



AMBIENTA
Environmental Investments

AMBIENTA X Sustainability Report 2nd Half 2023



Signatory of:



Committed to



Sustainability at Ambienta X

Sustainability drives value

Ambienta is a European environmental sustainability investor active across private and public markets. Operating out of Milan, London, Paris, and Munich, Ambienta manages over €3 billion in assets. The expansion towards public markets has been realized through the creation of the Ambienta X division in 2020. In line with our Responsible Investment Policy, we exclusively invest across asset classes in businesses whose products or services generate a positive Resource Efficiency or a Pollution Control impact. Impact must be at the origin of growth, be uncontroverted, measurable and material. Invested businesses grow because of the increasing need of their products and services to cope with the pressure on natural resources and the negative effects of pollution.

Since our founding 2007, we believe that companies which provide solutions to global environmental issues are not only good for the planet and its inhabitants but will also enjoy growing long term competitive advantages in their respective sectors. Similarly,

companies which are not taking this trend into consideration when evolving their business are going to be heavily penalized.

To ensure the sound implementation of this investment strategy, Ambienta created the Sustainability & Strategy (S&S) function, now composed of 10 individuals; a centralized team fully dedicated to understanding how environmental trends shape industries and create investment opportunities. The S&S team continuously maps and researches compelling environmental investment opportunities, leads the development of proprietary sustainability measurement approaches and implements ESG strategies and integration activities within our firm and across our asset classes.



SFDR

Ambienta's directly managed funds are classified as **Article 9** under the Sustainable Finance Disclosure Regulation (SFDR). The investment strategy, as described above, embeds a precise environmental sustainability objective. We provide information in the fund prospectus, on the website, and in commercial material on how we incorporate this objective, how we measure it, and how we take sustainability risks into consideration during the investment process.

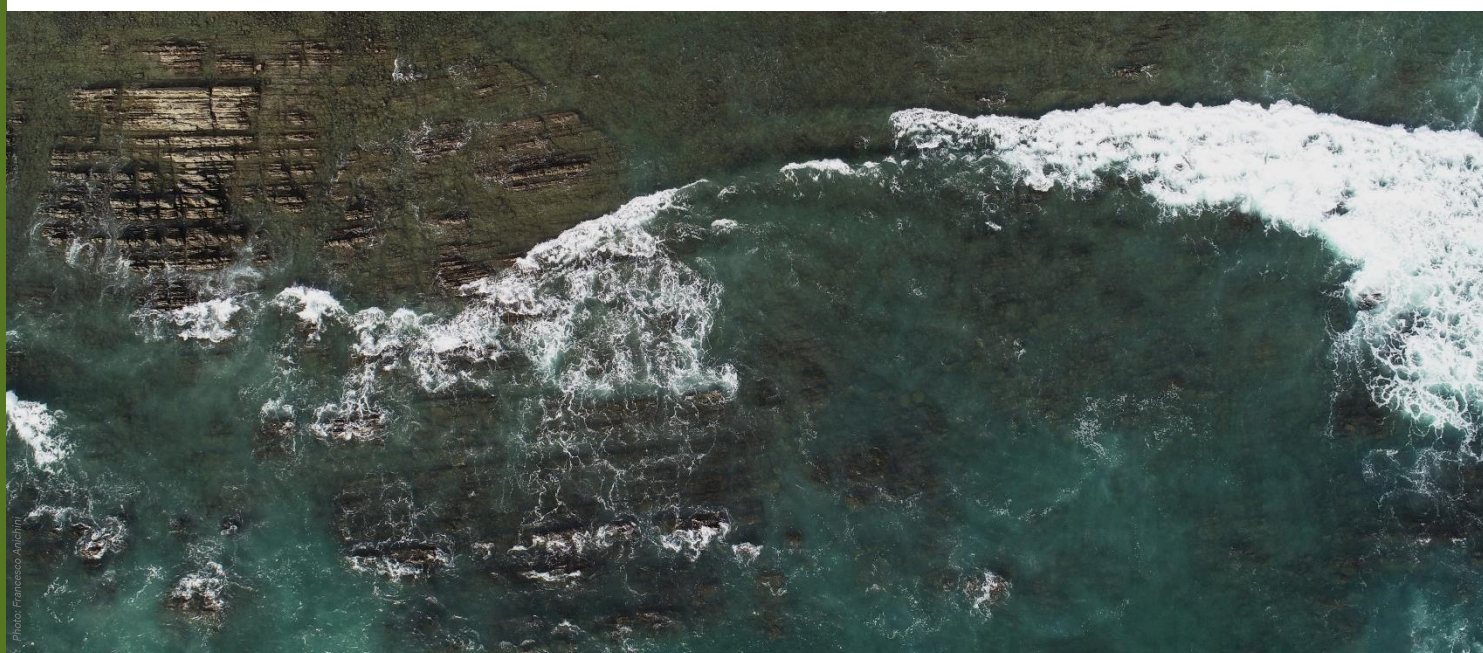
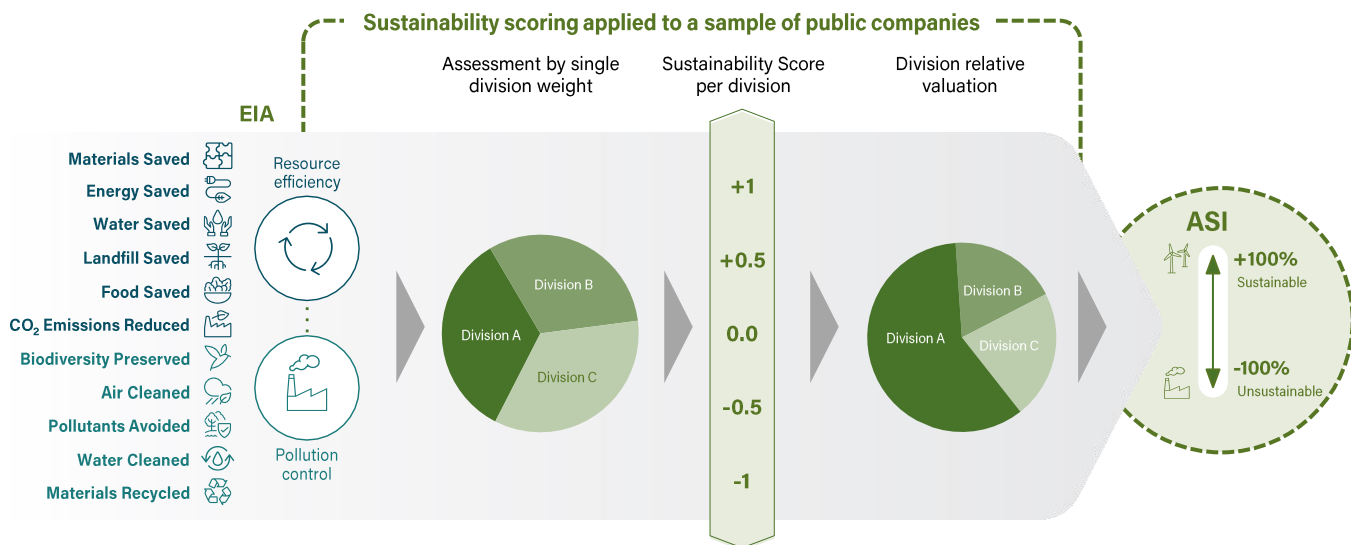


Photo: Francesco Anghini

Our proprietary methodology called Environmental Impact Analysis ("EIA") was developed in 2014 to analyse and calculate the real-world impact of private equity portfolio companies through 11 metrics which represent how companies can contribute to Resource Efficiency and Pollution Control. Our proprietary methodology reflects our holistic approach to environmental sustainability and works both as a due diligence tool against greenwashing and as a powerful reporting instrument. The Ambienta public market team has worked alongside the S&S team drawing principles from the EIA used in private equity and developed the Environmental Sustainability Scoring (ESS) system for listed equities. The ESS is composed of three levels:

- The **"Sustainability Score"** is a score ranging from -1 to +1 (in 0.5 steps) assigned to each reporting division of a company to indicate the level of positive or negative contribution to the 11 Environmental Metrics.

- The **"Ambienta Sustainability Index"** ("ASI"), our single stock indicator, represents in one figure (ranging between -100% and 100%) the contribution to Resource Efficiency and Pollution Control of each individual company and therefore the estimated correlation of the value of a listed company to environmental sustainability and related trends. It is calculated as the weighted average of the "Sustainability Score" of each division weighted by the market value of the same division, as illustrated in the figure below.
- The **"Sustainable Notional Value"** ("SNV") is the portfolio indicator, used for our long/short strategies, which provide the net sustainable value of the portfolio as an indication of its contribution to Resource Efficiency and Pollution Control.



These metrics are directly used for the construction of our portfolios. Typically:

- Long positions will need to have an ASI score $\geq 25\%$
- The SNV of our long/short strategies needs to be larger than the Delta Notional Value, ensuring our net exposure to sustainability is larger than our net exposure to the market.

Ambienta's ESS is based on detailed fundamental analysis of a company, combined with an assessment of the underlying sustainability trends to which the revenue and other cash flow streams of the company are exposed. Such analysis is updated at least once a year. Hundreds of companies have been evaluated utilising this proprietary methodology and Ambienta reviews and reports to investors on sustainability metrics on a monthly basis.

ESG in Action: our value creation and risk management tool

Our Responsible Investment Policy, established in 2015 and periodically reviewed by the Board of Directors, frames our ambition and our active commitment to environmental sustainability and ESG integration at

both Management Company level and across all asset classes. The latest version of our Responsible Investment Policy was approved by the Board in Q1 2023.



As a signatory to the **UN Principles for Responsible Investment (PRI)** since 2012, Ambienta has consistently achieved high scores within the PRI framework. In 2019, the company earned **B Corp** certification, with top decile scoring. The subsequent year, Ambienta introduced its Net Zero Strategy and received Climate Neutral certification at the corporate level. Reinforcing its commitment to its carbon footprint, in 2023, Ambienta committed to establish near-term emission reduction targets aligned with the criteria of the **Science Based Targets initiative**.

Ambienta developed **ESG in Action**, an award-winning initiative called serving as an internal blueprint to drive, enhance, and engage its Private Equity portfolio on Environmental, Social, and Governance (ESG) matters. Since its inception in 2012, this program has been a cornerstone of the firm's ethos, weaving ESG considerations into every stage of the Private Equity investment lifecycle. The program's goal is to generate long-term shareholder value and elevate the ESG performance of investments throughout the company and across all asset classes.

Within its Public Market division, Ambienta extends its ESG framework to encompass additional criteria and guide engagement efforts, necessitating a thorough comprehension and oversight of the ESG challenges faced by portfolio companies.

During the due diligence phase, Ambienta performs comprehensive analyses based on external sources, corporate data, and direct interactions, focusing on the most significant ESG concerns. These assessments include identifying ESG risks and opportunities, as well as verifying compliance with **Article 9 of the SFDR**, which covers Minimum Safeguards, Do No Significant Harm, and Good Governance principles. When possible, comparisons against industry peers are also considered. Post-investment, the firm continuously monitors the ESG performance of its portfolio companies through external sources and deepens its understanding of their key ESG issues through ongoing engagement and voting processes.



Photo: Francesco Anichini

Engagement

At Ambianta, we recognize that as responsible investors it is our duty to encourage our portfolio and prospective companies to continuously improve. To this end, we are committed to ever refining our engagement strategy, aiming to be increasingly effective in advocating for top-tier management of ESG matters.

Engagement process

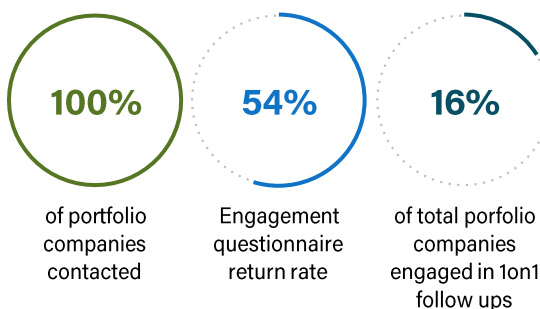
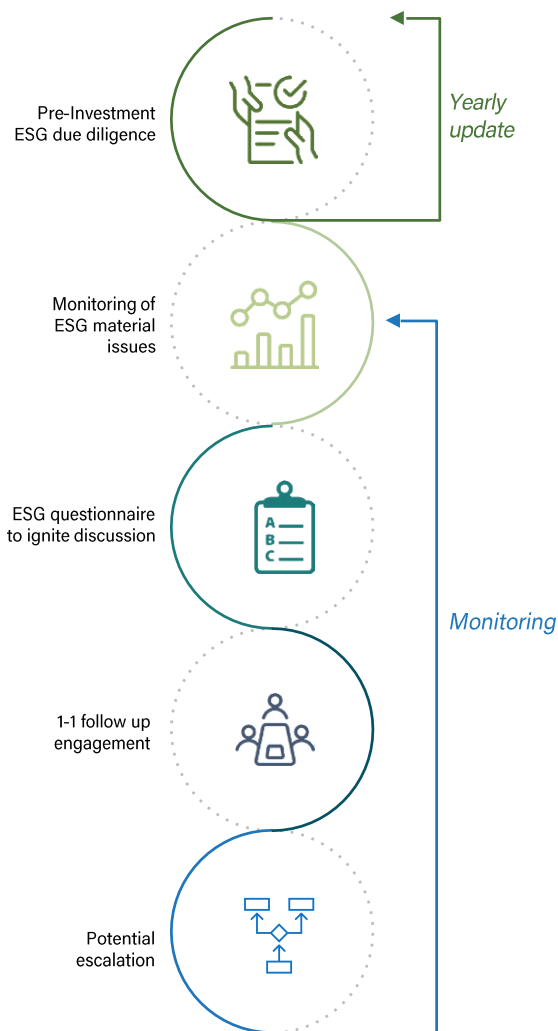
Ambianta's engagement process starts from various inputs that can activate the Investment team and the S&S team:

- **During the due diligence phase**, the S&S team may initiate an engagement process, typically beginning with a meeting with the target company. This step is aimed at clarifying any concerns raised during the analysis or ensuring that the target company has effective management of ESG topics.
- **Throughout the holding period, if controversies arise** that affect a portfolio company, an in-depth analysis by the Investment team, assisted by the S&S team, may determine that engaging with the company is essential. This engagement is to influence management decisions and resolve issues or facilitate dialogue with stakeholders.
- **As part of the annual engagement cycle**, the Investment and S&S teams jointly review the entire portfolio, including responses from an **engagement questionnaire** sent to all portfolio companies. Based on this analysis, the fund's ESG priorities, and the issues most relevant to Ambianta's stakeholders, a selection of companies is chosen to discuss improvement areas, motivate enhancement actions, and promote sound governance and long-term sustainable practices. During 2023 we contacted 100%¹ of our portfolio companies via our engagement questionnaire.

When a concern or a potential improvement in the issuer's approach is identified, the Investment team contacts the company management, normally through a **1-1 meeting, to share Ambianta's recommendations** on addressing the situation or improving its practices.

If, after an appropriate period of time, the issuer has not responded or refuses to amend its practices, an **escalation strategy is formulated**. The first step usually involves escalating the issue to senior company management. This might be through a letter to the top management or the board of directors or arranging a new meeting. **We may also collaborate with institutional investors to exert more influence on investee companies.**

If these initial steps are unsuccessful, we exercise our shareholder rights to advocate for a change of approach. This can **involve filing or co-filing shareholder resolutions** or **voting against** the re-election of key board members. Depending on the severity of the investee company's negative impacts, **the escalation process may ultimately lead to divestment from the company.**

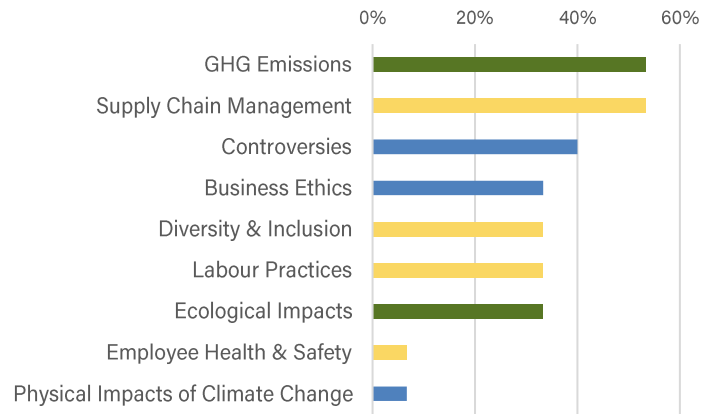


Notes: ⁽¹⁾ Ambianta X portfolio at end of June 2023

Engagement areas

Our engagement efforts focused on three priority themes: i) key material environmental and social issues for each company; ii) priority topics consistent with our environmental sustainability-driven investment strategy; iii) good governance: board effectiveness and leadership to guarantee proper oversight and execution of ESG actions. In 2023 we engaged our portfolio and prospective companies on the following priority topics.

Frequency of topics coverage in 1on1 engagements



Engagement case study

Thermo Fisher



Topic of engagement

From 2019 to 2022, Thermo Fisher was found to be indirectly supplying tools to Chinese police used to identify and persecute Muslim Uyghurs. Thermo Fisher assured NGOs of its "multi-level purchasing process" designed to prevent sales of human identification products to Xinjiang authorities but not to Tibetan authorities. Throughout 2023, the broader issue and Thermo Fisher's involvement was prominent on the agenda of the US Congressional Executive Commission on China (CECC).



What was done

- Monitored the case and engaged with the company and NGOs
- As the topic continued to be highlighted by NGOs and by the US CECC, Ambienta:
 - Re-engaged management through a formal letter proposing implementation of stronger measures;
 - Co-filed a shareholder resolution with other investors and involved NGOs, requesting a detailed disclosure of sales to law enforcement in at-risk countries.



Outcomes

Thermo Fisher agreed to collaborate with co-filing investors and NGOs to determine the best course of action to address the current issue and prevent the future misuse of its products.

At the beginning of January 2024, the company announced that it had stopped sales to the Tibet region.

Voting

We proactively exercise our voting rights to foster a robust culture of corporate governance and to ensure the effective handling of environmental and social concerns, along with the thorough reporting in accordance with reputable standards.

Operationally, our voting process is managed through a third-party provider, guaranteeing that each vote is cast in accordance with sustainability criteria. However, both our Investment and S&S teams meticulously review every voting proposal, confirming alignment with Ambienta's Responsible Investment Policy. In 2023, we participated in voting on 100% of eligible proposals. Among these, we cast 5% of our votes against management recommendations and supported 100% of propositions that aimed to enhance ESG initiatives and transparency.

Our commitment and international recognition

Our engagement

Committed to



Signatory of:



Certified





The Institutional Investors Group on Climate Change



THE VOICE OF PRIVATE CAPITAL
VLP UNIL-CAPITAL
PRIVATE EQUITY
INFRASTRUCTURE
LONG TERM INVESTORS

Our Awards



Real Deals – Hall of Fame for Nino Tronchetti Provera



The Hedge Fund Journal – UCITS Hedge Award for best performing ESG fund in 2021 and over 2 years



Principles for Responsible Investment

UNPRI

- ★★★★ Policy Governance and Strategy
- ★★★★ Private Equity
- ★★★★ Hedge Funds
- ★★★★ Listed Equity
- ★★★★ Confidence Building Measures



Main Street Partners – Best Alternative Fund (Ambienta X Alpha)

Disclaimer

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Ambienta X is the public markets division of Ambienta SGR S.p.A., a sustainability-focused asset manager established in 2007. Ambienta X is led by Fabio Pecce, who is accompanied by a team of partners and seasoned professionals embracing the same ethos and values.

Ambienta X objective is to generate attractive risk-adjusted absolute returns, through capital appreciation and income. The division intends to achieve this by investing primarily in equities and equity-linked securities of companies worldwide exposed to Environmental Sustainability (“ES”) trends. ES is a key driver of the investment strategy and is embedded in the portfolio selection process. This acts as a powerful engine of idea generation: i) as a rigorous filter to highlight attractive companies (potential Core Longs), and ii) a disruptive force impacting incumbent franchises or overvalued green-washed companies lacking sustainable competitive advantages (potential Core Shorts).

Ambienta X leverages the internal expertise and knowledge built by Ambienta over the past decade around the ES impact on sectors and value chains. Ambienta X collaborates daily with Ambienta Sustainability & Strategy (“S&S”), a team dedicated to fundamental research and the support of the investment divisions.

For more information, please contact:
 Laurent Donin de Rosière: ldr@ambientasgr.com
 Michele Romualdi: mir@ambientasgr.com
 Christian Simond: c.simond@ambientasgr.com

www.ambientasgr.com