

PETRICCA & CO

Sustainability- related disclosures in the financial sector pursuant to articles 3, 4 and 5 of Regulation (EU) 2019/2088

Introduction

In recent years, given that sustainability issues have become increasingly important in the financial sector, the European legislative programme has been drawn up with the intention of making a transition towards a more sustainable economic, leading, among others, to the adoption of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (hereinafter also defined the “SFDR”)

The SFDR contains, *inter alia*, rules on transparency with regard to the integration of sustainability risks into investment decision-making and governance processes as well as with regard to the adverse effects of investment decisions on sustainability.

In this context, with the present disclosure Petricca & Co Capital S.A. (hereinafter also defined the "AIFM") intends to comply with the obligations deriving from the above-mentioned regulatory framework, adopting an "explain" approach with respect to the consideration of the principal adverse impacts of its investment decisions on ESG sustainability factors (Environment, Social, Governance).

As a matter of fact, sustainability is an integral part of the values and culture of the AIFM, which pursues the objective of developing a solid and sustainable business in the long term.

Reference Period

The reference period of the present disclosure is from 10th March 2021 to 31st December 2021 (excluding possible updates that could be eventually introduced before this date).

Disclosure pursuant to Article 3 - “*Transparency of sustainability risk policies*” - of the SFDR

Pursuant to Article 2 of the SFDR, Sustainability Risk means “*an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment*”.

Sustainability risks are risks that, if they were to occur, would cause a significant negative impact on the value of portfolios.

Furthermore, the AIFM as part of its decision-making processes relating to the investments of the AIFs it manages, carries out specific due diligence activities aimed at fully assessing the risks associated with the potential investments:

- **technical due diligence:** review by a local technical consultant of potential capital expenditures needed to operate the asset and compliance with local technical and safety norms and regulation
- **commercial due diligence:** inspection of the property to assess its general conditions, review of key commercial agreement, including the rent rolls (if the building is already occupied), leasing agreements and key economic indicators.

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- **legal, tax and labour due diligence:** with reference to aspects related to contractual documentation and any legal impacts, existence of commitments, constraints and easements, aspects related to the rental status, insurance aspects, the legal structure of the transaction.

The AIFM, at present, has not integrated sustainability risks into investment decision-making processes because, at the moment, manages only real estate reserved closed-end funds in an advanced state of investment.

Disclosure pursuant to Article 4 - “*Transparency of adverse sustainability impacts at entity level*” - of the SFDR

The AIFM informs that although, in general, it considers the principal adverse impacts of its investment decisions on sustainability factors, it is currently in no condition to provide the disclosure pursuant to Article 4, paragraph 1, lett. a), of the SFDR, as detailed in Article 4, paragraph 2, of the SFDR. This is due to the fact that, at the moment, it is not possible to identify, prioritize and, therefore, objectively measure the principal adverse impacts of its investment decisions on sustainability factors (i.e. environmental, social and employment matters, respect for human rights, anti-corruption and antibribery matters), given that no precise indicators and metrics by which verifying the level of probability of the occurrence as well as the intensity and any possible irremediable effect have yet been developed.

It remains understood that the AIFM intends to fully assess:

- the relevant legal framework, still not completed at the moment (*inter alia*, the Regulatory Technical Standards, so called RTS - whose entry into force is currently envisaged for 1st January 2022 - have not been issued yet);
- the needs that the investors may express to such regards.

Disclosure pursuant to Article 5 – “*Transparency of remuneration policies in relation to the integration of sustainability risks*” – of the SFDR

The remuneration policy of the AIFM is currently not yet specifically addressed on the integration of sustainability risks related to its investment of the AIFs it manages.

The AIFM, depending on the ESG objectives that may be introduced in the newly AIFs will include sustainability objectives in its staff remuneration policies.