

Koinos Capital

KOINOS CAPITAL SGR SUSTAINABILITY POLICY

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1	23/11/2022	ESG Manager	Board of Directors
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1. PREMISE

Koinos Capital SGR (“Koinos Capital” or the “SGR”) believes that **attention to sustainability factors** (ESG), in addition to promoting sustainable economic development, also contributes positively to financial results, making them sustainable in the medium and long term. **Koinos Capital believes**, in fact, **that companies that meet high social, environmental and corporate governance (ESG) standards can generate sustainable performance in the long term**, thus substantiating the commitment made by the Koinos Capital towards its Investors.

This **Sustainability Policy** (hereinafter also the “Policy”) aims to:

- formalize Koinos Capital commitment to acting as a responsible investor;
- consolidate and pursue sustainable growth in the medium and long term, both for Koinos Capital and for its stakeholders;
- promote, develop and disseminate a culture of sustainability, expressed in its environmental, social and governance (ESG) aspects;
- integrate sustainability considerations into Koinos Capital’s internal policy and procedure framework, ensuring they effectively inform both strategic decision-making and the operational management of the investments.

Koinos Capital applies its Sustainability Policy to all its asset classes. Currently Koinos Capital manages three asset classes, each with a dedicated Investment Team:

- Private Equity (PE)
- Venture Capital (VC)
- Fund of Funds (FoF)



The **Sustainability Policy** is implemented in a manner that is **duly tailored to the characteristics and operational modalities of the different types of funds under management**. Moreover, it is made publicly available on the website and to all Koinos Capital employees in order to disseminate the sustainability principles promoted by Koinos Capital. The Board of Directors approves this Policy and carries out a review of it at least annually and, if necessary, provides indications for its update.



2. MAIN REGULATORY REFERENCES

- **Regulation (EU) 2019/2088** of the European Parliament and of the Council of 27 November 2019 on sustainability disclosures in the financial services sector (hereinafter also “**SFDR**”);
- **Regulation (EU) 2020/852** of the European Parliament and of the Council of 18 June 2020 relating to the establishment of a framework promoting sustainable investments and amending Regulation (EU) 2019/2088 (hereinafter also “**Taxonomy**”);
- **Commission Delegated Regulation (EU) 2022/1288** of 6 April 2022 supplementing Regulation (EU) 2019/2088 (SFDR) with regulatory technical standards on the content and presentation of information regarding the “**Do No Significant Harm**” (DNSH) principle, sustainability indicators, adverse impacts, and the promotion of ESG objectives in pre-contractual documents, websites, and periodic reports (hereinafter also “**RTS SFDR**”);
- **Commission Delegated Regulation (EU) 2021/1255** of 21 April 2021 amending Delegated Regulation (EU) No. 231/2013 regarding sustainability risks and sustainability factors that alternative investment fund managers must take into account;
- **Supervisory expectations on climate and environmental risks**, Bank of Italy, April 2022 (hereinafter also “**Aspettative di Vigilanza**”).

Within this regulatory framework, **the funds currently managed by Koinos Capital are classified as follows:**

- Private Equity (PE): **Article 8 SFDR**
- Venture Capital (VC): **Article 6 SFDR**
- Fund of Funds (FoF): **Article 6 SFDR**

Based on this classification, the related obligations have been calibrated both in terms of process and disclosure requirements, in line with the provisions of the applicable regulation.



3. VISION AND GOALS

Koinos Capital is committed to Responsible Investments and, in its value creation investment strategy, carefully considers Environmental, Social and Governance (ESG) issues. It believes that best ESG practices not only have a beneficial impact on the environment and on society at large, but also positively contribute to create value for the invested companies.

The sustainability principles underpinning Koinos Capital's Sustainability Policy are based, among others, on two **international frameworks** promoted and supported by the United Nations, namely:

- the **PRI** – Principles for Responsible Investment
- the **UNGC** – United Nations Global Compact and the **SDGs** – Sustainable Development Goals

The PRI are six Principles established in 2006 by the “Principles for Responsible Investment” organization, a United Nations-supported initiative aimed at developing a sustainable global financial system. **As a signatory to the PRI since 2021, Koinos Capital is committed to:**

- **incorporating ESG issues** into the investment analysis and decision-making processes;
- **being an active owner** and integrating ESG issues into its ownership policies and practices;
- **seeking appropriate ESG disclosure** by the entities in which it invests;
- **promoting acceptance and implementation of the Principles** within the investment industry;
- working together to **enhance the effectiveness** in implementing the Principles;
- **reporting on its activities** and progresses towards implementing the Principles.

In shaping its Sustainability Policy, Koinos Capital also draws inspiration from the **UNGC**, a voluntary initiative launched by the United Nations that invites companies to align their strategies and operations with **ten universally accepted principles** in the areas of **human rights, labour, environment, and anti-**



corruption. These principles were translated, in 2015, into the **17 Sustainable Development Goals (SDGs)** as part of the **“2030 Agenda for Sustainable Development”**.



4. GOVERNANCE

Koinos Capital has **explicit internal organizational accountabilities for ESG matters**. The governance of ESG responsibilities within Koinos Capital is distributed across the following functions: Board of Directors, Investment Committees, ESG Manager, ESG Reference Person, Investment Teams, Risk Manager and Compliance.

Board of Directors:

- Defines the ESG strategy and objectives of the SGR;
- Determines the relevance of ESG factors that may impact the firm's operations, investments, and stakeholders;
- Approves this Policy and oversees its proper implementation;
- Approves exclusion criteria and the metrics used to assess the ESG performance of target companies;
- Appoints a Board Member as ESG Manager;
- Receives specific reports from the ESG Manager, including internal reporting documents that integrate ESG factors, with a particular focus on monitoring the ESG performance of the Funds.

Investment Committees:

- Ensure that ESG factors are included in the Preliminary and Final Investment Memoranda and that sustainability risks are considered in the investment and divestment decisions.

ESG Manager:

- Coordinates the implementation and ongoing development of the ESG strategy for the entire SGR;



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- Ensures that activities under this Policy are aligned with Koinos Capital’s sustainability goals as a signatory to the Principles for Responsible Investment (PRI), and updates the Board of Directors in accordance with the procedures;
 - Proposes ESG exclusion and integration criteria for Board approval;
 - Reports on ESG performance in the annual investor reporting (within the ESG-dedicated section, in accordance with relevant regulations);
 - Appoints an ESG Reference Person within each Investment Team;
 - Works through the ESG Reference Persons alongside the Investment Teams to integrate ESG considerations throughout the investment lifecycle;
 - Promotes periodic ESG training initiatives to raise awareness and strengthen ESG culture across the SGR.

ESG Reference Person:

- Supports the ESG Manager in the ongoing activities;
- Oversees the implementation of the ESG strategy by its Investment Team;
- Makes sure the ESG considerations are integrated in each phase of the investment process;
- Reports to the ESG Manager on the development of the main operations.

Investment Teams:

- Collaborate, through the respective ESG Reference Person, with the ESG Manager to integrate ESG considerations throughout the investment lifecycle, in line with the Fund’s ESG characteristics;
 - Assess ESG factors during the preliminary screening of potential target companies;
 - Coordinate ESG pre-due diligence and due diligence, also with the support of external advisors where appropriate;



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- Integrate ESG analyses and findings and the sustainability risks into the Preliminary and Final Investment Memoranda;
 - Support the management of the portfolio companies in the preparation and execution of the ESG action plan, if applicable;
 - Monitor ESG factors throughout the holding period.

Risk Manager:

- Ensures the integration of sustainability risks throughout the investment lifecycle;
- Monitors the potential impacts of sustainability risks on fund performance and the SGR's broader risk profile;
- Ensures that the Board of Directors is kept informed on the development of sustainability risks at both SGR and portfolio levels, through regular and ad hoc reporting.

Compliance:

- Assesses the risk of non-compliance with sustainability-related regulations (e.g. SFDR, Commission Delegated Regulation (EU) 2021/1255 of 21 April 2021);
- Supports internal teams in fulfilling regulatory ESG disclosure obligations within their areas of responsibility.

In order to guarantee the alignment of Koinos Capital's bodies, the SGR has partnered with ESG experts to develop and implement a **comprehensive ESG training program** for the entire organization. Regular training sessions were held in **2023 and 2024**, covering topics such as:

- ESG regulatory framework;
- ESG characteristics of financial products;
- Expectations from Banca d'Italia regarding ESG risk monitoring;



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- Environmental risk: physical and transition risks;
 - Materiality analysis implementation;
 - Greenwashing.

The **Board of Directors** and the **Investment Teams** will undergo ESG training **twice per year**, one managed internally by the ESG Manager, and one delivered by an ESG expert to update on regulatory evolutions. Both will be followed by a dedicated evaluation test.



5. SUSTAINABILITY IN THE INVESTMENT PROCESS

5.1 INTRODUCTORY FRAMEWORK

Koinos Capital is committed to responsible investing and, in its investment strategy and investment processes, carefully considers ESG issues. Koinos Capital believes that ESG best practices not only have a positive impact on the environment and society in general but also contribute positively to creating value for the invested companies.

In line with this vision, **the SGR is committed to:**

- **Verifying compliance with the ESG exclusion criteria** defined in this Policy, under which Koinos Capital does not invest in companies active in or involved with, or that control companies active in or involved with, particularly controversial sectors; further exclusion criteria may be identified for each Fund, according to its ESG profile;
- **Integrating sustainability factors and risks** (including climate and environmental risks) in its investment decisions;
- Continuously **monitoring** of the compliance with ESG exclusion criteria and the ESG performance trend;
- Initiating constructive dialogue to guide companies in the process of improving and integrating sustainability factors, including through **active ownership**;
- Formalizing the outcomes of the above activities in **internal reporting** documents shared with the Board of Directors and relevant corporate functions;
- **Considering, where deemed appropriate, divestments** in cases of non-compliance with exclusion criteria and/or negative outcomes of actions taken to improve ESG performance.

The Funds managed by Koinos Capital have profoundly different characteristics, which have been considered in defining the most appropriate ESG investment approach to ensure effective implementation of the principles and objectives of the Sustainability Policy. **The key elements that**



describe the different structural position of Koinos Capital in the different Funds can be summarized as follows:

- **Private Equity (PE):** Koinos Capital is usually a majority shareholder and can therefore **effectively play an active shareholding role, proactively interacting with the management team of the company.** The companies are usually SMEs, in most cases with consolidated market positions, production facilities and product offering, but often characterized, due to their size, by thin organizations and relatively unstructured processes. The active role of Koinos Capital can significantly contribute to reinforce the ESG governance, detect and mitigate the sustainability risks and, promoting environmental and social characteristics, improve the overall ESG profile and performance of the companies;
- **Venture Capital (VC):** Koinos Capital is usually a minority shareholder, and its **possibility to play an active shareholding role is therefore limited.** The companies are usually start-ups, often in the pre-seed or seed stage. It is normal for such companies to have a very thin organization structure and to lack consolidated processes and data;
- **Fund of Funds (FoF):** Koinos Capital is a Limited Partner or, in case of direct co-investments, a minority shareholder. The discretionary room of manoeuvre of the SGR is therefore limited and it is carried over on a *best effort* basis. **It focuses, in the pre-investment phase, on an ESG evaluation of the Fund Manager** (General Partner) and, **in the Ownership Phase, in monitoring** the consistency of the behaviour of the Fund Manager regarding ESG matters.

Despite the structural and regulatory differences that characterize them, all funds **are aligned with the ESG principles of Koinos Capital**, while the specific approach is **tailored** to the specific characteristics and strategies of each fund.

5.2 EXCLUSION AND NEGATIVE SCREENING

Koinos Capital shall not make investments in enterprises that are active or involved, or that control enterprises that are active or involved, **in one or more of the following sectors:**



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- Production or marketing of **armaments**, firearms, military-type supplies, or ammunition as described by Law 220/2021 and the implementing provision of July 23, 2024, issued by Banca d'Italia, COVIP, IVASS, and MEF;
 - **Human cloning**;
 - Production and marketing of **pornographic materials**;
 - **Tobacco**;
 - **Nuclear energy**, if the company in which it is intended to invest does not comply with standards set by the International Atomic Energy Agency (IAEA);
 - **Electric power**, if the revenues of the company in which it is intended to invest derives more than 30% (thirty percent) from coal;
 - **Mining**, in case there are critical issues or concerns regarding habitat and biodiversity destruction, water, soil and air contamination, child and forced labor, cultural heritage, and/or corruption and political risk.

This exclusion list is applied to all the Funds managed; additional limitations specific to each Fund may be applied.

5.3 PRE-INVESTMENT PHASE

Koinos Capital applies, across all managed funds, **a pre-due diligence and due diligence process that explicitly integrates sustainability risk assessments**, with the objective of verifying the effectiveness of control systems across the following areas:

- **Environment**: the existence of adequate tools for monitoring and managing environmental and climate-related risks, both physical and transition-related;
- **Social**: the presence of sustainable practices in human capital management and respect for human rights;
- **Governance**: the existence of an effective and balanced corporate governance system.



These analyses are conducted using **methodologies appropriate to the nature of the funds currently managed in each asset class**. In particular:

- **Private Equity (PE): full pre-due diligence and due diligence**, including a preliminary ESG internal analysis and an ESG due diligence carried out by external advisors, a Sustainability Risks analysis and the verification, according to the Art. 8 SFDR qualification, of the consistency with the environmental and social characteristics promoted by the Fund;
- **Venture Capital (VC): Sustainability Risk assessment conducted by the Investment Team**, adapted to early-stage contexts and therefore based primarily, on top of company-specific elements, on a forward-looking analysis of sector-specific and business-related elements; further procedures, such as the adoption of specific questionnaires to be completed by perspective portfolio companies, may be applied;
- **Fund of Funds (FoF): assessment of Fund Managers (GPs) regarding their integration of Sustainability Risks**, engagement practices, and reporting standards, on a “best effort” basis.

For all funds, **the assessment of sustainability risks represents a compulsory step in the decision-making process** of both the Investment Committees and the Board of Directors.

5.4 OWNERSHIP

Koinos Capital exercises an **active ownership role**, with the objective of effectively and continuously monitoring the evolution of sustainability risks, enabling timely actions for prevention, mitigation, and, if appropriate, anticipated divestment:

- **Private Equity (PE):** The SGR systematically plays a **direct and proactive role as an active shareholder** through ongoing dialogue with the company’s management, the definition and sharing of customized ESG Action Plans, the identification of key performance indicators (KPIs), the annual monitoring with the support of external advisors, and the integration of results into periodic investor reporting.



During the holding period, the SGR pursues **two parallel goals**: i) **continuous oversight of potential changes in sustainability risk**; ii) **enhancement of the company's overall ESG profile**, with particular attention to the environmental and social characteristics promoted by the fund. In support of this second objective, the SGR may **propose to the management the opportunity for the company to pursue the B-Corp certification**, which is viewed as a highly effective framework for building robust ESG-related infrastructure and processes and enhancing ESG performance.

To this end, an ESG responsible is explicitly appointed in each company, an **ESG Action Plan** is defined, a company team is designated to implement it, specific training and external support are provided, and progress – as well as any deviations from the plan – are monitored regularly.

- **Venture Capital (VC)**: Given the typical minority shareholding, **shareholder engagement** is adapted accordingly and **focuses on fostering ESG awareness within the management teams of startups**.

The aim is to encourage focusing of the most relevant ESG dimensions, monitoring the sustainability risk and detect any emerging risk factor, and promote the adoption of ESG best practices.

Further procedures, such as the adoption of specific questionnaires to be completed by portfolio companies, may be applied.

- **Fund of Funds (FoF)**: Engagement takes the form of the **monitoring of the managers of the underlying funds**, verifying through the periodic reporting the alignment with the practices presented at the time of investment. This process helps ensure continued oversight of sustainability risks within the underlying portfolios.

5.5 REPORTING

The SGR formalizes the outcomes of the activities described above in internal reporting documents shared with the Board of Directors and with the relevant corporate functions within their area of responsibility.



Below is a non-exhaustive list of examples related to the reporting system adopted by Koinos Capital, concerning the outcomes of ESG analyses applied throughout the entire investment lifecycle:

Investment Phase	Report	Frequency	Recipient	Owner
Pre-Investment	Preliminary Investment Memorandum	Ad hoc	Investment Committee Board of Directors	Investment Team with support from ESG Manager
Investment	Final Investment Memorandum	Ad hoc	Investment Committee Board of Directors	Investment Team with support from ESG Manager
Monitoring	Investment Review	Bi-annual	Risk Management Board of Directors	Investment Team with support from ESG Manager
Divestment	Divestment Memorandum	Ad hoc	Risk Management Board of Directors	Investment Team with support from ESG Manager

5.6 EXIT

The portfolio companies should leave Koinos Capital's ownership with a more attractive, competitive and sustainable value proposition:

- A stronger ESG awareness and culture across the entire organization
- An ESG infrastructure in place to comply with regulations, which systematically monitors the evolution of sustainability risks and tracks progress on sustainability dimensions
- An improved Governance structure.



6. TRANSPARENCY

Koinos Capital guarantees that the sustainability information is drawn up and shared in accordance with the provisions of the relevant legislation (e.g. SFDR, Delegated Regulation 2022/1288). Below is a non-exhaustive list of the SGR's sustainability disclosure obligations.

Topic	Regulatory reference	Reporting	Frequency
Transparency of sustainability risks policy	Art. 3 SFDR	Website	Annually or after significant events
Transparency of adverse sustainability impacts at entity level	Art. 4 SFDR (and RTS SFDR)	Website	Annually (before 30 th June)
Transparency of the promotion of environmental or social characteristics in pre-contractual disclosures	Art. 8 SFDR (and RTS SFDR)	Investors	Fund establishment + after significant events
Transparency of the promotion of environmental or social characteristics and of sustainable investments on the website	Art. 10 SFDR (and RTS SFDR)	Website	Annually or after significant events
Transparency of the promotion of environmental or social characteristics and of sustainable investments in periodic reports	Art. 11 SFDR (and RTS SFDR)	Investors	Annually



7. APPROVAL, REVIEW AND PERIODIC UPDATE

The Board of Directors approves this Policy and reviews it at least annually, providing guidance for its update if necessary.

The Board of Directors also defines a program for the periodic review and update of decisions relating to the methodologies and tools used for assessing sustainability risks (including climate and environmental risks), as well as for measuring and monitoring the ESG performance of investments, to ensure their continued validity and relevance.

