



FININT SGR
GRUPPO BANCA FININT

ENVIRONMENTAL, SOCIAL AND GOVERNANCE – ESG – POLICY

March 2021

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1. OVERVIEW

The assessment of Environmental, Social and Governance (ESG) risks and opportunities has become an increasing area of focus for both asset owners and investment managers. There is an increasing recognition that ESG risks and issues can have a material effect on the value of an issuer's debt or equity and property investments as well.

At the same time, there are no industry wide standards and approaches; ESG means different things to different investors. Moreover, we recognise that a large number of investors are still evaluating the role that ESG will play in their strategies and portfolios.

In 2020 Finint SGR has started its journey to make sustainability a strategic factor in the management of the SGR and its funds. The application of the ESG principles of Finint SGR over time will have to adapt to regulatory requirements and the needs of clients who intend to pursue the development of sustainable investments. All this in an open dialogue to encourage discussion between manager and investor.

This document therefore seeks to:

- Lay out the Finint SGR's approach to integrating ESG into our investment processes;
- Present the Sustainable and Responsible Investments Committee;
- Share the ESG communications strategy.

The policies outlined in this document apply to Finint SGR and its Investment Funds managed.

2. SUSTAINABLE APPROACH

The ESG Policies of Finanziaria Internazionale Investments SGR (hereinafter also referred to as “Finint SGR” or the “Company”) are developed with the aim of divulging both internally and in its external relations the environmental, social and governance (hereinafter also referred to as “ESG”) sustainability principles, promoting the engagement with its clients and suppliers.

In establishing its sustainable approach, Finint SGR became a signatory of PRI (Principles for responsible investment). PRI is an initiative, promoted by the United Nations, that aims to foster sustainable approaches in the financial sector and in particular into investment processes.

Additionally, Finint SGR identified the relevant sustainability issues on which it can act, with the ability to offer a concrete, real contribution to reduce certain risks identified by the United Nations in the 2030 Agenda.

3. ALIGNMENT WITH SUSTAINABLE DEVELOPMENTS GOALS (SDGS)



Climate action and Affordable and clean energy

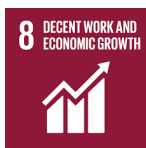
Finint SGR invests in the environment and energy sectors through funds dedicated to renewable energy development. Clean energy generated in a year is equal to 130 MW with investments of over 300 million euros.



Sustainable Cities and Communities

Finint SGR invests in the property sector, and constantly engages with the public and private sectors in order to promote urban redevelopment and regeneration.

The management and promotion of social housing funds allows inequality between the public to be reduced, encourages neighbourhood life and gives social benefits. Efforts are also made for the promotion and development of residential areas in outlying areas, far away from metropolitan areas.



Decent work and Economic Growth

Finint SGR manages products to support the real economy to help Italian SMEs. The companies in the portfolio honour working standards and conditions of work. The direct and indirect impacts on employment and on the Italian economic system that the Company generates through its investments are monitored.



Industry, Innovation and Infrastructure

As with the previous paragraphs (goal 8), since the Finint SGR investments are also aimed at Italian SMEs, it is possible to encourage innovation and technological development in companies through operations that accompany the target in their paths to growth.



Gender equality

The Company has a clear position on gender equality and undertakes to regularly evaluate the presence of women in significant positions in its organization and promote the role of senior women in the financial sector.



Good Health and Well-Being

Finint SGR supports the development of the healthcare system through property investments in Nursing Home Care in order to make healthcare services more accessible and senior housing as well.



Responsible Consumption and Production

Finint SGR guarantees sustainable production and consumption models with attention to the property sector, favouring the construction and investments in properties with high-level energy certification.

4. ESG STRATEGY

For Finint SGR, investing responsibly means systematically incorporating the ESG criteria into the traditional investment processes, regardless of the types of assets and investment strategy adopted, with the double goal of creating sustainable value while simultaneously reducing the overall risk. The pillars of the responsible investment policies of Finint SGR are based on:

- Regulatory screening based on exclusion criteria on laws, values, the involvement in controversial economic activities;

- Incorporation of ESGs by adopting suitable internal and external assessment models in addition to actively contributing to some of the goals proposed by the United Nation (Agenda 2030);
- Active impact through dialogue with operators;
- Reporting for clear and transparent communication with the outside and for its customers.

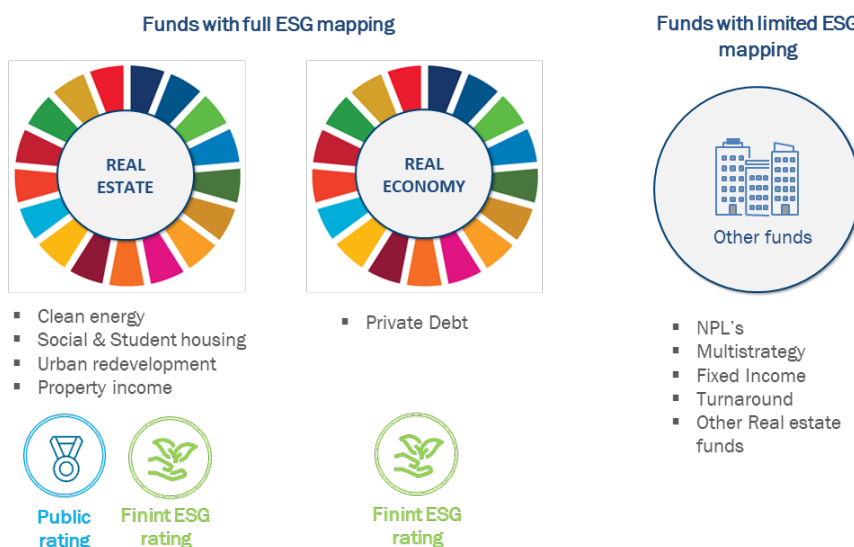
The ESG project in Finint SGR was not done just to be prepared for launching sustainable products for the future. A mapping has been made in all assets currently managed in the funds of Finint SGR, in order to extract data and characteristics that are perfectly integrated into the path that Finint SGR intends to follow on sustainability. The priority will be the respect of PRI parameters.



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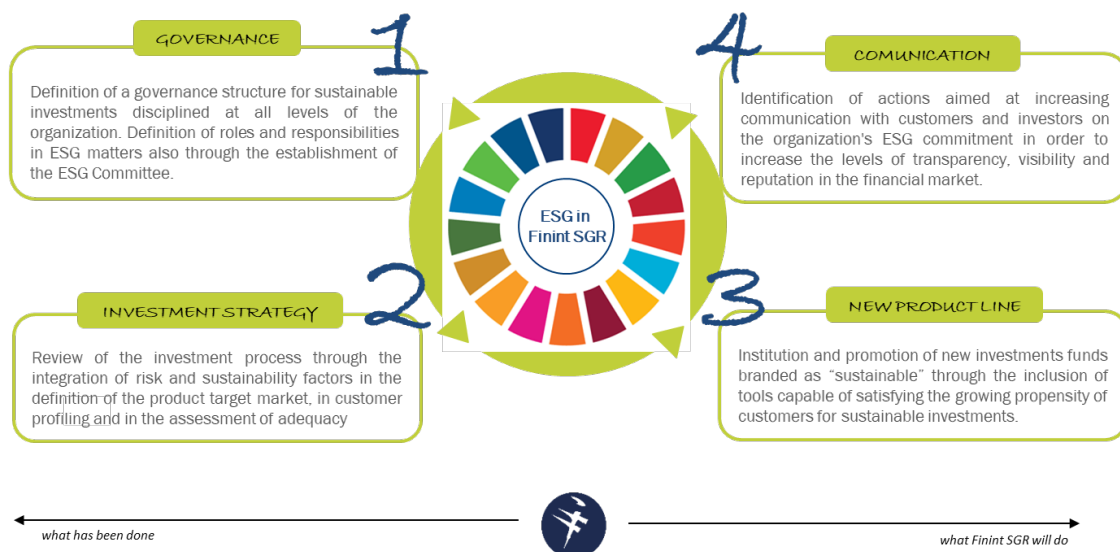


Funds managed by Finint SGR



Finint for the Real Economy - Finint SGR has a range of funds that invest in the real economy which brings together all the funds structured to support the Italian Small and Medium Enterprises (SME's) system. This product family includes the private capital products like private debt and private equity. This product category can also pursue sustainable investments and in this case, it will return to the category of "sustainable fund".

In the process of integration aimed at including sustainable investments, Finint SGR is ready to launch sustainable funds on the market.



4.1 FININT SUSTAINABLE FUNDS

The need to add a sustainability brand is in line with the wish of the EU to create a "standard" brand of sustainable financing. To date, in the absence of a regulatory framework to follow for financial operators, the following can be related to the best practices adopted by other financial operators and the guidelines promoted by the PRIs.

The definition of the sustainable product policy of the SGR is expressed through a structured approach that benefits from the use of various management development techniques:

- **Exclusion:** negative selection based on predefined investment rules that exclude companies whose controversial activities comprise their main business or where the associated risks are not reduced by management.
- **Best in class:** positive selection for companies and assets that are leaders in sustainable development;
- **ESG Integration:** incorporation of ESG factors in the construction of portfolios with special attention to achieving a sustainable balance in terms of the complexity of the investments in same;
- **Sustainability themed and Impact Investing:** themed and impact investments where the investors sacrifice a part of the potential performance in favour of achieving the ESG goals.

The exclusions and best in class can be broader in accordance with the type of fund and also determined in agreement with the investors.

4.2 ACTIVITIES TO EVALUATE ADVERSE IMPACTS OF INVESTMENT DECISIONS ON ESG FACTORS

Finint SGR integrates ESG criteria since the beginning of investment processes, by evaluating possible adverse impact on ESG factors through four key activities:



1.2.1 SCREENING PROCESS

In this first phase, Finint SGR evaluates the activities that the investments will support, by excluding activities not in line with FININT SGR ethical values.

EXCLUSION

Finint SGR undertakes not to directly or indirectly support investments where the activities:



- comprise illegal economic activities (with these referring to the production or sale or other activities that are illegal in accordance with the law that applies to the SGR, its funds under management or the companies that it invests in, including but not limited to human cloning for reproduction purposes).
- are substantially concentrated on the production and sale of tobacco, distilled alcoholic beverages and related products;
- are substantially concentrated on the production and sale of arms and weapons of any type, apart from cases in which these activities form part of, or in any case are further to European Union policies;
- are substantially concentrated on gambling and equivalent activities;
- are substantially concentrated on the purchase of gold and trading in precious metals on a retail basis;
- are substantially concentrated on the production or sale of pornographic materials;

- are substantially concentrated on human cloning or genetically modified bodies;
- are linked to companies that do not give any guarantees that they respect human rights in the exercise of their activities.

BEST IN CLASS

Finint SGR undertakes directly or indirectly support investments where the activities:



Environment



Social



Governance

- | | | |
|---|---|---|
| <ul style="list-style-type: none"> ▪ CO2 emissions ▪ Waste ▪ Water resources ▪ Low land consumption ▪ Urban regeneration | <ul style="list-style-type: none"> ▪ Health and Safety ▪ Relationship with employees and trade unions ▪ Protection of workers' right | <ul style="list-style-type: none"> ▪ Board of directors composition ▪ Audit and Internal audit ▪ Corruption prevention |
|---|---|---|

1.2.2 DUE DILIGENCE

In the Due Diligence (DD) process ESG issues are investigated in more detail by involving the technical department.

The overall DD process keep in consideration all the aspects that could produce a negative impact on the investment. Some of the element analyzed are:

- Compliance control, which includes regulatory requirements and environmental risk analysis;
- Resilience and adaptability to climate change, including flood risk and control;
- Investigations on soil and air contamination;
- Energy consumption, carbon footprint, water consumption and waste production and management;
- Biodiversity and habitat impacts;
- Impacts on the community;
- Health and safety issues.

1.2.3 DECISIONS ON INVESTMENTS

The outputs of the DD and the actions for improvement are included within the investment report to ensure that they are incorporated into the decision-making process. Even if no ESG risk factors are identified, the analysis is still incorporated into the investment report to highlight that ESG factors were taken into consideration during the early stages. Once the drafting of the report is completed, it is submitted to the ESG Committee for approval. Once approved, the acquisition is completed, and the monitoring phase can start.

1.2.4 MONITORING

The monitoring stage is a crucial moment in the application of the ESG principles to the investments and portfolios since it entails collecting the data needed to evaluate the sustainability performances.

On the basis of the various types of funds managed by the SGR, and taking account of the investment policies, the investment monitoring may be summarised as set out below.

- With reference to the "Finint for the Real Economy" and the "Finint Sustainable" brand security funds different phases are identified as: (i) identification of the most representative key performance indicators (KPIs) of the target company, needed to set up a periodic monitoring process on it. The information needed to collect allows the Target company to determine the Finint ESG Score; (ii) once the key indicators have been identified, the data on the target company will be collected and processed once a year in order to measure the performance trends of said indicators, identify any anomalies, evaluate the planned goals and make accurate considerations to reinforce the practices by the companies subject to monitoring and create an improved company image and resulting improvement of reputation; (iii) the data collected and reprocessed is then organised into a report for each fund. The performance trends of the Finint ESG Score are considered for each target and also any corrective plans of actions carried out in the applicable period between the Company and the Target with the intention of improving the score. The Risk management department, with the support of the Sustainability Manager and the Fund Manager, manage the monitoring of the Finint ESG Score by gathering all the information that is requested directly from the target. In any case, there is a Finint ESG Score criticality limit on the targets in which the fund invests.
- with reference to the Finint Sustainable brand real estate funds or those that pursue sustainable investments in their portfolio phases can be identified as the identification of the most representative key performance indicators (KPIs) of the real estate asset, needed to set up a periodic monitoring process on it. In that case, Finint SGR will take action to map and monitor the sustainability requirements through public ratings that will be assigned to the fund or to specific assets in the portfolio (the GRESB rating is currently used for real estate funds). If the ratings following the investment fall over time for reasons that do not depend on the SGR (changed market conditions, extraordinary events that had consequences on the property), the real

estate devision, with the support of the Sustainability Manager, will take action to get back within the limits in accordance with the time-frames considered to be most appropriate in the interests of the investors and in accordance with prevailing laws. In that case, it will be forbidden to increase positions that may be similar to the critical ones due to their characteristics and the opportunity to divest the position will be considered, in the interest of the investors, in any case taking account of the illiquidity of the assets.

5. ESG COMMITTEE

With the intention of promoting sustainable investments in both security investments products and real estate products, Finint SGR established a body called the “Sustainable and Responsible Investments Committee” (hereinafter also referred to just as the “ESG Committee”. The ESG Committee has many roles according to the type of product/services:

- For products that promote environmental and social characteristics also branded as “sustainable funds”, the ESG Committee will have to issue its binding opinion on the investment policies that will have to be followed to manage the new product. The Committee will have to continuously express its opinion in relation to the investments that will be identified from time to time while the product is being managed and will also have the right to express its veto over them.
- For products that aim at sustainable investments also branded as “funds with sustainable investments” the Committee will be asked to express its opinion to be given on an advisory basis on the investment policies of the new product and the subsequent investments that will be made during the management period from time to time.
- for products that do not have sustainable goals branded ad “fund with no ESG criteria”the Committee will not have to take any action due to the nature of the product at nay stage of the process.

The Finint ESG Committee ensures the correct application of internal ESG policy of Finint SGR, the monitoring of sustainable investments throughout its life and the engagement of ESG policy with all operators: from the fund’s investor to the fund provider.

6. ESG ASPECTS COMMUNICATION TO STAKEHOLDERS

A key part of implementing this ESG Policy is to communicate progress over time. As such, Finint undertakes to:

- Update members on key initiatives and progress via the Finint website and relevant investor reporting and annual reports;

- Actively involve its human capital in this roadmap and provide proper tools for understanding the management of ESG topics;
- Communicate ESG strategy goals and related factors and maintain a positive dialogue with these subjects in order to anticipate potential requests.
- Engage both internal and external stakeholders to sustainability issues
- Work together with key industry players to enhance our effectiveness in implementing ESG principles.

7. SIGNING AND REVIEW OF THE POLICY

This Policy is reviewed and approved by the Board of Directors of Finint and will be subject to an annual review in order to integrate any new guideline or regulation in this matter.

All ESG strategies and procedures adopted will also be reviewed in accordance with any this Policy changes, financial considerations and new regulations.

Finint is committed to maintaining its stakeholders informed and updated on Policy reviews and updates.

The Policy has been approved by the Board of Directors of Finint on March,5 2021.

March, 2021

This document is updated on at least an annual basis.



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Company subject to direction and coordination of Banca Finint S.p.A., enrolled in the Register of Banking Groups as parent company of Gruppo Banca Finanziaria Internazionale

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Chairman.....Giovanni Perissinotto

C.E.O.....Mauro Sbroggiò

Signatory of:
 **PRI** Principles for Responsible Investment