



**AMBIENTA**  
Environmental Investments



# TCFD Report 2023



Foto © 123rf

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## Introduction

Since our inception in 2007, Ambienta has been dedicated to fostering a sustainable future. We achieve this by investing in companies which have a positive environmental impact in their respective sector. Ambienta firmly believes in the direct connection between sustainability-driven business practices, active ESG (Environmental, Social, and Governance) management, and the generation of long-term value. Consequently, our investment strategies, management practices, and operations are all aligned with these principles.

Over the past 16 years, we have expanded from Private Equity into Public Markets with “Ambienta X” in 2020, and more recently into Private Credit with “AmSCO”.<sup>(1)</sup> Throughout this growth, we have consistently applied our responsible investment approach, which emphasizes impact assessment and promotes ESG management across all asset classes and throughout the investment process. This approach highlights the significance of active ownership and engagement. Our implementation is supported by award-winning, proprietary tools such as the *Environmental Impact Analysis* (EIA) in Private Markets and the *Ambienta Sustainability Index* (ASI) in Public Markets, alongside our *ESG in Action* programme<sup>(2)</sup> for value

creation and risk mitigation. This strategy is championed by our Board of Directors and the CEO and is executed via the operational leadership of our Sustainability and Strategy (S&S) department. As a result of this approach all funds launched since 2020 by Ambienta are registered as Article 9 Funds under the EU Sustainable Finance Disclosure Regulation (SFDR).

Moreover, our commitment to achieving Net-Zero and the definitions of an approach that encompasses both our operations and our investments across various asset classes, reflects our dedication to climate change mitigation. Our recent pledge to the Science Based Targets initiative (SBTi)<sup>(3)</sup> marks a significant step in this direction.

Endorsing and adopting the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) represented a natural progression of Ambienta’s commitment to sustainability. This report describes how we implement these recommendations, taking another step towards an ever-increasing transparency on the integration of climate factors, risks and opportunities in the strategy and investment process of the firm.

<sup>(1)</sup> Ambienta Sustainable Credit Opportunities (AmSCO) fund launched targeting €500 million. First close achieved in Jan. 2024 on 50% of target

<sup>(2)</sup> The ESG in Action programme reflects Ambienta’s ESG management approach, striving at integrating ESG management practices into day-to-day operations within the firm and across all asset classes. Further details at <https://ambientasgr.com/esg-in-action/>

<sup>(3)</sup> A global organization, that helps companies establish emission reduction targets based on what the latest climate science says is necessary to meet the goals of the Paris Agreement

# Governance

Guided by our commitment to fostering a sustainable future, Ambianta leverages the strong dedication of its Board of Directors and top management to shape the firm's culture and strategic direction. This commitment focuses on integrating environmental sustainability and ESG principles throughout all of the firm's processes.

**Oversight of climate-related risks:** the Board of Directors plays a pivotal role in guiding, reviewing, and monitoring our sustainable investment strategy, which aims to capture opportunities arising from climate risk that contribute to address the issue, and the management of ESG factors. This includes overseeing initiatives and objectives related to climate change mitigation and decarbonization.

**Management's role in climate-related risk assessment and management:** The CEO oversees the firm's integration of ESG factors, supported by the Sustainability and Strategy

(S&S) function and involving all investment teams. This ensures a comprehensive approach to ESG integration across the firm.

**Operational responsibility** for environmental research, impact measurement and ESG integration, including climate risk management, lies within the S&S function, which directly reports to the CEO. The head of this function is a key decision-maker, serving as a voting member on Investment Committees across all asset classes. This ensures that the firm's investment strategies and ESG integration ambitions are cohesively applied to all investment decisions. The S&S function is organized into two dedicated teams: Environmental Solutions Research (ESR) and Responsible Investing and ESG (RI & ESG), each specializing in different aspects of sustainability and responsible investing.

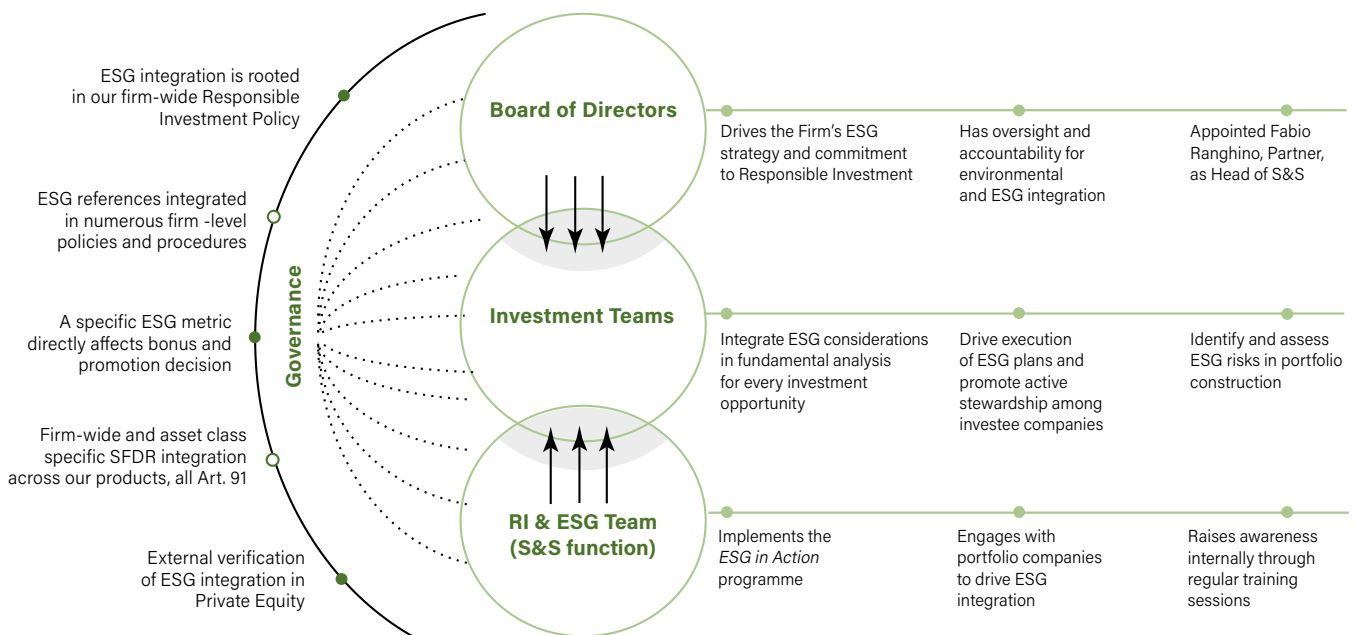
| ESR  | RI & ESG   |
|--|--|
| <ul style="list-style-type: none"> <li>researches environmental trends across sectors and industries to identify investment opportunities;</li> <li>presents the research outcomes to investment teams;</li> <li>support investment teams during business DD with internal knowledge</li> <li>evaluates the environmental impact of target companies to ensure alignment with Ambianta's investment strategy.</li> </ul> | <ul style="list-style-type: none"> <li>integrates ESG practices in management activities at firm level and across asset classes;</li> <li>implements the ESG in Action programme, tailored for each asset class specificity, to promote active ownership and engagement and drive value creation;</li> <li>organises internal update meetings and trainings on ESG developments, including on climate and environmental risk drivers.</li> </ul> |

The effective implementation of our strategies relies heavily on the engagement and cooperation of investment teams across all asset classes. Pre-investment, both Environmental Impact Analysis and ESG due diligence are crucial components of the Investment Committee reports and play a pivotal role in the discussions that shape investment decisions. Post-investment, investment teams are essential in driving the success of Ambianta's active ownership and engagement efforts, including initiatives focused on decarbonization.

Therefore, aligning interests across the firm involves integrating

ESG metrics into the performance assessment and compensation processes for all relevant functions and departments, including investment team members across all asset classes. This integration ensures that our commitment to ESG considerations is reflected not only in our investment strategies but also in our organizational practices.

The graph below illustrates the key components of Ambianta's approach to integrating ESG considerations, including those related to climate issues.



# Strategy

## The investment strategy

Ambienta's investment strategy is anchored in our Responsible Investment Policy, which is approved by the Board of Directors and revised biannually to reflect new trends, significant developments, regulatory changes, and shifting market dynamics.

In the realm of investment opportunities, our approach to environmental sustainability and ESG management across all asset classes is defined as follows:

- Environmental sustainability, core of our investment thesis, focuses on the impact that products or services of an investee company have or on the outcome of invested projects. Ambienta applies positive screening to select investments, leveraging proprietary methodologies to capture the environmental impact of investees and of the different business models operating across a variety of sectors and at different stages of the value chain;
- ESG management relates to the active ownership and engagement initiatives that Ambienta puts in place through its ESG in Action programme, which operates as a risk management and shared value creation tool for the benefit of all stakeholders. This is customized to the different degree of influence Ambienta has across asset classes.

Investment selection involves rigorous screening and due dil-

igence, integrating environmental sustainability, supported by our proprietary impact assessment methodologies, and comprehensive ESG due diligence. The findings from the Environmental Impact Analysis and ESG due diligence are integral to the investment documentation reviewed by our Investment Committees and are crucial for informed investment decisions. If minimum requirements are not met the findings lead to drop a potential investment.

In alignment with our *ESG in Action* programme, we conduct extensive engagement activities with portfolio companies, aiming to enhance ESG management and address related risks, including those associated with climate change.

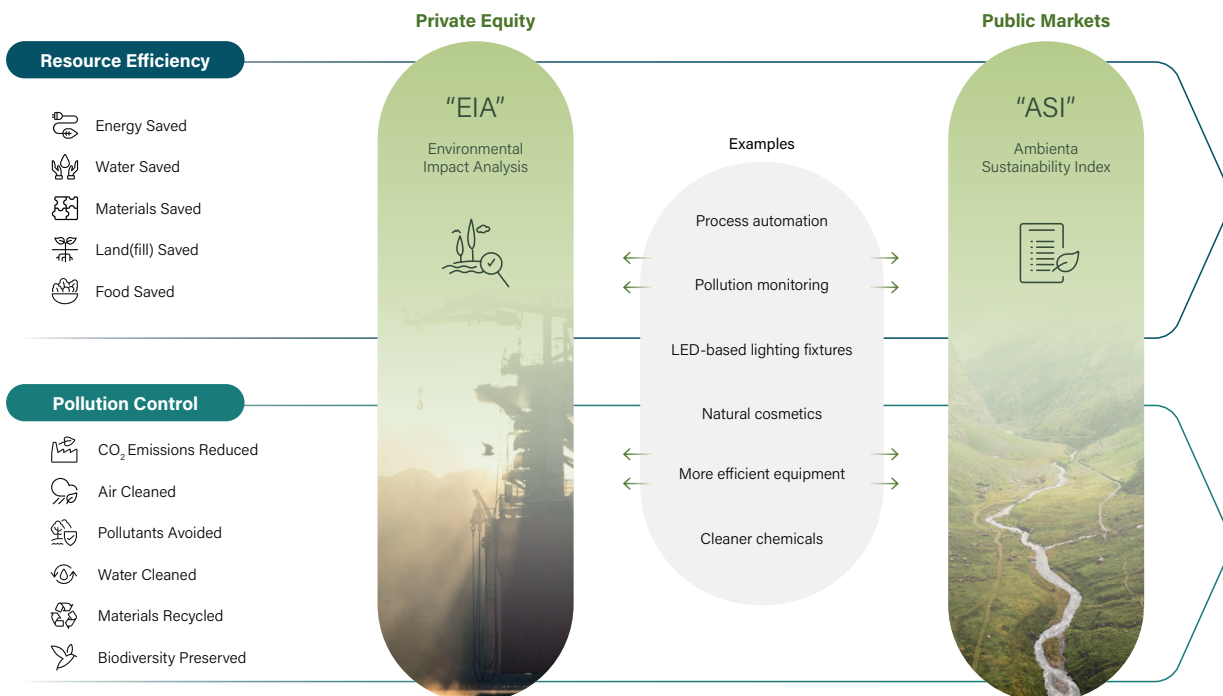
## Impact assessment and measurement

To verify alignment with our investment strategy and contribution to positive environmental impact, Ambienta utilizes two proprietary methodologies, as previously mentioned:

- Environmental Impact Analysis for Private Markets
- Ambienta Sustainability Index for Public Markets

Their purpose is to create a fair, consistent and accurate approach to quantify the Resource Efficiency and Pollution Control contribution of target and portfolio companies, and to measure and monitor them throughout the holding period.

| Environmental Impact Analysis (EIA)   | Ambienta Sustainability Index (ASI)   |
|---|---|
| Private Markets (Private Equity & Private Credit)   | Public Markets (Ambienta X)   |
| <p>The EIA is a proprietary methodology which allows to determine whether a target company meets Ambienta's investment strategy requirements through the evaluation of the following parameters:</p> <ul style="list-style-type: none"> <li>▪ Resource Efficiency and/or Pollution Control are growth drivers for the business;</li> <li>▪ Environmental impact is material, quantifiable and measured.</li> </ul> <p>Our holistic approach requires measuring impact against a wide set of 11 metrics capturing the entire spectrum of environmental sustainability. The methodology is designed to capture the significance of a company's environmental factors and to compare them against viable alternatives, ensuring a thorough and effective evaluation process.</p> | <p>The ASI is the single holding indicator used for the measurement and tracking of the environmental performance for listed equities. The ASI is developed on the same founding principles as the EIA and represents the close correlation of a company's value to environmental sustainability metrics and trends.</p> <p>A positive or negative ASI depends on a company's value tied to units and/or divisions that are involved in the development of products/services that positively or negatively contribute to specific environmental metrics and, more broadly, to their impact; each company's ASI is weighted by its relevant share in the portfolio in order to measure the funds' overall value tied with environmental sustainability contribution.</p> |



## The ESG in Action programme

Alongside the investment strategy, the proprietary programme promotes a comprehensive approach to ESG, with the aim of systematically and comprehensively integrating ESG management into the day-to-day operations of the firm and asset classes.

Below a brief overview of how ESG elements are woven into each phase of our investment process, across asset classes:

| Investment Phase | Private Equity  | Public Markets   | Private Credit  |
|------------------|---|--|---|
|                  | Common ambition to pursue, throughout the investment lifecycle, <b>value creation and responsible risk management</b>   |  |   |
|                  | <b>Climate change management and decarbonization</b> is a key area of intervention, in line with Ambianta's SBTi commitment   |  |   |
|                  | Analysis and monitoring of portfolio companies to ensure <b>alignment with criteria set by Art.9 SFDR</b> , pre- and post-investment  |  |   |
| Pre-investment   | Full ESG due diligence is carried out with the support of external professionals and involving company management.  | ESG due diligence is conducted by RI & ESG team; based on results, engagement with portfolio company may be carried out.   | ESG due diligence is conducted by RI & ESG team, with the support of an internally developed questionnaire, and sponsor/management involvement.   |
|                  | All ESG related findings are summarized in the <b>Investment Committee papers and are part of the investment decision.</b>  |  |   |
| Holding          | <p>Direct and constant engagement with portfolio companies to implement the phases of the programme including:</p> <ul style="list-style-type: none"> <li>▪ setting <b>ESG governance</b> with Board level accountability;</li> <li>▪ undertaking an <b>ESG training</b> session for management;</li> <li>▪ Board-approving 3 high-level <b>ESG policies</b>;</li> <li>▪ performing materiality analysis and setting the <b>ESG Action Plan</b> (including decarbonization commitments);</li> <li>▪ <b>regular Board level monitoring and reporting.</b></li> </ul> | <p><b>Annual engagement cycles</b> involving all portfolio companies through the submission of a questionnaire. Based on responses, <b>direct 1on1 engagement</b> is conducted with a selection of companies to discuss improvement areas, motivate enhancement actions, and promote sound governance and long-term sustainable practices. In 2023, <b>16% of total portfolio companies engaged in 1on1 follow ups.</b> We also proactively exercise our <b>voting rights</b> to foster a robust culture of corporate governance and to ensure the effective handling of environmental and social concerns, along with thorough reporting.</p> | <p>Based on due diligence findings engagement activities are identified. <b>ESG items are integrated in loan documentation:</b></p> <ul style="list-style-type: none"> <li>▪ reporting requirements to ensure access to information needed for portfolio monitoring;</li> <li>▪ ESG ratchets, where appropriate, to define targets on material topics.</li> </ul> <p>As we believe that ESG progress can be achieved only through <b>collaboration</b> we have included in our programme:</p> <ul style="list-style-type: none"> <li>▪ free of charge of Scope 1 &amp; 2 emission calculation;</li> <li>▪ meetings and scope for implementation of ESG activities.</li> </ul> |
| Exit             | Ambianta <b>assesses the ESG performance of portfolio companies</b> to evaluate and monitor the progress achieved during the holding period (private markets).  |  |   |

## The Net Zero Strategy

Decarbonization is one of the greatest challenges of our time and only immediate and ambitious action can still counteract the devastating effects of climate change. To this end, Ambianta has committed to achieving net zero emissions by 2030 through a dedicated Net Zero Policy which sets forth ambitious long-term goals, methods, and guidelines. <sup>(4)</sup>

Implementation of the Net Zero Policy was guided by a comprehensive carbon footprint analysis, pinpointing primary emission sources across Scope 1, 2, and 3, as well as identifying critical areas for improvement. Based on these findings, Ambianta has launched several strategic initiatives:

- **Operational Decarbonization:** we are shifting our offices towards renewable energy sources, minimizing business travel, promoting video conferencing, and encour-

aging electric vehicle use among employees. A phased policy targets an all-electric company car fleet by 2030, complemented by an Electric Car Scheme for personal vehicles.

- **Climate Change Projects:** investments in significant forest conservation projects and reforestation initiatives. In light of recent controversies around most commonly available carbon credits we are reviewing our approach around these projects.
- **Promoting Climate Awareness:** Ambianta actively collaborates with industry bodies, such as the IIGCC and Invest Europe, to shape climate change and net zero guidelines. Our leadership in the IIGCC Net Zero for Private Equity Working Group and our recent invitation to

<sup>(4)</sup> For more information, please see <https://ambiantasgr.com/net-zero-strategy/>

the IIGCC Private Credit Working Group underline our influential role in setting industry standards.

The initiatives implemented throughout the years have allowed us to **reduce** our absolute firm **level Scope 1 & 2 emissions by 40%** in 2023 vs 2021; **-68%** if we consider our emission intensity indicator (emissions/revenue).

At the portfolio level, decarbonization principles are tailored to the specific influence we hold within each asset class. Since 2018, compulsory carbon footprinting for Scope 1 and 2 emissions has been a standard practice in our Private Equity sector, with comprehensive decarbonization plans integrated into our ESG Action Plans. Following the launch of the Ambianta IV PE fund in January 2023, we expanded our requirements to expand compulsory carbon footprinting to include Scope 3 and made decarbonization plans man-

datory across all investments. In Public Markets, our focus is on engagement and proxy voting, while in Private Credit, we emphasize engagement, ratchet settings where relevant, and propose borrowers support for calculating Scope 1 and 2 emissions free of charge.

In a move to bolster our commitment, Ambianta assessed the feasibility of a rigorous, science-based decarbonization target in 2023 and formally joined the SBTi. This step enhances our efforts to reduce greenhouse gas emissions and cements our status as a sustainability leader. By the end of 2023, we defined specific firm-level (percentage of emission reduction) and asset class-level (percentage of invested capital with SBTi validated targets) targets, which were communicated to the SBTi in early 2024 for validation, aligning with stringent international standards.

### The action plan on climate expectations

Following the European Central Bank's (ECB) publication on climate-related and environmental risks, financial market participants are urged to enhance governance and measures to manage climate risk exposure. Consistent with guidance from the European Supervisory Authority and the Bank of Italy, Ambianta crafted an Action Plan in 2023 to deepen the integration of climate risk drivers within its business strategy, governance, and risk management framework.

This plan outlines several targets backed by specific operational activities slated for implementation over the next three years. Initiatives include, for example:

- Enhancing climate risk training;
- Reviewing and integrating policies and procedures to more effectively address climate risks;
- Strengthening internal and external communication regarding climate risks.

In Q1 2024, Ambianta's RI & ESG team conducted dedicated training sessions on climate risks for the Board of Directors and all employees, aimed at elevating awareness and reinforcing commitment to this critical issue.

## Risk Management

The Risk Management Function (RMF) is responsible for identifying, evaluating, and monitoring risks related to the firm's activities, including ESG and environmental risks. Historically outsourced, the RMF was internalized in 2024 to

bolster our capabilities in managing these risks. This function is integral to Ambianta's System of Internal Controls and engages various organizational levels, starting from the Board of Directors and Fund Management.

### The identification and assessment of climate risks

For Private Markets, our risk assessment leverages qualitative Key Risk Indicators (KRIs) to evaluate and monitor ESG and climate-related risks. Our models appraise risks across several factors, including Counterparty, Liquidity, Credit, Market, Operational, and specific ESG risks, which have become a crucial category in recent assessments. The analysis of ESG risks is based on a periodic assessment conducted by the RMF, pre-investment and annually thereafter, on a range of environmental, social and governance parameters, including climate-related ones. These assessments inform the overall risk rating of the target and subsequently of the fund. Results are part of the periodic reporting to the Board

of Directors on funds' exposure to ESG, including climate risk drivers.

For Public Markets and specifically Ambianta X, the RMF verifies compliance with the Ambianta Sustainability Index (ASI) thresholds and qualitatively assesses company safeguards to determine the necessity for medium to long-term interventions.

Over the coming years, Ambianta will be refining its models to include additional indicators that aid in assessing climate-related transition and physical risks, ensuring that our risk management framework remains robust and responsive to evolving climate challenges.

# Metrics and Environmental Performance

In this section we report on Ambienta's key ESG metrics and performance, with a specific focus on the GHG emissions and the relevant commitment in support of the Net Zero strategy.<sup>(5)</sup>

As mentioned previously, in 2023, Ambienta joined the Science Based Targets initiative, defining its pathway to gradually reduce GHG emissions in line with the Paris Agreement goals. To this end, Ambienta committed to setting quantitative targets at firm-level and at asset class level. In the coming months, Ambienta's target will be officially set and validated.

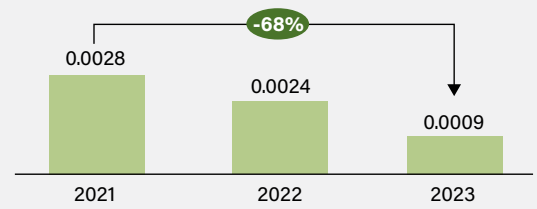
Ambienta's carbon footprint is reported in the graph on the right showing a reduction of GHG emissions<sup>(6)</sup> per unit of revenue in the period under reporting.

Below also the overview of the main GHG and energy intensity indicators for the Private Equity and Public Market divisions.

As can be seen from the graphs, on the Private Equity side there has been an overall improvement on all key indicators in 2023 compared to 2022. While the data considers the portfolio as at the end of 2022 and 2023, and therefore is subject to

## GHG Emission Intensity

Kg of CO<sub>2</sub>e (Scope 1&2) on € revenues



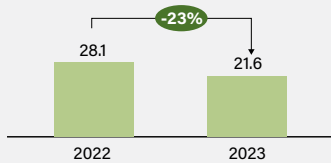
variations in portfolio composition, Ambienta's commitment to support its portfolio companies in decarbonization clearly emerges, in line with our SBTi commitment.

Beyond the Scope 1 and 2 carbon footprint analysis already conducted and in line with its rising ambition on decarbonization, in 2023 Ambienta started conducting annual cross-portfolio Scope 3 emissions calculations on its Private Equity investments. Below the results obtained to date, which highlight the relevance of Scope 3 emissions.

### Private Equity - key indicators

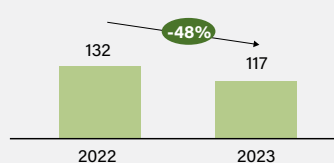
#### GHG Emission Intensity

Tons of CO<sub>2</sub>e (Scope 1&2) on m€ revenues



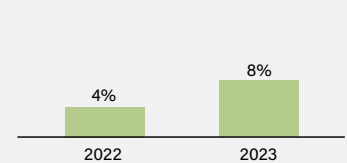
#### Energy Intensity

MWh/m€



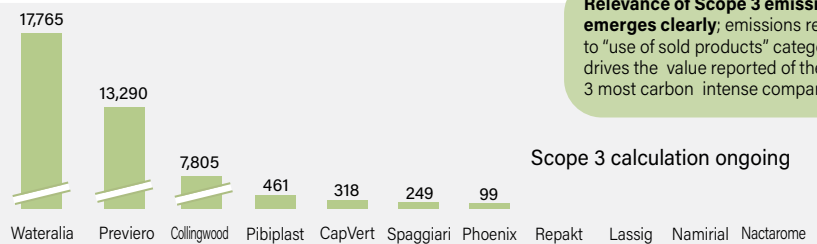
#### Share of Renewable Energy Consumption

% of renewable energy consumption/total



### Our Portfolio's Carbon Footprint

Emission Intensity<sup>1</sup>



**Relevance of Scope 3 emissions emerges clearly;** emissions related to "use of sold products" category drives the value reported of the top 3 most carbon intensive companies.

<sup>1</sup> Emission intensity in t CO<sub>2</sub>e / revenues m€. Emissions include Scope 1, 2 and 3. Scope 3 emissions are related to 2022; 2023 calculation is ongoing.

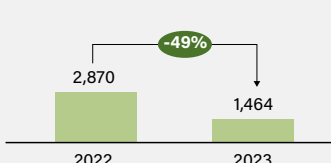
On the **Public Market** side, we evaluate energy and emission performances, commitments and initiatives both in due diligence and during the engagement activities undertaken

during the holding period for the companies in our portfolio. Below the overview of the key indicators for the 2022 and 2023 periods.

### Ambienta X - key indicators

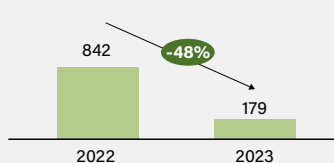
#### GHG Emission Intensity

Mt CO<sub>2</sub>e (Scope 1&2) on m€ revenues



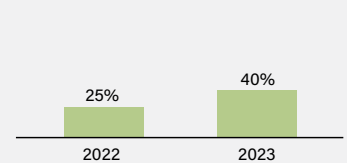
#### Energy Intensity

MWh/m€



#### Share of Renewable Energy Consumption

% of renewable energy consumption/total



<sup>(5)</sup> Please note that Private Credit is not reported as the strategy has been officially launched in 2024.

<sup>(6)</sup> Includes Scope 1 direct emissions (from owned or controlled sources) and Scope 2 indirect emissions (from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company). Category 15, Scope 3 indirect emissions reported separately.