



ESG POLICY

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Amendments to the document

Versions	Date	Description of the Amendments
00	22/12/2020	First issue and approval by the Board of Directors
01	24/01/2021	Revision due to regulatory updates and approval by the Board of Directors
02	24/02/2022	Update of text ESG Strategy and approval by the Board of Directors
03	21/12/2022	Update to monitoring sustainability risks for Open AIFs

1. Premise and Generalities

Anima Alternative SGR, part of a leading independent asset management group (hereinafter, also the “Group”) in Italy, has the duty of operating in the interests of customers with investments intended to generate sustainable, long-term value.

By virtue of this fiduciary role and in keeping with the principles already adopted by other Group companies, Anima Alternative SGR (hereinafter also “SGR”) believes that environmental, social and corporate (ESG) governance issues associated with the companies it invests in can influence the performance of managed portfolios over time, at the level of individual companies, sectors, regions and asset classes. Taking these aspects into consideration in its investment decisions, the SGR can align the investors’ interests with the broader objectives of the company.

The activities of the funds managed by the SGR will be included in the *PRI report* prepared by Anima SGR (a subsidiary of the SGR), in its capacity as signatory of the *UN PRIs (United Nations Principles for Responsible Investment)*. By virtue of this reporting, the SGR qualifies as a signatory of the *UN PRIs*. In its capacity as signatory of the PRIs, the SGR undertakes to:

1. incorporate environmental, social and corporate governance into its investment analysis and decision-making processes, always taking into account the specificities of each individual transaction;
2. act as an active investor in the investee companies (hereinafter also the “Target Enterprises”), integrating ESG issues into its engagement activities in the most appropriate manner depending on its role in the specific transaction;
3. require, where possible, adequate disclosure on ESG issues by the Target Enterprises;
4. promote the acceptance and implementation of the PRIs in the financial sector;
5. work together with industry professionals and entities to improve the effective implementation of the PRIs;
6. report periodically on the activities and progress made in the implementation of the PRIs.

In addition, the SGR is committed to communicating to staff, investors and institutions with which it comes into contact, the responsible investment approach both in the management of the SGR itself – as applied in the internal rules and procedures governing its operations – and in its dealings with Target Companies.

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

This policy applies to all products set up and/or managed by SGR according to the methods and differentiations governed by the same policy and consistent with the regulations and with the product offering documents.

2. Integration of environmental, social and governance assessments into the investment process

This policy is based on the following components:

1. monitoring sustainability risks in the investment process;
2. consideration of the principal adverse impacts on sustainability factors deriving from investment activity;
3. specific ESG strategies;

4. active share ownership and engagement.

These components are characteristic of the investment process and apply to all products subject to this policy, with the exception of the component of the specific ESG strategies that applies only to the products referred to in Article 8 of Reg. (EU) 2088/2019, as identified by the specific disclosures in the relative offering documents.

2.1 Monitoring sustainability risks Closed AIFs

The SGR implements the regulatory definition of sustainability factors and sustainability risk (EU Regulation 2088/2019).

The monitoring of sustainability risks for Closed AIFs includes primarily the qualitative assessment of factors such as whether the issuers belong to certain business sectors that are considered higher risk from an environmental or social perspective. In particular, the SGR excludes from its market portfolio investments in:

- securities issued by governments that are involved in systematic human rights violations;
- companies that directly or indirectly carry out activities that are inconsistent with the PRIs on the basis of guidelines issued by international industry players;
- enterprises whose activity is directly or indirectly focused on one of the following sectors:
 - child labour;
 - production of and trade in tobacco or spirits and related products (insofar as the relevant activity is substantially focused on these sectors);
 - trade in or production of arms, ammunition and military supplies (except for activities that are part of, or ancillary to, EU policies and also comply with EU legislation);
 - gambling – including casinos and equivalent activities – and related products;
 - buying gold and retail trading of precious metals;
 - production and/or distribution of pornography and child pornography;
 - research, development, production or marketing of technical applications relating to electronic programmes or solutions that are intended to (x) enable or support the above-mentioned activities, pornography, online gambling and online casinos or any hacking activities, or (y) enable unlawful access to electronic networks or unlawful downloading of data.

The SGR believes that the consideration of environmental, social and governance factors in the investment process can provide a broader and deeper understanding of the risks and opportunities of the Target Enterprises and, therefore, of their ability to manage their risk exposure and generate adequate returns over time.

Consistent with these convictions, the SGR integrates ESG criteria into all segments of its investment strategies in a balanced and gradual manner and assumes direct responsibility for defining—based on the characteristics of the individual transaction—the best way to achieve such integration.

Environment

The SGR, aware of the negative effect its activities may have on the surrounding environment, aims to operate in such a way as to reduce this impact as far as possible. In fact, during the pre-investment analysis and the monitoring of the entire investment life cycle, environmental aspects are assessed in

order to avoid excessive risk-taking and to make the Target Enterprises aware of the importance of protecting the environment.

Social

The SGR aims to ensure appropriate working conditions in investee companies and to promote and support the social development of the community in which the company operates. It encourages an approach to resource management aimed at safeguarding skills and competences, pursuing a work culture based on equal opportunities, merit criteria and repudiating any form of discrimination.

Governance

The management of the corporate governance of portfolio companies is one of the key principles underpinning the SGR's responsible investment process. In this regard, by ensuring the quality of the management and members of the various governing bodies, the SGR fosters the achievement of high ethical standards in the conduct of business.

ESG principles are applied within the different stages of the investment process, with the necessary adjustments, depending on whether the investment is in debt or equity.

The process of selecting and evaluating investment opportunities in terms of ESG is based on the following points:

- careful application of exclusions referred to above, which identify a set of sectors whose characteristics are considered controversial from an ethical point of view and in which the SGR is consequently precluded from investing;
- specific essential analyses to assess whether to invest in environmental and reputational due diligence;
- having assessed the first two points, the Management Teams identify areas of investigation for due diligence, which, in parallel with the financial criteria, also includes the analysis of ESG elements.

Once the due diligence phase is over, the Management Teams prepare a special section in the investment memorandum on the results of the ESG analysis, so that the main social and environmental indicators become an integral part of the final decision-making process.

The SGR also undertakes to evaluate periodically the results achieved in this respect by the companies in its portfolio.

2.2 Monitoring sustainability risks Open AIFs

The requirements introduced by the recent regulatory provisions on sustainability risk management, monitoring and mitigation are applied considering the structure of the AIFM and on the basis of a case-by-case analysis of the specific characteristics and investment strategies of the managed AIFs.

Given that the open AIFs under management:

- are closed to new subscriptions and no reopenings are planned;
- have, by investment structure and strategy, a portfolio defined during the initial portfolio construction process; and that
- the assets and their proportion in the portfolios remain constant until the maturity date.

The sustainability risks are monitored by means of;

- audits conducted on environmental, social and governance issues by the Risk Management Function and inherent to the control of the effective exclusion of certain sectors provided for by the reference regulations and/or the Prospectuses of the managed AIFs;
- analysis of the ESG ratings of the instruments in the AIF portfolios, where available.

2.3 Consideration of the principal adverse impacts on sustainability factors

The SGR that, as at the closing date of the last available financial statements directly employs fewer than 500 people, declares – for the managed Closed AIFs – that it incorporates ESG factors in its investment evaluation but that it is not in a position to consider in an exhaustive manner the principal adverse impacts of investment decisions on the following sustainability factors: environmental/social issues, issues concerning personnel/respect of human rights/the fight against active and passive corruption. This is insofar as, at present, investment decisions are directed towards small/medium sized companies that are not always able to provide structured information on these factors.

In particular, the information and data required in order to take fully into account the principal adverse impacts of such decisions are revealed by the due diligence carried out during the investment evaluation and cannot be standardised, as they differ according to the type, location, sector and characteristics of the Target Enterprise. These adverse impacts are therefore taken into account in the absence of standard, objectively comparable data.

As far as managed Open AIFs are concerned, the SGR declares that it is not in a position to consider in an exhaustive manner the principal adverse impacts of investment decisions on the following sustainability factors: environmental/social issues, issues concerning personnel/respect of human rights/the fight against active and passive corruption. This is due to the characteristics of the AIFs themselves indicated in the previous paragraph.

2.4 Specific ESG strategies

In addition to the safeguards provided for the monitoring of sustainability risks referred to in the previous paragraph, the SGR applies specific ESG strategies to products that promote, among others, social and environmental characteristics, as identified in Article 8 of Reg. (EU) 2088/2019.

These strategies tend to reduce and in any case control investments in issuers with low ESG scores through the active monitoring of the ESG profiles of issuers, which leads to: (i) the exclusion of additional sectors beyond those mentioned in 2.1 above (such as fossil fuel energy production and trade, including electricity production exceeding certain standards or with high CO₂ emissions) or (ii) the selection of, for example, issuers whose environmental or social or governance score is above a certain level.

Where provided for in the investment policy of the specific product, the assessment and the attribution of an ESG score for the issuer of the potential investment is carried out by an external provider (hereinafter the “**Provider**”), who provides the SGR with a sustainability score for the investment target, with the aim of investigating the company's positioning with respect to environmental, social and governance issues.

The Provider assesses the sustainability policies and KPIs of the issuer under analysis and calculates an ESG score through a proprietary methodology based on one or more of the following elements:

1. the completion of an ESG questionnaire drafted in accordance with the UN Sustainable Development Goals (SDGs) and the Global Reporting Initiative (GRI) Standards;
2. an estimation of company-specific, sector-specific and geographical area indicators of the Target Enterprises;
3. the set of public information available to the Target Enterprise.

Sustainability is assessed for all potential investments, subject to the specificities or limitations set out in the offering documents of the individual products managed. If the ESG questionnaire is not completed, the ESG score is issued by the Provider on the basis of an evaluation of geo-sectoral indicators and publicly available information.

The SGR assesses potential investments taking into account the ESG scores above and supplements the monitoring of sustainability risks with traditional financial risk and return analysis, in order to identify, limit and tend towards excluding issuers with unsatisfactory ESG performance from its investment portfolios.

2.5 Active ownership and Engagement

Dialogue with investee companies is key to the responsible management of investments. SGR is convinced that dialogue with company management improves the ESG profile of the companies in question and protects their long-term economic and financial performance through proper risk management. Through engagement, the SGR pursues, in particular, objectives of raising awareness on and monitoring ESG issues. The ways in which the SGR conducts its engagement depend very much on its role (lender vs. shareholder) and the context in which it invests (pooled or bilateral transaction).

In general, the SGR believes that the adoption of corporate social responsibility programmes forms part, more generally, of corporate governance policies aimed at maximising the creation of shared value for all shareholders. Therefore, the SGR fosters the adoption of protocols and procedures by individual companies aimed at identifying, preventing and mitigating possible negative social and environmental impacts of their business operations and main corporate strategies.

3. Reporting

The SGR is subject to the ESG reporting requirements set out in Reg. (EU) 2088/2019. In particular, in line with what is prescribed from time to time by Regulation 2088 of 2019, the SGR makes available on its website:

- information about its policies on integrating sustainability risks into its investment process;
- its statement concerning the reasons for not taking into account the adverse impacts of investment decisions;
- information on how its remuneration policy is consistent with the integration of sustainability risks;
- for products that promote environmental or social characteristics, or for those with sustainable objectives, a description of the environmental or social characteristics or sustainable investment objective, information on the methodologies used to assess, measure and monitor the environmental or social characteristics or impact of the sustainable investments selected for the financial product, and a description of how the environmental or social characteristics or sustainable investment objective are met.

In addition, in its periodical reports on products that promote environmental or social characteristics, the SGR describes the extent to which the environmental or social characteristics are achieved.

Finally, with the aim of enhancing and reporting the impacts of responsible investment activities, the SGR undertakes to provide external stakeholders, through dedicated documents, with a complete overview of the activities carried out and the results obtained from the implementation of the policies adopted in this area.

4. Governance

The SGR has established a corporate governance system that provides a solid guarantee of independence in the decision-making process and ensures proper implementation of the policies adopted. In particular, the composition of the corporate bodies ensures a preventive dialectic and the application of balanced decision-making mechanisms aimed at best achieving the set objectives.

All managers and members of the SGR's governing bodies are required to be guided by the principles of the Code of Ethics approved by the SGR's Board of Directors on 22 October 2020 when defining their objectives and carrying out their duties, as well as in any decision that may have an impact on the management of the company in which they invest, as well as on the profit of shareholders, employees and the territory in which they operate.

The SGR's internal control system is also a solid safeguard against the forms of material and moral corruption that could undermine the integrity of the principles underlying the Code of Ethics and jeopardise the soundness of the SGR.

Finally, the SGR believes that human capital not only contributes to the realisation of corporate strategies, but is also the primary source of the application of the ethical values adopted through this policy. For this reason, the aim is to raise employee awareness of the values of responsible finance by organising – through the Group's dedicated structures, where necessary – training sessions dedicated to learning the tools used to integrate ESG criteria in their respective areas of work.

The roles and responsibilities associated with the actors involved are set out below.

Board of Directors - determines the ESG Policy and subsequent revisions; approves the exclusion and integration criteria to be applied to the managed assets on the basis of the Management Team's proposals; periodically verifies the correct implementation of the ESG Policy on the basis of the controls carried out by Risk Management.

Management Team - operates within the framework of the ESG policies and strategies approved by the Board of Directors within the framework of this policy. Integrates ESG criteria into all segments of investment strategies and defines – based on the characteristics of the individual transaction – the best way to achieve this integration.

Risk Management

- monitors investments in compliance with the integration and exclusion criteria approved by the Board of Directors. Carries out periodic monitoring of the pursuit of environmental and social characteristics of any products falling under Art. 8 of Reg. (EU) 2088/2019

5. Final Provisions

This policy is provided to all Anima SGR staff and made available to all stakeholders on the company's website.

Heads of corporate functions, with particular reference to Management Teams, are entrusted with the task of integrating the commitments defined by the policy into investment decisions and operations.

This Policy will be assessed for updating at least once a year, in the light of any emerging evidence and monitoring of national and international trends in responsible investment.