

# ESG POLICY

## Index

1. INTRODUCTION AND OVERVIEW.....	3
2. INTEGRATING ESG CRITERIA INTO THE INVESTMENT PROCESS.....	3
3. REPORTING .....	7
4. GOVERNANCE.....	8
5. FINAL PROVISIONS.....	9

## Changes to the Document

Versions	Date	Description of Changes
00	22/12/2020	First issue and approval by the Board of Directors
01	24/01/2021	Regulatory updates review and Board approval
02	24/02/2022	ESG Strategy content update and Board approval
03	21/12/2022	Sustainability risk monitoring integration update for Open alternative investment funds (AIFs)
04	24/07/2024	Corporate governance change updates

## 1. Introduction and Overview

Anima Alternative SGR, a member of a leading independent asset management group in Italy (the “**Group**”), has a responsibility to act in its clients' best interests by making investments focused on creating sustainable, long-term value.

In fulfilling its fiduciary responsibilities and adhering to the principles already adopted by other companies within the Group, Anima Alternative SGR (hereafter “the **SGR**”) acknowledges that environmental, social, and governance (**ESG**) factors related to its investee companies may influence portfolio performance over time, across individual companies, sectors, regions, and asset classes. By taking these issues into account in its investment decisions, the SGR is able to align the interests of its investors with broader societal goals.

Anima Alternative SGR has subscribed to the United Nations Principles for Responsible Investment (PRI), an initiative for the dissemination and integration of ESG criteria into investment practices. As a signatory, the SGR has agreed to:

1. integrate environmental, social and governance aspects into investment analysis and decision-making processes, taking into account the specific characteristics of each individual operation;
2. act as an active shareholder in the companies being invested in (“**Target Companies**”), integrating ESG issues into its engagement activities, where relevant to its role in the particular transaction;
3. request, where possible, appropriate disclosure on ESG issues by Target Companies;
4. promote the acceptance and implementation of the Principles across the financial sector;
5. collaborate with industry professionals and organisations to optimise the implementation of the Principles;
6. periodically report on the activities and progress towards implementing the Principles.

Additionally, the SGR will communicate its responsible investment strategy to staff, investors, and institutions it engages with, highlighting its application in the SGR’s internal governance and in the Target Companies.

These PRIs underpin the strategy for integrating sustainability factors into the responsible investment process adopted by the SGR, which is characterised by the key elements described below.

The Policy covers all products created and/or managed by the SGR, as detailed in the Policy itself, and is applied in compliance with the products' regulations and offering documentation. For details on the values and principles that direct the SGR and the Group’s operations and interactions, both internally and with external parties, please consult the Group Sustainability Policy.

## 2. Integrating environmental, social, and governance assessments into the investment process

This Policy is based on the following key elements:

1. the monitoring of sustainability risks in the investment process (for both Closed and Open AIFs);
2. the assessment of the principal adverse impacts on sustainability arising from the investment activity;

3. the specific ESG strategies adopted;
4. the active shareholding and engagement.

These key elements define the investment process and are applicable to all products covered by this Policy, except for the specific ESG strategy component, which is applicable only to products under Article 8 of the EU Regulation 2088/2019, as outlined by the specific disclosures in the relevant offering documents.

## 2.1 Monitoring the sustainability risks of Closed AIFs

The SGR adopts the regulatory definitions of sustainability factors and sustainability risk as outlined in EU Regulation 2088/2019.

Sustainability risk monitoring for Closed AIFs primarily includes a qualitative assessment of factors, such as whether issuers belong to certain business sectors that are considered more environmentally or socially risky. Specifically, investments in the following areas are excluded from the investable universe:

- government-issued securities associated with systematic breaches of human rights;
- companies that engage, either directly or indirectly, in activities not aligned with the PRI, according to guidelines issued by international industry associations;
- companies whose operations are directly or indirectly focused on one of the following sectors:
  - child labour exploitation;
  - production and trade of tobacco or alcoholic beverages and related products (to the extent that the activities are substantially focused on these sectors);
  - trade or production of weapons, ammunition, and military supplies (excluding activities that are part of or ancillary to European Union policies and are in compliance with EU regulations);
  - gambling - including casinos and similar activities - and related products;
  - gold buying and retail trading in precious metals;
  - production and/or distribution of pornographic and child pornography material;
  - research, development, production, or distribution of technical applications or electronic solutions that are intended to facilitate or support the previously mentioned activities, such as pornography, online gambling, and online casinos, or hacking activities, or to enable unlawful access to electronic networks or illegal data downloads.

The SGR considers that integrating environmental, social, and governance factors into the investment process allows for a more comprehensive and detailed understanding of the risks and opportunities faced by the Target Companies, thereby enhancing the ability to manage their risk exposure and generate adequate returns over time.

Consistent with these principles, the SGR systematically and progressively integrates ESG criteria across all aspects of its investment strategies, taking direct responsibility for defining the most effective method of integration according to the characteristics of each individual deal.

### Environment

Aware of the potential negative impact of its operations on the environment, the SGR is committed to reducing this impact as much as possible.

In fact, during the preliminary investment analysis and throughout the investment's lifecycle monitoring, environmental aspects are assessed to mitigate excessive risks and to raise awareness among Target Companies about the importance of safeguarding the environment.

### Social

The SGR aims to ensure appropriate working conditions in the companies it invests in and to promote and support the social development of the communities where these companies operate. It encourages a resource management approach aimed at maintaining competencies and skills, promoting a work culture based on equal opportunities, merit-based criteria, and rejecting all forms of discrimination.

### Governance

Corporate governance management within portfolio companies is a core principle of the SGR's responsible investment process. Accordingly, the SGR supports high ethical standards in business operations by ensuring the quality of management and the members of various governance bodies.

ESG principles are integrated into each phase of the investment process and are adjusted (if necessary) depending on whether the investment is in debt or equity.

The ESG selection and assessment process for investment opportunities is based on the following criteria:

- the exclusions mentioned earlier will be diligently enforced, targeting sectors deemed ethically contentious, thereby preventing the SGR from making investments in these areas;
- specific analyses are conducted to assess whether to invest, including environmental and reputational due diligence;
- Following the assessment of the first two points, the Management Teams identify the areas of investigation for due diligence, which, alongside financial criteria, also includes an analysis of ESG aspects.

After the due diligence phase is completed, the Management Teams include a section in the investment memorandum that outlines the ESG analysis results, so that important socio-environmental indicators are embedded in the final decision-making process.

Additionally, the SGR commits to assess the results achieved by the companies in its portfolio in this respect on a periodic basis.

## **2.2 Monitoring the sustainability risks of Open AIFs**

Recent regulatory requirements related to the management, monitoring, and mitigation of sustainability risk are implemented considering the Alternative Investment Fund Manager's (AIFM) structure and through a case-by-case assessment of the specific characteristics and investment strategies of the AIFs under management.

Given that the open AIFs under management:

- are closed for new investments and there are no plans to reopen;
- have, due to their structure and investment strategy, a defined portfolio created during the initial portfolio development phase; and that
- the assets and their proportions in the portfolios remain unchanged until the expiration date.

Sustainability risk monitoring is carried out through:

- reviews performed by the Risk Management function focusing on environmental, social, and governance aspects, aimed at verifying the actual exclusion of certain sectors as required by relevant regulations and/or the Prospectuses of the managed AIFs;
- the analysis of the ESG ratings of the instruments in the AIF portfolios, where available.

## 2.3 Assessment of the principal adverse impacts on sustainability factors

The SGR, which as of the latest available financial statements directly employs less than 500 employees, declares that while it integrates ESG factors into its investment evaluation for the managed Closed-end AIFs, is currently unable to fully address the principal adverse impacts of investment decisions on key sustainability factors - such as environmental and social issues, personnel matters, human rights, and corruption - because its current investments are in small and medium-sized companies that often lack detailed information on these issues.

In particular, the information and data necessary for proper consideration of the principal adverse impacts of investment choices derive from the due diligence performed as part of the investment evaluation and cannot be standardised, as they differ according to the type, location, sector and characteristics of the Target Company. Consequently, the assessment of these adverse impacts is carried out without standardised and objectively comparable data.

Regarding managed Open AIFs, the SGR states that it cannot fully address the principal adverse impacts of investment decisions on key sustainability factors - such as environmental and social issues, personnel matters, human rights, and corruption - given the characteristics of the AIFs outlined in the previous paragraph.

## 2.4 Specific ESG strategies

Besides the sustainability risk monitoring safeguards detailed in the previous paragraph, the SGR implements specific ESG strategies for products that, among other things, promote social and environmental characteristics as outlined in Article 8 of EU Regulation 2088/2019.

These strategies aim to minimise and manage investments in issuers with low ESG quality by actively monitoring their ESG profiles, resulting in: (i) the exclusion of additional sectors not covered in section 2.1, such as fossil fuel energy production and trade, including electricity production with high CO<sub>2</sub> emissions or that exceeds certain standards, or (ii) selecting issuers based on their environmental, social, or governance scores exceeding a specific threshold.

If the investment policy of the specific product requires it, an external provider (the “**Provider**”) carries out the assessment and assigns an ESG score to the issuer of the potential investment, providing the SGR with a sustainability score of the issuer, with the aim of examining how the company stands on environmental, social, and governance matters.

The Provider assesses the issuer's sustainability policies and KPIs and compiles an ESG score using a proprietary methodology based on one or more of the following elements:

1. the completion of an ESG questionnaire developed according to the UN Sustainable Development Goals (SDGs) and the Global Reporting Initiative Standards (GRI);
2. an estimate of company-specific, sector-specific, and geographic area indicators for the Target Companies;
3. the set of public information available about the Target Company.

The sustainability assessment is conducted for all potential investments, except where specific conditions or limitations are stated in the offering documents of the respective managed products. If the ESG questionnaire is not completed, the Provider determines the ESG score using a review of geo-sectoral indicators and available public information.

The SGR assesses potential investments by taking into account the ESG scores previously mentioned and integrates sustainability risk monitoring with standard financial analyses of risk and return, with the goal of identifying, limiting, and eventually excluding issuers with unsatisfactory ESG performance from its investment portfolios.

## 2.5 Active shareholding and Engagement

Communication with the companies in which investments are made is a key aspect of managing investments responsibly. The SGR believes that a dialogue with the issuers' management teams makes it possible to improve their ESG profile and safeguard long-term economic and financial performance through the appropriate management of risks. Through active engagement, the SGR aims to increase awareness and monitoring ESG matters. The ways in which the SGR engages are highly dependent on its role (as either a lender or shareholder) and the context of the investment (pooled or bilateral transaction).

In a wider sense, the SGR believes that incorporating corporate social responsibility programmes is a key part of governance policies aimed at maximising the creation of value shared among all shareholders. As a result, the SGR advocates for companies to implement protocols and procedures that focus on identifying, preventing, and mitigating potential negative social and environmental impacts of their business activities and key corporate strategies.

## 3. Reporting

The SGR is subject to the ESG reporting requirements set out in Reg. (EU) 2088/2019. Specifically, in accordance with the requirements set out from time to time by Regulation 2088 of 2019, the SGR publishes the following information on its website:

- information about its policies on integrating sustainability risks into its investment process;
- its statement explaining the reasons for not considering the adverse impacts of investment decisions;
- information regarding how its remuneration policy is in line with the integration of sustainability risks;
- for products that focus on environmental or social characteristics, or that have sustainable objectives, a description of the environmental or social features or sustainable investment objective, information on the methodologies used to evaluate, measure, and monitor the environmental or social characteristics or the impact of the selected sustainable investments, along with an explanation of how these characteristics or objectives are achieved.

Furthermore, the SGR details in its periodic reporting for products promoting environmental or social characteristics the degree to which these characteristics have been met.

Finally, to enhance and report on the impacts of its responsible investment activities, the SGR commits to providing external stakeholders with comprehensive reports, through specialised documents, outlining the activities undertaken and the results achieved through the implementation of its adopted policies.

#### 4. Governance

The SGR has developed a corporate governance framework that provides robust assurance of independence in decision-making and guarantees the effective implementation of its adopted policies. Specifically, the composition of the government bodies ensures a proactive dialogue and the use of balanced decision-making mechanisms to best achieve the set objectives.

All managers and members of the SGR's governing bodies are required to follow the principles of the Code of Ethics, which was approved by the Board of Directors on 22 October 2020, in setting their goals and performing their responsibilities, including any decisions that may affect the management of the investee company, as well as the interests of shareholders, employees, and the local community.

The SGR's internal control system also serves as a robust safeguard against forms of material and moral corruption that might undermine the principles of the Code of Ethics and threaten the stability of the SGR.

The SGR also believes that human capital not only plays a crucial role in implementing corporate strategies, but also serves as the main driver for applying the ethical values outlined in this Policy. As a result, the aim is to raise employees' awareness about the principles of responsible finance by organising training sessions through the Group's specialised departments, when needed, to learn how to incorporate ESG criteria into their specific roles.

Below is a description of the roles and responsibilities assigned to the parties involved.

**Board of Directors** - defines the ESG Policy and any updates; approves the criteria for excluding and integrating assets under management according to the Management Team's recommendations; periodically checks the effective implementation of the ESG Policy based on Risk Management's assessments.

**Management Team** - acts in accordance with the ESG policies and strategies approved by the Board of Directors as detailed in this Policy. It incorporates ESG criteria into every aspect of investment strategies and determines, based on the specifics of each transaction, the most effective method to implement this integration.

#### **Risk Management**

It is responsible for checking, during the initial phase of investment, that the integration and exclusion criteria determined by the Board of Directors are complied with. It carries out periodic assessments of the environmental and social features associated with AIFs.

#### **ESG Manager**



It supports the Board of Directors and the Management Team in implementing ESG Policies, particularly in relation to assessing, managing, and reporting on the ESG performance of both the SGR and the funds it manages.

## **5. Final Provisions**

This Policy is shared with all SGR employees and is available to all stakeholders on the company's website.

The Heads of corporate functions, and in particular the Management Teams, are responsible for integrating the commitments defined by the Policy into investment decisions and operations.

This Policy will be reviewed and updated at least annually, taking into account any new national and international developments and trends in responsible investment.