

## Style Capital II

### Disclosure pursuant to art. 10 EU Reg. 2019/2088

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## Summary

The close-ended reserved Italian alternative investment fund called "Style Capital II" (the "Fund") promotes, among others, a combination of environmental and social characteristics, pursuant to Article 8 of the EU Regulation 2019/2088 (or "SFDR Regulation") but does not target sustainable investments.

The Fund promotes a combination of environmental and social characteristics by investing in companies that demonstrate a concrete commitment to the management of ESG issues significant for sustainable development and follow good governance practices and excluding companies that belong to controversial sectors or carry out controversial activities that may have significant negative social and/or environmental impacts.

The combination of environmental and social characteristics promoted by this financial product is described as follows:

- environmental: (i) responsible management of energy consumption and CO<sub>2</sub> emissions; (ii) support to a circular economy; (iii) marketing of eco-friendly products;
- social: (i) respect for diversity and inclusion; (ii) respect for labor standards; (iii) talent management and development; (iv) community engagement;
- governance: (i) sustainable and responsible supplier selection and monitoring; (ii) ethical business management aimed at anti-corruption and integrity; (iii) marketing of ethical products.

The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

It should also be noted that no specific index has been designated as a benchmark to determine whether the Fund is aligned with the environmental and/or social characteristics it promotes.

The investment strategy involves:

- **negative screening:** exclusion from the investment universe of sectors and activities that may have significant negative social and/or environmental impacts.
- **positive screening:** selection of companies that adopt virtuous practices in ESG areas relevant to the investment sector.
- **consideration of principal adverse impacts:** monitoring and managing the adverse impacts of investment decisions on sustainability factors (PAI).

In addition, the Fund's investment process also foresees that key sustainability risks are incorporated within the investment process.

The achievement of the environmental and social characteristics promoted in combination by this financial product is measured through an ESG rating assigned to companies by a framework defined by Style Capital using the main international standards currently available for making measurements in the environmental, social and governance spheres, in coherence with what foreseen by the ESG Policy. The ESG rating is calculated by measuring the achievement of each environmental and social characteristic promoted by the financial product through specific indicators.

For the purpose of monitoring, the Fund directly requests from the portfolio companies the necessary data with respect to performance on sustainability indicators: data is subjected to analysis and processing, in order to assess the need for in-depth studies on the matter with individual company and, ultimately, compliance with the environmental and social characteristics promoted. To this end, the Fund undertakes to verify that all portfolio companies are able to provide all the necessary data and according to the required timelines.

The Fund conducts due diligence activities on target companies using a proprietary framework that allows for in-depth investigation of cross-cutting ESG aspects typically assessed during ESG due diligence and specific to the formulation of the ESG rating, a binding element for the promotion of the combination of environmental and social characteristics. Any serious shortcomings found during ESG rating formulation, which may invalidate compliance with the characteristics, result in the establishment of action plans agreed upon with company management to align their business models with the combination of social and environmental characteristics promoted by the financial product.

Finally, the Fund plans to carry out engagement activities with portfolio companies, establishing a direct dialogue with them aimed at promoting a sustainable approach and positively influencing their management.

## No sustainable investment objective

This financial product promotes, among others, a combination of environmental or social characteristics, but does not have as its objective sustainable investment.

## Environmental or social characteristics of the financial product

The environmental and social features promoted in combination by this financial product are described as follows:

- environmental: (i) responsible management of energy consumption and CO<sub>2</sub> emissions; (ii) support to a circular economy; (iii) marketing of eco-friendly products;
- social: (i) respect for diversity and inclusion; (ii) respect for labor standards; (iii) talent management and development; (iv) community engagement;
- governance: (i) sustainable and responsible supplier selection and monitoring; (ii) ethical business management aimed at anti-corruption and integrity; (iii) marketing of ethical products.

## Investment strategy

The promotion of the combination of environmental and social characteristics promoted by the Fund is done through the implementation of an investment strategy that includes several steps:

- **negative screening:** exclusion from the investment universe of sectors and activities that may have significant negative social and/or environmental impacts.  
In view of the fact that Style Capital invests in the Lifestyle sectors, with a particular focus on the fashion&luxury world, the Fund may not invest in assets which, to the knowledge of Style Capital, are involved in criminal or otherwise illegal activities within the meaning of the legislation to which the Fund

is subject or whose principal activity: (i) is the production, distribution or sale of arms or munition; (ii) is the production, distribution or sale of tobacco and related products or is the alcoholic beverages industry; (iii) is gambling, the operation of casinos or other gambling-related activities; (iv) or the production, distribution or sale of pornographic material or images; (v) is the activity of accepting in pledge or purchasing gold for cash; (vi) is conducted in or near biodiversity-sensitive areas and has negative impacts on biodiversity; (vii) is carried out in the area of fossil fuels; (viii) involves the research, development or technical application of electronic data programs and solutions that either (a) are intended to support any of the above activities, internet gambling, online casinos or pornography; or (b) enable illegal access to or downloading of electronic data networks.

- **positive screening:** selection of companies that adopt virtuous practices in ESG areas relevant to the investment sector. The positive screening phase is aimed at assessing the level of ESG integration in the portfolio companies' business models. The assessments carried out are summarised in an ESG rating ("binding element"), which is calculated by attributing a quantitative score that ranks the target company on a three-level scale ("Poor", "Good", "Excellent") and expresses the target company's ability to contribute to sustainable development. Scoring below a pre-determined tolerance threshold ("Good" rating) result in the exclusion of the target company from investment.
- **consideration of principal adverse impacts:** monitoring and managing the adverse impacts of investment decisions on sustainability factors (PAI).

The above steps also guarantee the respect of good governance practices by the portfolio companies, with particular reference to the soundness of management structures, staff relations, staff remuneration and compliance with tax obligations.

The Fund's investment process also foresees the integration of the main sustainability risks into the investment process through ESG due diligence, which includes the involvement of the Risk Management Function (RMF), which adopts risk estimation models at the Fund level that have specific key risk indicators (KRIs) for the estimation of sustainability risk; this latter includes ESG risks that arise mainly from the activity carried out by the Fund and its portfolio companies.

## Proportion of investments

With the exception of cash held exclusively for treasury needs and time lags in the use of resources, all investments made by the Fund are aimed at building a portfolio that contributes to the promotion of the environmental and social characteristics promoted.

## Monitoring of environmental or social characteristics

Compliance with the environmental and social characteristics promoted in combination by this financial product is measured by an ESG rating assigned to companies by a framework defined by Style Capital using the main international standards currently available for making measurements in the environmental, social and governance spheres.

The promotion of the combination of the environmental and social characteristics promoted by this financial product is measured through an ESG rating assigned to companies by a framework defined by Style Capital using

the main international standards currently available to measure environmental, social and governance topics, in coherence with what foreseen by the ESG Policy.

The ESG rating is calculated by measuring the achievement of each environmental and social characteristic promoted by the financial product through the following indicators:

- environmental: (i) usage of energy from renewable sources; (ii) usage of recycled materials within products and packaging; (iii) usage of natural fibers within products;
- social: (i) presence of women among the board of directors, key people and employees, and monitoring of the gender pay equality; (ii) adoption of policies for monitoring human rights protection; (iii) monitoring of employee turnover, of the employees that receive a performance evaluation, of the employee training, and of the policies adopted in the health and safety sphere; (iv) promotion of social initiatives and donations, and monitoring of customer satisfaction index;
- governance: (i) adoption of policies for monitoring human rights protection along the supply chain and ESG suppliers' screening; (ii) ESG integration within the governance structure; (iii) adoption of anticorruption policies, 231 Model, and independence within the board of directors; (iv) production of cruelty-free products.

Further penalties and/or reward evaluation criteria are also envisaged, to be intended as a complement to the indicators represented (i.e. sanctions/involvement in disputes on ESG issues; negative hits by board members; investments in research and development in the environmental field).

The Fund monitors on a regular and periodic basis compliance with the promotion of the characteristics promoted through the sustainability indicators. Any serious shortcomings found in some of the target companies lead to the definition of action plans, agreed with companies' management, and aimed at aligning their business models with the social and environmental characteristics promoted by the financial product.

## Methodologies

The process of monitoring the combination of environmental and social characteristics adopted is based on methodologies consistent with the ESG Policy adopted by Style Capital for the integration of sustainability risks into investment processes. In particular, the Fund periodically requests from portfolio companies the data needed to evaluate the sustainability indicators used to monitor the environmental and social characteristics promoted in combination by the financial product.

## Data sources and processing

Monitoring of the environmental and social characteristics promoted in combination by the Fund and related indicators is based on the collection of public information and data directly provided by the portfolio companies on a periodic and regular basis.

The collected data are analyzed and verified, in order to assess the appropriateness of any in-depth analysis with the portfolio companies.

The ESG rating is constructed according to a proprietary methodology and includes ESG performance indicators that incorporate the provisions of international reporting standards and the guidance contained within EU Regulation 2022/1288.

## Limitations to methodologies and data

There are no limitations on the methodology and sources related to the data used.

In the event that there are contextual limitations at the time of formulating the ESG rating, caused, for example, by the unavailability of certain data, or the monitoring of the same, in the event that the portfolio companies provide erroneous data, it will be the care and responsibility of Style Capital, as mentioned above, to analyze and verify such data, in order to ensure its availability and verify its validity through appropriate analysis or in-depth analysis.

## Due diligence

Once it has been ascertained that the target company does not operate in one of the excluded sectors, Style Capital initiates an ESG due diligence, which is required for all investments and is carried out alongside the traditional due diligence focusing on purely economic-financial aspects (i.e., the target company's updated economic and equity situation, analysis of the business plan and budget, information on ownership and governance structures, management and organizational structure). In addition to the verification of safeguards on general aspects, the due diligence activity focuses on the analysis of the most relevant issues as revealed by the materiality analysis. In addition, the checklist related to ESG due diligence includes the indicators/questions preparatory to the formulation of the ESG rating.

## Engagement policies

Engagement and active dialogue with portfolio companies is an essential aspect of the Fund's strategy, as makes it possible to monitor the risk profile of portfolio companies, promote their sustainable growth, and gather ongoing feedback for evolutions of the strategy. Style Capital establishes and maintains a transparent and continuous dialogue so that the adoption of a sustainable approach can be encouraged through engagement activities if ESG risks related to portfolio investments are detected.

In addition to monitoring performance and risk indicators, Style Capital engages with portfolio companies through: a) provision to all Management of appropriate ESG training aligned with the objectives of Style Capital; b) integration of ESG content into the agendas of Board of Directors; c) Appointing an ESG responsible and an internal contact person within the Board to facilitate shared decision-making on ESG issues.