



# HAT Technology Fund 5

**Website Disclosure**

**Art.10 SFDR**





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## **Sustainability-related product disclosure, Article 10 of SFDR**

*This template is based on the "Annex II to the Commission Delegated Regulation supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of 'do no significant harm', specifying the content, methodologies and presentation of information in relation to*

*sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in precontractual documents, on websites and in periodic reports" published on April 6, 2022.*

## A. Summary / Sommario

Since its establishment in 2007, HAT SGR has pioneered innovative approaches in asset management, anticipating market trends and developing tailor-made investment products that meet specific investor needs. With its Private Equity investment strategy, HAT adopts two main investment approaches: Buy Out (acquisition of majority stakes) and Growth Capital (subscription of capital increases in companies with high growth potential).

HAT SGR is a medium to long-term investor with a strong orientation towards responsible and sustainable investment with a particular focus on ESG (Environmental, Social and Governance) aspects and is a signatory of the United Nations Principles for Responsible Investment (UN PRI).

With the goal of promoting a specific set of environmental and social (E/S) characteristics (see Paragraph C.), HAT SGR has launched HAT Technology Fund 5 (hereinafter “the Fund”), classified under article 8 of the EU Regulation 2088/2019 (or “SFDR”), i.e. “Financial products that promote, among other characteristics, environmental or social characteristics, or a combination of those characteristics”.

In particular, the Fund aims to address and contribute through its investment activity to some of the current ESG main trends and issues such as: the fight against climate change, the scarcity of resources, the circular economy, the safeguarding of labour practices and the improvement of diversity and inclusion. A specific ESG framework consisting in a governance system, policy, procedures and tools, has been developed to ensure the proper implementation of the Fund’s responsible investment process in order to identify and manage the ESG risks and to promote the (E/S) characteristics.

*Sin dalla nascita nel 2007, HAT SGR è stata pioniera di approcci innovativi nell’attività di asset management, anticipando trend di mercato e sviluppando prodotti di investimento su misura, rispondenti alle specifiche esigenze degli investitori. Con la strategia di investimento in Private Equity, HAT effettua due principali tipologie di investimenti: Buy Out (acquisizione di partecipazioni di maggioranza) e Growth Capital (sottoscrizioni di aumenti di capitale in società ad alto potenziale di crescita).*

*HAT SGR è un investitore di medio-lungo periodo con un forte orientamento all’investimento responsabile e sostenibile e con un focus particolare sugli aspetti ESG (Environmental, Social e Governance) ed è firmatario dei Principi per l’investimento responsabile delle Nazioni Unite (UN PRI).*

*Con l’obiettivo di promuovere un insieme specifico di caratteristiche ambientali e sociali (A/S) (cfr. Paragrafo C.), HAT ha lanciato HAT Technology Fund 5 (di seguito “il Fondo”), classificato ai sensi dell’articolo 8 del Regolamento UE 2088/2019 (o “SFDR”), ossia “Prodotti finanziari che promuovono, tra le altre caratteristiche, caratteristiche ambientali o sociali, o una combinazione di tali caratteristiche”.*

*In particolare, il Fondo si propone di affrontare e contribuire, attraverso la propria attività di investimento, ad alcune delle principali problematiche ESG attuali, quali: la lotta al*












*cambiamento climatico, la scarsità di risorse, l'economia circolare, la salvaguardia delle pratiche lavorative e il miglioramento della diversità e dell'inclusione. Per garantire la corretta attuazione del processo di investimento responsabile del Fondo, è stato sviluppato uno specifico sistema di gestione ESG composto da una governance, politiche, procedure e strumenti, al fine di identificare e gestire eventuali rischi ESG e promuovere le caratteristiche ambientali e sociali.*

## **B. NO SUSTAINABLE INVESTMENT OBJECTIVE**

The Fund promotes E/S characteristics, but it does not have as its objective sustainable investment.

## C. ENVIRONMENTAL OR SOCIAL CHARACTERISTICS PROMOTED BY FUND

The Fund promotes the following E/S characteristics:

<b>Characteristics' Description</b>		
 <b>Mission 2: Green revolution and ecological transition</b>		
	<b>Climate change</b>	<ul style="list-style-type: none"> <li>➤ Address climate change by supporting Portfolio Companies (PCs) in measuring and monitoring their carbon footprint</li> </ul>
	<b>Energy Management</b>	<ul style="list-style-type: none"> <li>➤ Promote the use of renewable energy sources and energy efficiency measures</li> </ul>
 <b>Mission 1: Digitalisation, innovation, competitiveness, culture, and tourism</b>		
	<b>Environmental and Social impact service</b>	<ul style="list-style-type: none"> <li>➤ Support the development and growth of companies whose services or products have positive environmental or social effects on the community</li> </ul>
 <b>Mission 4: education and research</b>		
 	<b>Labour and talent management and conditions</b>	<ul style="list-style-type: none"> <li>➤ Purpose of attracting, engaging and retaining a productive and talented workforce with benefits and development opportunities.</li> <li>➤ Promote relationships with universities and schools</li> </ul>
 <b>Mission 5 and cohesion &amp; inclusion</b>		
 	<b>Diversity &amp; Inclusion</b>	<ul style="list-style-type: none"> <li>➤ Promote culture and hiring and promotion practices based on inclusion and diversity factors.</li> </ul>



The E/S characteristics promoted by the Fund, reflect HAT's Responsible Financial Policy and; investment approach and are inspired by the UN Sustainability Development Goals (UN SDGs) and the Missions 1, 2, 4 and 5 (Digitalisation, innovation, competitiveness, culture and tourism, Green revolution & ecological transition, education and research and cohesion & inclusion) of the Piano Nazionale di Ripresa e Resilienza (PNRR), the Action Plan defined by the Italian Government within the framework of the Next Generation EU Programme.

## D. Investment Strategy

The purpose of the Fund is to increase the value of its assets by carrying out mainly medium and long-term Investment Transactions, in compliance with applicable regulations and ESG criteria. In particular, the Fund aims to carry out private equity investment transactions in target companies in the following development stages of their business cycle: i) expansion capital; ii) replacement capital; ii) buy-out transactions.

The following describe how the AIFM and the Fund intend to integrate the ESG criteria within each investment phase to promote material E&S characteristics:

### Pre-acquisition

*HAT Technology Fund 5 applies an exclusion list, excluding from the investment universe a set of sectors considered controversial from an ethical point of view. Upon verification of the compatibility of the investment target against the exclusion list, the target is assessed through a ESG pre-screening tool identifying simple criteria and checks to be performed on the existing portfolio and during the preliminary due diligence phase. Once the advisability of a given transaction has been positively assessed, if needed, also availing themselves of the support of specialised external consultants, HAT SGR identifies the areas of investigation for the due diligence activity which, in parallel with the financial criteria, also includes the analysis of ESG aspects. This analysis concludes with the definition of refinement actions in ESG issues to be implemented in those areas that do not comply with the criteria applied.*

*The Fund's ESG strategy is designed to achieve the promotion of the E/S characteristic(s) for all the majority and qualified minority investment which are deemed as material for to the Portfolio Companies (PCs).*

### Execution

*When defining the contractual clauses for an investment, the fund encourages the adoption of policies, management systems or other improvement actions to mitigate relevant ESG risks or opportunities that have emerged during the due diligence. In addition, the fund negotiates with the targets to obtain periodically ESG indicators (e.g., the Principal Adverse Impacts "PAIs" of Table 1 of Annex I of the Regulatory Technical Standards).*



### Ownership

*The fund will use specific software to monitor ESG indicators, the data of which can then be used to create an ESG report dedicated to investors and all stakeholders linked to the fund. Following the monitoring, within a reasonable period from the start of the investment, it is the fund's objective to prepare a report with the essential data for the assessment of ESG aspects for each of the portfolio companies. The reporting will also be carried out with the support of consultants with specific expertise in the field of sustainable and responsible investments. In addition, in case of specific needs for certain PCs, if identified during the Due Diligence phase, ESG action plans will be developed to work on areas with potential for improvement.*

### Exit

*Provide a ESG report for potential buyers including key ESG performance and how material E/S characteristics were promoted throughout the investment. Performance of an ESG Vendor DD, where relevant.*

The Fund’s ESG strategy is designed to achieve the promotion of the E/S characteristic(s) for all the majority and qualified minority investment which are deemed as material for to the Portfolio Companies (PCs).

## **E. Proportion of Investments**

The Fund will implement its investment strategy to align at least majority and qualified minority investments with the previously identified environmental and social characteristics.



## **F. Monitoring of Environmental or Social Characteristics**

Through the annual data collection and monitoring activity, the Fund tracks progresses made by the PCs with respect to the KPIs chosen to measure each material E/S

characteristic and with respect to the implementation status of the ESG action plan, where defined, that support KPIs' improvement. Each E/S characteristic is measured through a set of defined quantitative indicators.

In order to ensure consistency of data, the ESG Officer together with the investment team checks the quality of reported information. Data collection will be carried out through a software-based data collection system with the support of external advisors. The ESG Officer is supported by external ESG consultants, where necessary.

## G. Methodologies

In order to measure the contribution of each PC for the attainment of the E/S characteristics promoted by the Fund, HAT has developed a ESG screening tool aligned with sustainability international standards and developed based on sectorial Materiality Analysis.

Specifically, during the pre-investment phase, the Fund performs a first screening of material E/S characteristics for the potential investment through the proprietary ESG pre-screening tool and the ESG Due Diligence for the majority and qualified minority investment. The activities mentioned above contribute to identify, based on the business sector, type of operations, assets' location and maturity towards certain sustainability related areas, the E/S characteristic(s) to which the Target may contribute the most.

During the ownership phase, material characteristics are promoted throughout the investment cycle: the steps of this "E/S promotion path" are described within the ESG Action Plan developed for PCs where the fund invests in majority or qualified minority stakes, based on the results of the ESG Due Diligence. PCs' contribution in achieving the E/S characteristics promoted by the Fund will be periodically monitored using a software based ESG Data Collection and Monitoring Tool.

## H. Data Sources And Processing

The Fund relies on data and information provided by the PCs during the pre-investment (data collection performed during due diligence) and the ownership phase (annual ESG data collection). The Fund may rely on information provided by relevant third-party data providers and by the PC itself through direct engagement as well as on estimates where no data are available. Currently, since the fund has not performed any investment yet and consequently no initial monitoring was conducted, the fund is not in the position to report the percentage of estimated data.

The fund, after reviewing primary data provided by the PCs and, eventually, discussing and fixing potential inconsistencies with each company, will provide results at fund level.

## I. Limitations to Methodologies and Data

No limitations to methodologies and data have currently been identified. Should any limitations arise, timely and prompt notification will follow and corrective action to address them will be implemented.

## J. Due Diligence

HAT, supported by third-party consultants, performs in-depth ESG Due Diligence processes on all its potential majority and qualified minority investments, with the goal of assessing the Target's ESG maturity and identify risks and opportunities prior to the investment.

In particular, the Fund does not proceed with the transaction if:

- there are doubts around the sustainability, growth drivers or cash flow generation potential of the company (post-turnaround);
- the valuation is too high;
- the opportunity does not comply with HAT's exclusion list;
- the value-creation strategy / path is unclear;
- the exit prospects are too complex and / or uncertain;
- the environmental, social or business policies / practices, as well as unethical behaviour that do not adhere to HAT's ESG principles;
- due diligence reveals significant risks that cannot be eliminated or mitigated during the ownership phase,
- the legal restructuring process is overly onerous or complex;
- the envisaged entry structure does not offer suitable risk/reward potential (e.g. where there may not be scope to provide super senior new money to protect the downside).

In case of acquisition, results are used, where applicable, to draft the ESG action plan to be implemented during the ownership phase.

## K. Engagement Policies

As part of the ownership phase, the Fund, in line with the AM's responsible investment approach, undertakes engagement activities with the PCs to support their ESG growth. Engagement and active dialogue with PCs represent core to the Fund as they allow monitoring the risk profile of the Portfolio, the achievement of the ESG objectives set and the E/S characteristics promoted and to collect continuous feedback from PCs.

## L. Designated Reference Benchmark

Currently, no reference benchmark was identified for monitoring investment performance with respect to environmental and social characteristics. The monitoring on the



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attainment of the material E/S characteristics is carried out by the Fund which, through the quantitative indicators collected periodically, analyzes performance trends with respect to previous years.