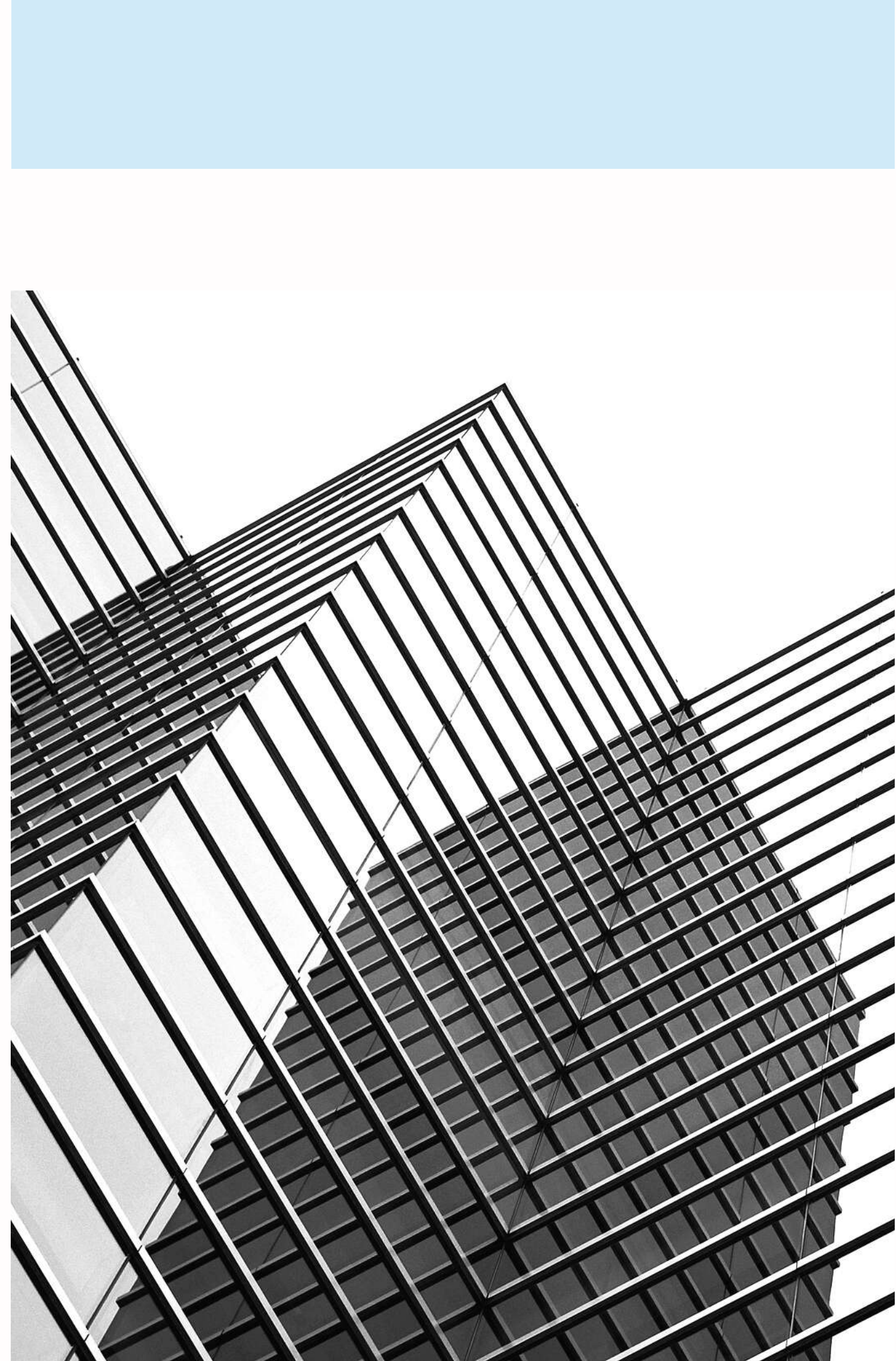


# ESG Assessment of Private Markets Products





## WHO IS NUMMUS

Nummus.Info provides Advisoring, Account Aggregation and ESG Analysis services, distinguished by independence, quality, discretion and customization of service.

## ESG EXPERTISE

Since 2015, Nummus.Info joins the world of ESG Advisoring, using research from MSCI ESG Research and S&P Global Rating, leaders in the field of ESG research.



## PRIVATE MARKETS

Limited availability of information

Asset Class NOT evaluated from an ESG prospective:

- ✗ Private Equity/Debt
- ✗ Venture Capital
- ✗ Infrastrutture
- ✗ Real Estate

## REGULATED MARKETS

High availability of information

Asset Class evaluated from an ESG prospective:

- ✓ Equity
- ✓ Corporate Bond
- ✓ Government Bond



# STANDARD ASSET ALLOCATION

There are a lot of ESG informations available in the market regarding the liquid and listed component.

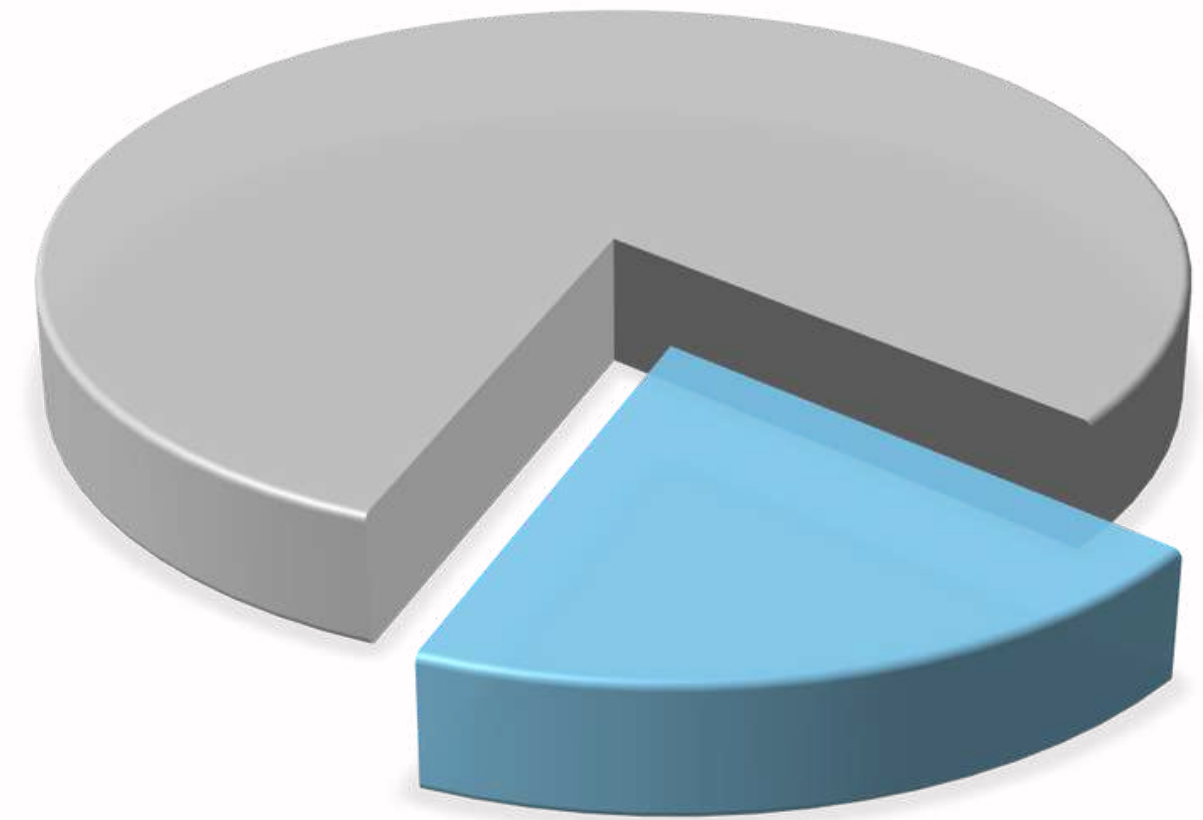
Private Markets, on the other hand, represent an under-explored environment from an ESG assessment prospective.

Many investors' portfolios have Private Markets component within their Asset Allocation.

This component is likely to grow over time as a result of current economic conditions.

Therefore, an ever-growing portion of the portfolio is not assessable from an ESG perspective.

Securities component  
ESG Evaluation ✓



Illiquid component  
ESG Evaluation ?



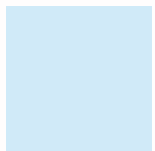
# NUMMUS MODEL

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In 2021, Nummus.Info developed a proprietary Private Markets investment model to provide an ESG assessment on Private Equity/Debt, Venture Capital, Infrastructure and Real Estate products.

It is the first ESG evaluation model of Private Markets products.

It is based on the computation of a proprietary score that can be reconciled with the ESG assessment of the liquid portfolio component, allowing the manager to obtain a total assessment about the sustainability of the portfolio.





The model is based on a quantitative algorithm, to which a qualitative component is added.

The evaluation process is carried out through the collection of data provided by managers through the completion of a dedicated questionnaire.

In order to strengthen the model's results, it is also required to share documentation that support the given answers.

The framework provides penalties for ESG score if inconsistent and/or incomplete information is detected. Any adjustment is commensurate with the gravity of the inconsistency.

The output is represented by a numerical score converted into letters.

# MODEL SECTIONS

The model is divided into 5 sections:

1. Policy e Procedures of the issuer
2. Procedures, commitments and integrations in the financial product
3. Sustainability KPIs of the financial product
4. Management of ESG factors in the portfolio
5. Monitoring e reporting

Each section includes a number of "essential" topics, the absence of which implies a significant penalty in the final score.



# 1. POLICY AND PROCEDURES OF THE ISSUER

The first section examines sustainability policy and procedures adopted by the issuer, such as:

- Adoption of a sustainability policy
- Adoption of policies regarding working conditions
- Adoption of policies regarding gender equality
- Adoption of an ethical code
- Adoption of policies regarding data security
- UN PRI signatory
- Presence of an ESG committee





## 2. PROCEDURES, COMMITMENTS AND INTEGRATIONS IN THE FINANCIAL PRODUCT

Then, the model requires the manager to classify the product according to the SFDR for the issuers involved.

- **Article 6:** integration of environmental, social and governance (ESG) considerations into the investment process
- **Article 8:** promotion of social and/or environmental characteristics
- **Article 9:** pursuit of a specific sustainable investment objective

In the end, the manager is required to state whether ESG factors are integrated in the due diligence phase of new investments and to indicate the process for identifying ESG risks and opportunities.

# 3. SUSTAINABILITY KPIS OF THE FINANCIAL PRODUCT

It is asked whether the product pursues sustainability goals in terms of:



## ENVIRONMENT

Alignment to the Paris Agreements on climate change, achievement of the Net-Zero Emissions target, and consideration of the United Nations Sustainable Development Goals (SDGs)



## SOCIAL

Adoption of human/worker rights policies, involvement of women in the workforce and in management roles



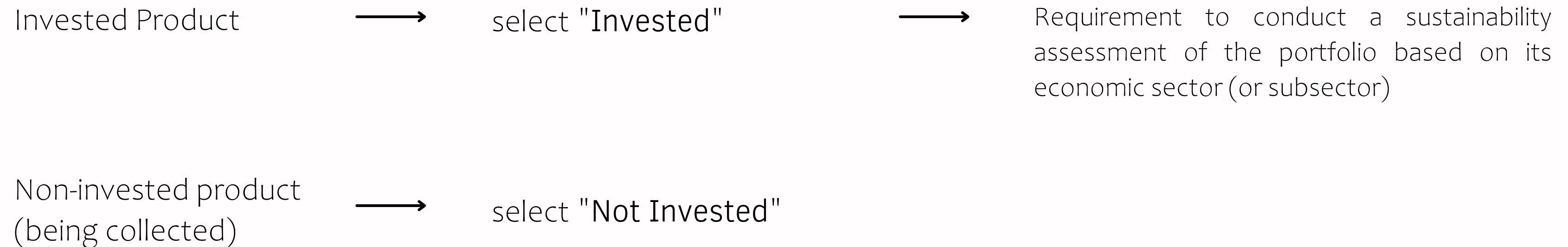
## GOVERNANCE

Adoption of a Ethical Code, composition of the board, and adoption of a corporate organizational model (Legislative Decree 2001/231 or EU Directive 2017/1371)

For Private Equity and Private Debt products, reference is made to the average of the underlying companies; for Infrastructure and Real Estate, reference is made to the managers of Infrastructure and Real Estate.

# 4. MANAGEMENT OF ESG FACTORS IN THE PORTFOLIO

The model includes a materiality matrix that assesses the specific ESG issues of each economic sector and provides a different weighting of factors depending on the invested sector.



Which elements contribute to portfolio ESG scoring?

- Sector weight in the portfolio
- Self-assessment based on the ESG characteristics of each sector
- Weighting of each sector characteristic according to the materiality matrix

# 5. MONITORING & REPORTING



- Presence of monitoring processes to evaluate the management of ESG factors by invested companies
- Recording and monitoring ESG incidents and controversies
- Presence of annual sustainability report

# AGGREGATE PRODUCT EVALUATION

By aggregating the scores assigned to the quantitative and qualitative assessments, we then arrive at an overall scoring for each Private Market financial instrument.

Following the same methodology as for the liquid portfolio component (if already available), intervals are identified to convert the numerical score into a literal rating (ESG Rating).

This leads, therefore, to an overall rating according to the meaning of the following scale of values::





Results show robust consistency between final assessment/score, questionnaire answers, and supporting documentation.

The model, tested on a representative sample of the market (120+ products), achieved an high degree of output diversification. Therefore, the model has the ability to discriminate between a product that takes sustainability aspects into consideration and a product that manifests weak ESG characteristics.



## ADDED VALUE OF THE MODEL



### **INNOVATION**

New ESG assessment model for Private Markets covering different types of instruments

### **UNIQUENESS**

Unique in the market for its underlying model and ease of interpretation

### **INTEGRABILITY**

The results are easily integrable with the analysis of the traditional investment component, allowing for an integral ESG assessment of the entire portfolio



# CONTACT US

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