Fasanara Investments II SA, SICAV-RAIF

European Alternative Crowdlending Fund

(the "financial product")

Sustainability-related disclosures

DISCLAIMER -
Any reference to "We" throughout this document shall be construed as a reference to the person(s) in charge of portfolio management.

1. Summary

One of the primary investment objectives of the financial product is to contribute to the policy objective of a Capital Markets Union by: (i) increasing the availability of market-based and tailor made funding solutions for European SMEs and small Mid-Caps, (ii) encouraging pan-European investment activity beyond nationally focused investments, and (iii) facilitating a diversification of funding sources for SMEs and small Mid-Caps.

The financial product is classified as promoting environmental or social characteristics (Article 8 SFDR), but it does not have Sustainable Investment as its objective, nor does it commit to making Sustainable Investments.

The financial product promotes climate change mitigation and gender diversity in senior leadership.

Between 5% and 20% of the exposure will be allocated to the promotion of environmental and social characteristics.
Between 80% and 95% of the exposure will be allocated to "other" investments, not promoting E/S characteristics.
Between 2% and 10% of the exposure will be allocated to investments contributing to an environmental objective in the meaning of the EU Taxonomy final and provisional criteria.

Such goal does not translate however into a commitment to a minimum share of sustainable investments, due to the inability to provide accurate PAIS estimations. 0% of the exposure will be allocated to sustainable investments with a social objective within the meaning of art 2(17) SFDR.

No index has been designated for the financial product as a reference benchmark for sustainability.

2. No sustainable investment objective

For the share of the financial product aligned with the EU Taxonomy, the "do no significant harm" assessment has been performed in the meaning of art.17 and 18 of Taxonomy Regulation through controversy screening as provided by RepRisk coupled with an additional layer of violations screening through originators' KYC assessments.

Due to the very high exposure to non-Non-financial Reporting Directive (NFRD) companies (unlisted SMEs), the calculation of precise indicators of principal adverse impacts of investment decisions on sustainability factors (PAIS) in accordance with RTS Table 1, Annex 1 has not been feasible at this stage. Instead, company specific controversy-screening has been considered a more detailed assessment. The alignment with OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights and ILO Conventions has been verified following the above process as well.

Due to the impossibility of providing accurate estimation of PAIs at this stage, we are not committing to a minimum share of sustainable investments despite committing to minimum thresholds of Taxonomy-aligned investments.

3. Environmental or social characteristics of the financial product

The financial product promotes an environmental objective in line with article 3 of Reg.2020/852, and particularly climate change mitigation (following article 9 ibidem): "through the avoidance or reduction of greenhouse gas emissions [...] including through process innovations or product innovations".

The financial product promotes as well gender equality in senior management, monitored by employing a binomial test on gender distribution data as provided by investee companies.

4. Investment strategy

One of the primary investment objectives of the financial product is to contribute to the policy objective of a Capital Markets Union by: (i) increasing the availability of market-based and tailor-made funding solutions for European SMEs and small Mid-Caps, (ii) encouraging pan-European investment activity beyond nationally focused investments, and (iii) facilitating a diversification of funding sources for SMEs and small Mid-Caps. This objective and the underlying instruments that the financial product invests in to achieve this objective are all inherently related to social characteristics as they are investments in the real economy.

Furthermore, these underlying investments are mostly originated through technology enabled originating platforms across the globe providing an additional layer of violations screenings through their KYC assessments.

The sustainability risks that might impact issuers/companies as well the opportunities linked to ESG investments and Sustainable Investments within the portfolio of the product are assessed using the investment manager's methodology that was developed in-house and is based on numerous statistical indicators provided by international organisations, universities and government bodies and external data providers.

More information on this methodology can be found on the website: https://www.fasanara.com/esg. As stated previously, good governance practices on the portion of the investment that is classified as sustainable is assessed through controversy screening by a third party data provider (RepRisk), and for the entire financial product through the use of country indexes, such as the Worldwide Governance Indicators as provided by the World Bank.

5. Proportion of investments

Between 5% and 20% of the exposure will be allocated to the promotion of environmental and social characteristics.

Between 80% and 95% of the exposure will be allocated to “other" investments, not promoting E/S characteristics.

Between 2% and 10% of the exposure will be allocated to investments with an environmental objective within the meaning of the EU Taxonomy final and provisional criteria.

Such goal does not translate however into a commitment to a minimum share of sustainable investments, due to the inability to provide accurate PAIS estimations.

0% of the exposure will be allocated to sustainable investments with a social objective within the meaning of art 2(17) SFDR.

6. Monitoring of environmental or social characteristics

This depends heavily on the asset allocation strategy and on the lifecycle of underlying assets.

We will also monitor the share of exposures that are pursuing gender equality among their respective senior management aiming at least at 5% exposure (applying a Binomial Test).

7. Methodologies

We have calculated the share of Taxonomy-aligned exposure for the environmental objective climate change mitigation based on eligible sectors as listed in Delegated Regulation 2021/2139.

For the substantial contribution screening we have employed sectoral TACs (Taxonomy Alignment Coefficients) as estimated by the Joint Research Centre. This means that we have taken a very conservative approach by never attempting to estimate alignment for economic sectors for which we have no factual basis.

The "do no significant harm" (DNSH) assessment has been performed on the investee companies belonging to sectors with provided TACs through the aid of controversy screening provided by RepRisk when criteria were based on EU legislation compliance requirements and through proxy data for DNSH criteria based on performance metrics.

The Minimum Social Safeguards (MSS) has been performed as well through controversy screening on those investees having passed the DNSH screening.

For the share of investment promoting gender equality in senior management, a Binomial Test was employed to assess whether a company is pursuing a gender equal approach in choosing its management or not.

Without considering the remaining exposures that are not classified as sustainable investment, we assessed at fund level ESG performance based on the Yale EPI, the ITUC GRI and the World Bank WGI, estimated as weighted averages.

8. Data sources and processing

a) Taxonomy-alignment for climate change mitigation: company sector classification coming from recognized data providers, official data and reports by the EU JRC, EU Environmental Energy Agency, IEA, industry associations such as the ACEA, recognized indices such as those provided by the World Bank, controversy screening coming from RepRisk; senior leadership gender diversity: data from investee companies.
b) Data are mostly coming from official bodies such as the EU JRC, IEA, WB, Eurostat and recognized industry associations such as the ACEA and NGOs such as the ITUC. Company profiles come from multiple sources which are checked for consistency. Data on controversies come from an established third-party (RepRisk). The sectoral classification has been taken as a proxy for companies' main activities, as the current state of technology does not allow for a more in-depth look-through and more detailed data on companies' activities are not present consistently for SMEs at a reasonable effort.
c) Due to the above expressed points, the share of Taxonomy alignment is estimated, as exposed to non-NFDR entities, whereas the remaining share is based on data coming from investee companies.

9. Limitations to methodologies and data

a) Main limitations are coming from company insufficient information on economic activities, which can't be assessed at large scale without the use of more sophisticated technology for company sector classification. In addition, some official resources, while being the most trusted source for accurate data, often do not have not enough up-to-date information. There is also insufficient and/or outdated data on sectoral benchmarks for a variety of dimensions required by the Taxonomy Regulation as source of comparison (e.g. average use intensities for personal products, average lifespan of products).

b) Through the use of official and recognized data sources, it is deemed that the outcome represents a best-effort exercise, considering the large exposure to non-NFDR entities and the level of disclosure that such companies provide. We aim to increase the accuracy of the assessment through the use of more sophisticated technology.

10. Due diligence

By assessing ESG issues through a methodology developed in-house, we examine the sustainability risks that impact debtors as well as the opportunities linked to ESG investments and sustainable investments by analysing individual line-items in the portfolio numerically against specific social development goal criteria. The model is based on numerous statistical indicators provided by international organisations, universities and government bodies and external data providers. Thanks to such methodology, better informed investment decisions from a risk-return perspective can be taken. ESG criteria also are systematically integrated into the investment due diligence processes.

The ESG findings are formally documented within the due diligence reports, with potential concerns flagged for consideration. All investments are subject to varying degrees of ongoing ESG monitoring. As stated previously, good governance practices on the portion of the investment that is classified as sustainable is assessed through controversy screening by a third party data provider (RepRisk), as well as the use of country indexes on the entire financial product, such as the Worldwide Governance Indicators as provided by the World Bank.

11. Engagement policies

The investment manager takes an active interest in how the financial product's originators manage ESG issues and, on behalf of the financial product, encourages and supports these originators to adhere to best-practice standards for responsible business. In some cases the investment manager negotiates ESG margin ratchets with originator platforms, linking the cost of funding to specific ESG Key Performance Indicators (KPIs). These ESG KPIs are captured as legal provisions in the transaction documents with these platform originators and are monitored by the investment team.

The performance of these KPIs input into the investment manager's investment thinking and decision-making, influencing the extent of the financial product's exposure to an originator platform.

12. Designated reference benchmark

No reference benchmark has been designated for this financial product.