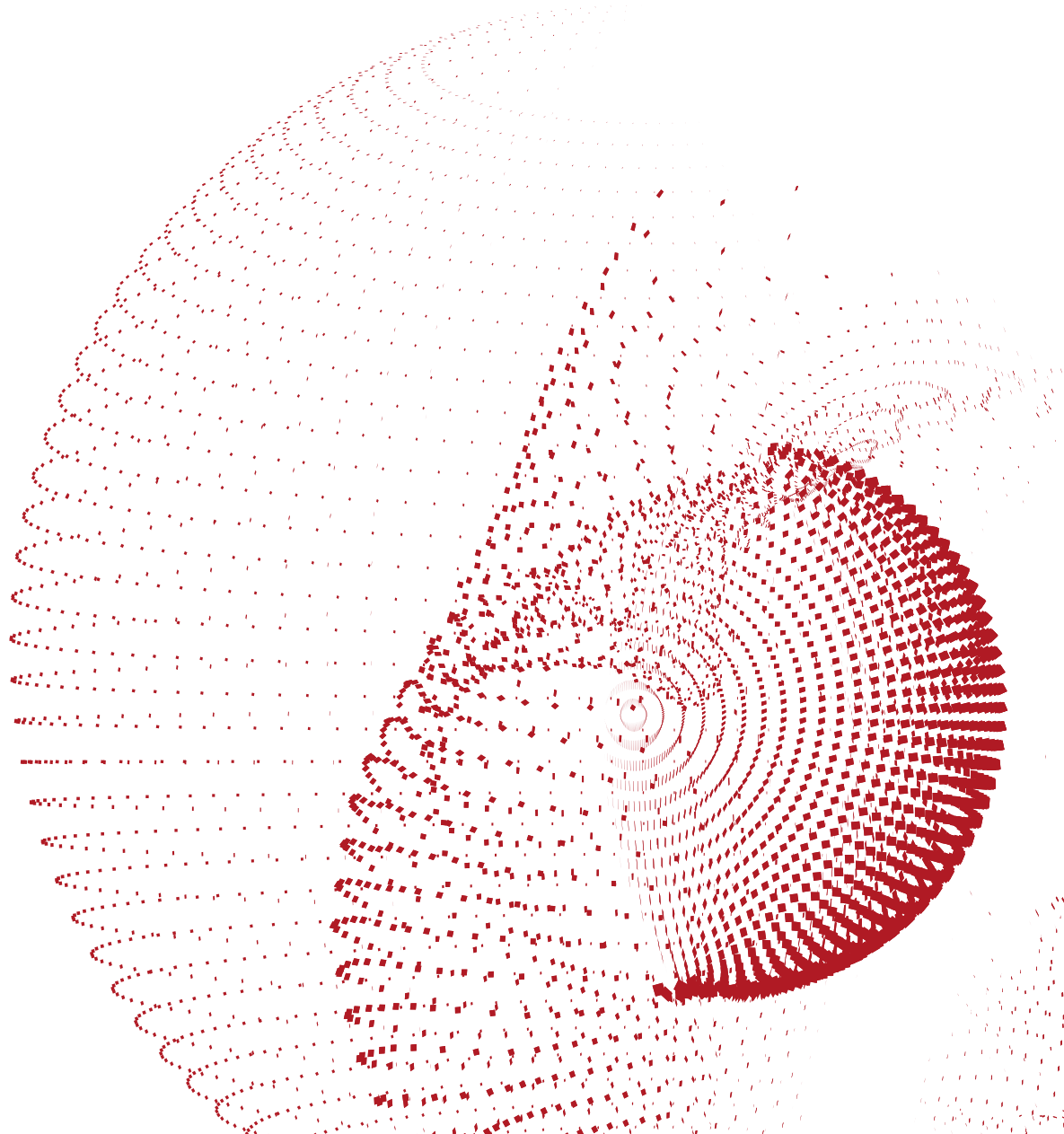
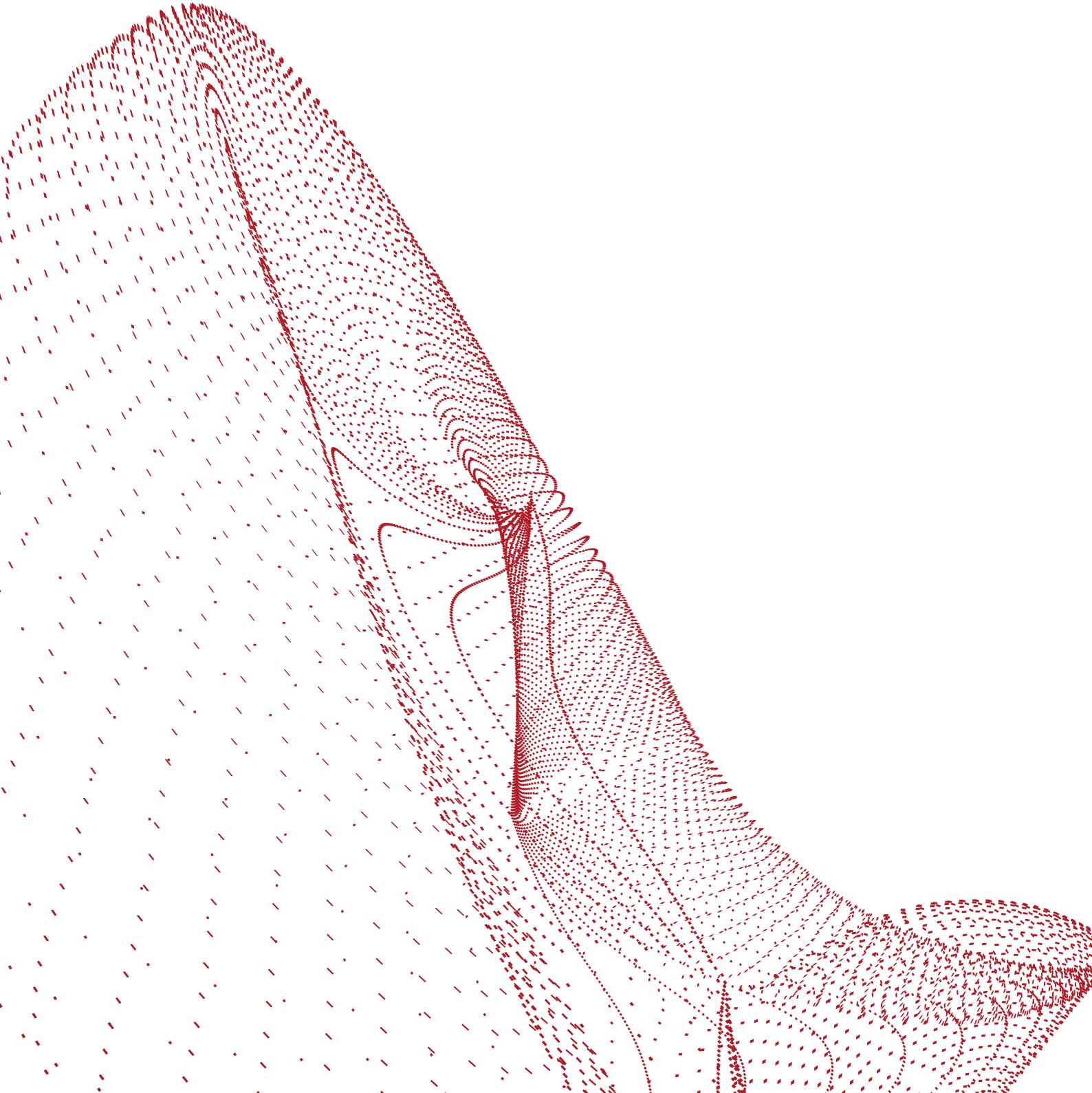


# Statement on principal adverse impacts of investment decisions on sustainability factors

**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 4**

Last update: October 4, 2024





# Financial Market participant

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Mindful Capital Partner - LEI code 222100ES4J9PE3NLIC85

## Summary

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Mindful Capital Partners (**MCP**) considers the principal adverse impacts of its investment decisions on sustainability factors (**PAIs**). The present statement, covering the reporting period from January 1 to December 31, 2023, is the consolidated statement on the PAIs of MCP.

The structure of the statement is aligned with the latest guidelines provided in SFDR's regulatory technical standards (**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. MCP monitors all mandatory PAIs and two additional indicators: the first, having an environmental focus, measures the share of energy from non-renewable sources used by investee companies broken down by each non-renewable energy source (Table 2 of Annex I of the SFDR RTS, indicator 5); the second, which has a social focus, concerns the number of days lost to injuries, accidents, fatalities or illness (Table 3 of Annex I of the SFDR RTS, indicator 3).

The list of monitored PAIs and the actual values occurred in 2023 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.

# Description of the principal adverse impacts on sustainability factors

## Indicators applicable to investments in investee companies

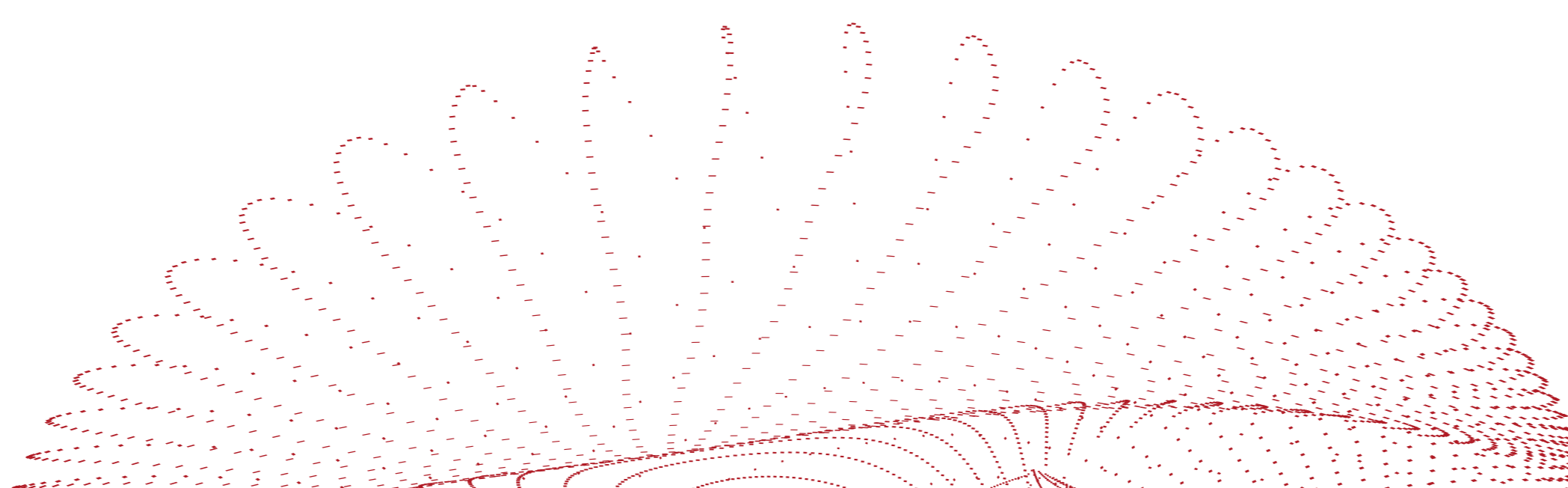
### CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

| Adverse sustainability indicator                                | Metric  | Impact 2023               | Impact 2022               | Explanation  | Actions taken, action planned and targets set for the next reference period   |
|---|---|---------------------------|---------------------------|--|---|
| <b>Greenhouse gas emissions</b>                                 |   |                           |                           |  |   |
| 1. GHG emissions  | Scope 1 GHG Emissions   | 17,416 tCO <sub>2</sub> e | 22,689 tCO <sub>2</sub> e | Total GHG emissions decreased by 22% YoY, demonstrating a strong commitment to environmental sustainability at both the MCP level and within the invested companies.<br>The invested companies of MCP II (i.e. Italcera and Italian Frozen Food) were the main contributors to PAI 1. For example, in 2023 they accounted for 90% of total Scope 1 and 2 emissions. Within MCP-III portfolio, which is less emissive, the company that contributed the most to the PAI was Eurmoda (4%).<br>Carbon footprint reduced by 22% YoY as a result of the decrease in total emissions.<br>Even for GHG intensity of investee companies MCP-II is largely the main contributor, with Italcera and IFHH together accounting for 87% of the aggregated GHG intensity at the reference date. All in all, the indicator showed a significant improvement, dropping from 161 tCO <sub>2</sub> e/M in 2022 to 113 tCO <sub>2</sub> e/M in 2023.<br>PAI 1, 2 and 3 have been calculated without considering Scope 3 emissions, due to poor data quality and low coverage. " | <b>Actions taken</b><br>During the reference period MCP calculated GHG emissions using an internally developed monitoring system and it started the data collection for the calculation of Scope 3 GHG emissions on 100% portfolio companies for MCP-III and MCP-IV.  |
|   | Scope 2 GHG Emissions   | 4,484 tCO <sub>2</sub> e  | 5,213 tCO <sub>2</sub> e  |  |   |
|   | Scope 3 GHG Emissions   | 17,852 tCO <sub>2</sub> e | n.a.                      |  |   |
|   | Total GHG emissions   | 21,900 tCO <sub>2</sub> e | 27,901 tCO <sub>2</sub> e |  |   |
| 2. Carbon footprint   | Carbon footprint  | 70 tCO <sub>2</sub> e/€M  | 90 tCO <sub>2</sub> e/€M  |  |   |
| 3. GHG intensity of investee companies                          | GHG intensity of investee companies   | 113 tCO <sub>2</sub> e/€M | 161 tCO <sub>2</sub> e/€M |  | <b>Actions planned</b><br>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. |
| 4. Exposure to companies active in the fossil fuel sector       | Share of investments in companies active in the fossil fuel sector  | 0,0%                      | 0,0%                      | The share of investments in companies active in the fossil fuel sector remained stable in the reference period and equal to 0.   |   |
| 5. Share of non-renewable energy consumption and production     | 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 of total energy sources | 94,7%                     | 98,6%                     | This impact indicators showed a 4% decrease YoY. The highest energy consumer remains Italcera, which accounts for ca. 94% of the total aggregated energy consumption of the overall portfolio (MCP-II, III and IV). On the other hand there are portfolio companies, with lower energy consumption, that already have a strong supply of energy from renewable sources, such as Coffee Holding (87%), Croci (68%) and Medtech (15%).   |   |
| 6. Energy consumption intensity per high impact climate sector* | Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector  | 2,9 GWh/€M                | 2,9 GWh/€M                | The energy consumption intensity per high impact climate sector remained flat. The PAI is significantly higher in MCP-II (2.2 GWh/€), which includes more energy intensive companies such as Italcera Group and Italian Frozen Food compared to MCP-III (0.6 GWh/€) and MCP IV (0.1 GWh/€). The highest contributor to this PAI are Italcera, IFFH and Fiorini Industries.   |   |

\* All the investee companies operate in the high impact climate Sector C - Manufacturing

## CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

| Adverse sustainability indicator                                | Metric   | Impact 2023 | Impact 2022 | Explanation  | Actions taken, action planned and targets set for the next reference period   |
|---|--|-------------|-------------|--|---|
| <b>Biodiversity</b>   |  |             |             |  |   |
| 7. Activities negatively affecting biodiversity-sensitive areas | 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 | 0,0%        | 0,0%        | The indicator has been stable in the reference years and equal to 0.   | <b>Actions planned</b><br>Low quality of the indicator. MCP committed to improve it in the following releases.  |
| <b>Water</b>  |  |             |             |  |   |
| 8. Emissions to water   | Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as weighted average   | 0 t/€M      | 0 t/€M      | The indicator has been stable in the reference years and equal to 0.   | <b>Actions planned</b><br>Low quality of the indicator. MCP committed to improve it in the following releases.  |
| <b>Waste</b>  |  |             |             |  |   |
| 9. Hazardous waste and radioactive waste ratio                  | Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested expressed as a weighted average   | 1,2 t/€M    | 1,2 t/€M    | The hazardous waste ratio remained stable in the reference years. In 2023, the main contributors to this impact indicator, in descending order are Eurmoda (60%), Coffee Holding (26%) and Italcer (10%).<br>None of the current portfolio companies generate radioactive waste. | <b>Actions taken</b><br>MCP considered the hazardous and radioactive waste during the investment decision process and controlled whether the target company has all the necessary authorizations and documents required by applicable laws.<br><br><b>Action planned</b><br>MCP commits to conducting further analysis and implementing corrective actions if the indicator shows outliers. |



**INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS**

| Adverse sustainability indicator  | Metric  | Impact 2023 | Impact 2022 | Explanation   | Actions taken, action planned and targets set for the next reference period  |
|---|---|-------------|-------------|---|--|
| <b>Social and employee matters</b>  |   |             |             |   |  |
| 10. Violations of UN Global Compact principles and Organisations or Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises  | Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises  | 0,0%        | 0,0%        | The indicator has been stable in the reference period and equal to 0.   | <p><b>Actions taken</b><br/>MCP adhered to the UN Global Compact principles (“Principles”). During the reference period, MCP has continuously monitored the performance of this indicator.</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> |
| 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises | Share of investments in investee companies without policies to monitor compliance with the UNGC principles or guidelines for Multinational Enterprises or grievance/complaints handling mechanism to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 53,7%       | 50,0%       | This metric increased by 7% in 2023 due to the investment in Fiorini Industries (in the fourth quarter of 2023), which does not have any policy in this field. In the existing portfolio, Margot, Croci and Itarcer are champions in this area, while the other portfolio companies still do not have proper processes and compliance mechanisms in place on this topics. | <p><b>Action planned</b><br/>MCP’s aim is to ensure that investee companies comply with the Principles and commits to improve the indicator 11 by promoting among the portfolio companies’ adherence to the Principles.</p>  |
| 12. Unadjusted gender pay gap   | Average unadjusted gender pay gap of investee companies   | 14,7%       | 17,8%       | The unadjusted gender pay gap was down by 17% YoY in 2023. The gender pay gap in 2023 is almost the same in MCP II (15%) and MCP III (16%). Selematic, Waico and Fiorini record a negative gender pay gap, while the highest gender pay gaps can still be observed in Klapp, Ymenso and Itarcer.  | <p><b>Action taken</b><br/>During the reference period, MCP has continuously monitored the performance of this indicator. It is worth to highlight that in 2023 the Italian perimeter companies of Itarcer (MCP-II) obtained a Gender Equality Management System in accordance with UNI/PdR 125:2022 standards.</p>  |
| 13. Board gender diversity  | Average ratio of female to male board members in investee companies, expressed as a percentage of all board members   | 10,2%       | 9,9%        | The board gender diversity remained quite stable in 2023.   | <p><b>Action planned</b><br/>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.</p>  |
| 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions; chemical weapons and biological weapons)                                  | Share of investments in investee companies involved in the manufacturing or selling of controversial weapons  | 0,0%        | 0,0%        | The indicator has been stable in the reference period and equal to 0.   | <p><b>Actions taken</b><br/>During the reference period, MCP has continuously monitored the performance of this indicator.</p> <p><b>Actions planned</b><br/>MCP intends to maintain the exclusion on investments in the controversial weapons sectors in the future. This reflects its commitment to avoiding entanglement in ethically questionable activities.</p>                    |

**ADDITIONAL PAIs**

| <b>Adverse sustainability indicator</b>  | <b>Metric</b>  | <b>Impact 2023</b> | <b>Impact 2022</b> | <b>Explanation</b>  | <b>Actions taken, action planned and targets set for the next reference period</b>  |
|--|--|--------------------|--------------------|---|---|
| <b>Climate &amp; environment</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  |                    |                    | The main energy source is still natural gas which accounted for 84% in 2023. The use of electricity (from non-renewable sources) as a source of energy has increased significantly at a rate of 8% p.a. in the reference period. It is also notable that the portfolio of MCP-III, which is significantly less energy-intensive than MCP-II, is far more advanced in the electrification of its systems (plants and offices), with a share of energy coming from electricity already at 45% to 50%. | <p><b>Actions taken</b><br/>During the reference period, MCP has continuously monitored the performance of this indicator.</p> <p><b>Actions planned</b><br/>MCP is working to identify opportunities for energy efficiency and electrification of the industrial platforms.</p>  |
|  | Natural gas  | 84,0%              | 90,3%              |   |   |
|  | Liquified natural gas (LNG)  | 0,0%               | 0,0%               |   |   |
|  | Liquified Petroleum Gas  | 0,0%               | 0,0%               |   |   |
|  | Fuel oil, excl. fuel for transport   | 0,0%               | 0,0%               |   |   |
|  | Fuel oil, for transports   | 2,3%               | 1,8%               |   |   |
|  | Electricity consumption from non-renewable sources   | 13,7%              | 7,9%               |   |   |
| <b>Social, human rights, anti-corruption &amp; anti-bribery</b>                |  |                    |                    |   |   |
| 3. Number of days lost to injuries, accidents, fatalities or illness           | Number of days lost to injuries, accidents, fatalities or illness in investee companies, expressed as weighted average | 252 days           | 184 days           | This indicator increased by 37% in 2023.  | <p><b>Actions taken</b><br/>Attention to health and safety (“H&amp;S”) is a major concern for MCP in engaging with its portfolio companies. During the reference period, MCP has continuously monitored the performance of this indicator.</p> <p><b>Actions planned</b><br/>Low quality of the indicator. MCP committed to improve it in the following releases.</p> |

# Description of policies to identify and prioritize principal adverse impacts on sustainability factors

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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 frameworks. 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 ESG Officer, in coordination with the Portfolio Manager, takes care of properly maintaining the ESG Policy and oversees the ESG Due Diligence in the pre-investment phase. In the ownership phase, the ESG Officer engages and dialogues with the portfolio companies to improve their sustainability performance, from the setup 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.

MCP considers the PAIs 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.

The PAIs are identified during the prescreening phase, and if the MCP Team determines that they cannot be sufficiently mitigated during the ownership phase, the investment opportunity is not pursued further. Conversely, if the identified PAIs are deemed manageable, they are typically addressed in both the pre-investment and ownership phases.

#### **Ownership phase - Measurement and monitoring of PAIs:**

within the scope of the Due Diligence, MCP sets forth a list of priority ESG corrective and improvement actions for the target company to implement, as well as a set of ESG key performance indicators (including the PAIs), which will be measured and monitored during the holding period through the use of a proprietary tool. 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.



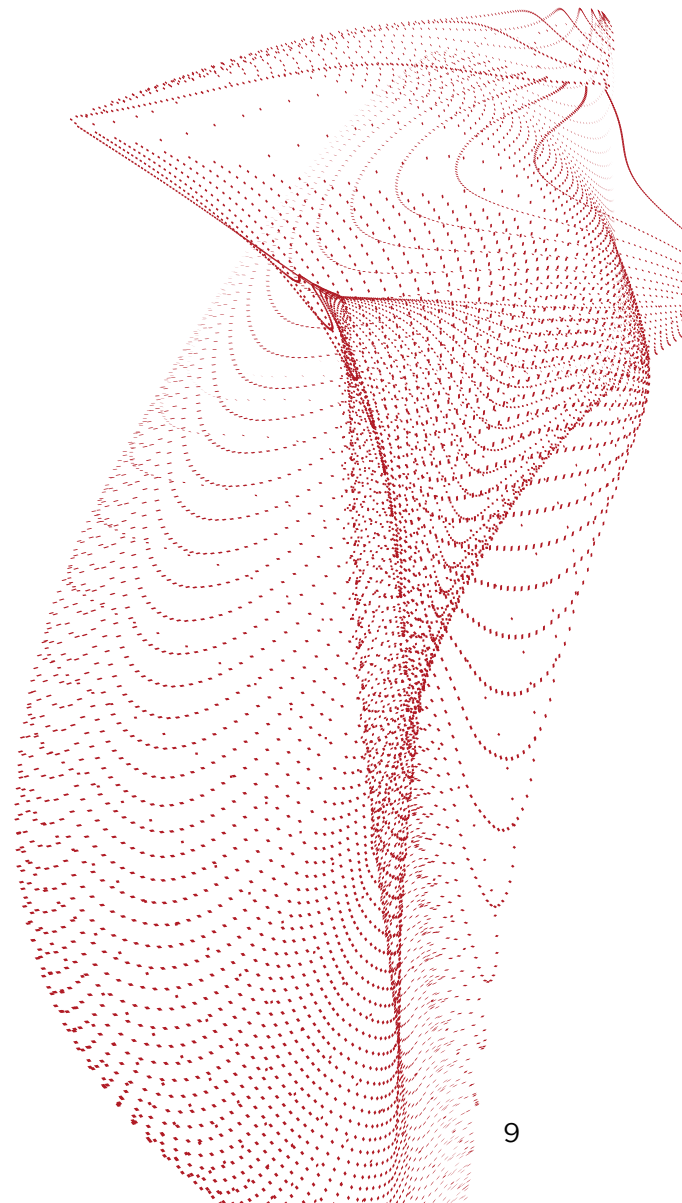
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The usual limitations to data collection methodologies and interpretation that MCP experiences in these kinds of processes are listed herewith below:

- I. Data Quality / Availability:** missing or 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.
- 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 ESG Officer.



# Engagement policies

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

From the outset of the ownership period, MCP engages with each portfolio company to identify actions for mitigating the PAIs 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

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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 since 2015, MCP is committed to adhere to the 6 Principles for Responsible Investment during all the investment-decision process, and as a UN Global Compact's signatory, MCP and its portfolio companies support the 10 Principles of the UN Global Compact on human rights, labor, environment, and anticorruption.

In addition, in 2023 MCP recalibrated its third Alternative Investment Fund, Mindful Capital Partners III, to Article 8 under the SFDR

and began fundraising for the next Article 8 compliant AIF, Mindful Capital Partners IV, which continues to address the same Environmental and Social characteristics and sustainable development goals as the current fund. Specifically, through its investments, MCP actively strives to contribute to the following UN Sustainable Development Goals (SDGs):

1. **SDG 3** - Good health & well-being.
2. **SDG 5** - Gender equality.
3. **SDG 8** - Decent work and economic growth.
4. **SDG 12** - Responsible Consumption and Production.
5. **SDG 13** - Climate Action.

# Historical Comparison

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This statement on the principal adverse impacts of investment decisions on sustainability factors covers the reporting period from 1 January 2023 to 31 December 2023.

Overall, the developments of PAIs in 2023 demonstrate a commitment to environmental and social sustainability at both the MCP level and within the invested companies, with notable improvements in GHG emissions. However,

challenges persist in areas such as gender equality, the frequency of workplace incidents, and the continued excessive reliance on non-renewable energy sources.

MCP believes that the quality and availability of data still shows room for improvement and aims to contribute to this improvement through engagement with portfolio companies.



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