

**Title:** Responsible Finance Policy

**Revision:**

4.0

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**Issued on:**

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# Responsible Finance Policy

**A. Document Datasheet**

<b>Type of document</b>	<input type="checkbox"/> Corporate Policy
<b>Main related rules</b>	<input type="checkbox"/> Diversity & Inclusion Policy <input type="checkbox"/> Remuneration Policy <input type="checkbox"/> Procedure Manual
<b>References to external rules</b>	<input type="checkbox"/> Regulation (EU) No 2088/2019 ("SFDR") <input type="checkbox"/> Commission Delegated Regulation (EU) No 1288/2022 ("RTS") <input type="checkbox"/> Directive (EU) No 61/2011 on Alternative Investment Fund Managers ("AIFMD") <input type="checkbox"/> Regulation (EU) No 231/2013 supplementing the AIFMD <input type="checkbox"/> Bank of Italy order of 5 December 2019 laying down provisions regarding the organization, procedures, and internal controls of financial intermediaries <input type="checkbox"/> Bank of Italy Regulation of 19 January 2015 on collective asset management <input type="checkbox"/> CONSOB Regulation No 20307 of 15 February 2018 on intermediaries <input type="checkbox"/> CONSOB Regulation No 11971 of 14 May 1999 on issuers <input type="checkbox"/> Regulation (EU) No 679/2016 – General Data Protection Regulation – GDPR <input type="checkbox"/> Legislative Decree No 196 of 30 June 2003 on personal data protection
<b>Applicant</b>	<input type="checkbox"/> CEO
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## B. Document History

UPDATES AND REVISIONS		
Revision	Main amendments	Issue date
1.0	<input type="checkbox"/> First release	14/12/2017
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## 1. Introduction and Objectives

This Responsible Finance Policy (hereinafter the "Policy") represents Fondo Italiano d'Investimento's formal commitment to conducting its activities under responsible investment principles. It describes the criteria adopted to fulfill this commitment and achieve long-term financial returns by integrating environmental, social, and governance (ESG) factors into its investment activities.

Through the Funds it manages, the SGR pursues the objective of combining investment return maximization with an increase in the competitiveness of the Italian production system, integrating into its investment activities the consideration of environmental, social, and governance factors.

Integrating ESG criteria is an integral part of Fondo Italiano's investment activity. It involves adopting processes aimed at identifying potential sustainability risks, i.e., events or conditions that could have a direct or indirect negative impact on the value of the investment, and mitigating them by supporting the portfolios. In parallel, the identification of ESG opportunities enables the enhancement of long-term value creation.

To that end, Fondo Italiano d'Investimento aims to create long-term added value shared with the companies in which it invests and with all its stakeholders to establish sound relationships built on trust and based on a responsible investment approach. Furthermore, by integrating ESG factors into its investment processes, the SGR seeks to promote the sustainable growth of its portfolio companies and target communities.

Through its Responsible Finance Policy, applicable to the entire investment process, the SGR aims to:

- Disclose to all stakeholders, including its employees, the companies in which it invests, investors and institutions, its approach to responsible investing, and the sustainability objectives that the SGR intends to pursue;
- Outline the principles guiding the integration of environmental, social, and governance factors into its activities, always taking into account the specific nature of each deal;
- Describe the governance systems and operational processes adopted to ensure the adoption of ESG criteria and responsible investment principles;
- Adhere to nationally and internationally recognized responsible finance principles and guidelines.

Specifically, Fondo Italiano d'Investimento intends to contribute favorably to achieving the UN Sustainable Development Goals (SDGs)<sup>1</sup> by carrying out concrete actions in internal operations and investment activities. Fondo Italiano d'Investimento's commitment to integrating responsible investment criteria has also been formalized through signing the United Nations *Principles for Responsible Investment* (UN PRI)<sup>2</sup>, a set of guiding principles intended for institutional investors globally and aimed at fostering the spreading among investors of responsible investment practices which drive Fondo Italiano d'Investimento's investment activities.

For more details on the terms used in this Policy, please see Section 8, "Glossary."

## 2. Reference Framework

This Policy has been formulated against regulatory and industry frameworks, specifically:

- ❖ **Regulation (EU) No 2088/2019 (SFDR):** In formulating its Responsible Finance Policy and, in general, in integrating responsible investment criteria into its investment process, Fondo Italiano d'Investimento conforms to the requirements introduced by EU Regulation No 2088/2019 (SFDR).

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<sup>1</sup> [UN Sustainable Development Goals](#)

<sup>2</sup> [UN Principles for Responsible Investment](#)

Following the latter, Fondo Italiano d'Investimento publishes annually on its website the information required by Article 3 (Transparency of Sustainability Risk Policies), 4 (Transparency of Adverse Sustainability Impacts), 5 (Transparency of Remuneration Policies in Relation to the Integration of Sustainability Risks), and 10 (Transparency of the Promotion of Environmental or Social Characteristics and Sustainable Investments on Websites) of Regulation (EU) No 2088/2019 SFDR. For more details on Fondo Italiano d'Investimento's alignment with Regulation (EU) No 2088/2019 SFDR, please refer to the relevant [section](#) of the SGR website.

- ❖ **UN PRI:** Fondo Italiano d'Investimento references the United Nations Principles for Responsible Investment (UN PRI) as a guideline for integrating ESG factors at all stages of its investment process and has adjusted its ESG strategy accordingly. In this regard, Fondo Italiano d'Investimento regularly submits the Questionnaire for Signatories of the UN PRI Principles, whose reports are publicly available on the relevant portal. The voluntary and aspirational UN PRI principles are as follows:
  1. *We will incorporate ESG issues into investment analysis and decision-making processes;*
  2. *We will be active owners and incorporate ESG issues into our ownership policies and practices;*
  3. *We will seek appropriate disclosure on ESG issues by the entities in which we invest;*
  4. *We will promote acceptance and implementation of the Principles within the investment industry;*
  5. *We will work together to enhance our effectiveness in implementing the Principles;*
  6. *We will each report on our activities and progress towards implementing the Principles.*
  
- ❖ **UN SDGs:** Fondo Italiano d'Investimento has set its ESG Goals, as presented in this Policy, in keeping with the UN SDGs, or Sustainable Development Goals, namely the seventeen global development goals set by the United Nations as part of the 2030 Agenda for Sustainable Development. More specifically, Fondo Italiano d'Investimento has identified six SDGs to which it intends to contribute primarily through its activities and has defined its ESG ambitions in line with these. For more details, see Section 4, "ESG Goals of Fondo Italiano d'Investimento."
  
- ❖ **Human Rights Standards:** Fondo Italiano d'Investimento conducts all its activities in full compliance and alignment with the Universal Declaration of Human Rights<sup>1</sup>, drawing inspiration from the United Nations Guiding Principles on Business and Human Rights and the OECD guidelines (OECD Guidelines for Multinational Enterprises on Responsible Business Conduct).
  
- ❖ **Industry Associations:** This Policy has been formulated following the guidelines of the Italian Association of Private Equity, Venture Capital, and Private Debt (AIFI).
  
- ❖ **Institutional climate-related and environmental actions and guidelines:** Fully respecting nature and the ecosystem, Fondo Italiano also evaluates investment opportunities in terms of their contribution to the energy and climate transition targets defined at the national and international levels. In particular, in formulating this Policy, the SGR has considered, where possible, the Paris Agreement and the National Integrated Energy and Climate Plan. Moreover, Fondo Italiano d'Investimento has integrated into its Policy and investment activities the expectations outlined in the document "*Supervisory Expectations on Climate and Environmental Risks*" published by the Bank of Italy.

### 3. Roles and Responsibilities

To integrate responsible investment principles into the investment process, Fondo Italiano d'Investimento has identified the bodies responsible for integrating ESG criteria within the activities carried out by the SGR and throughout the investment cycle. Specifically, the responsible bodies are as follows:

- **The Board of Directors:** The Board of Directors (BoD) is responsible for approving organizational strategies, business objectives, and choices and overseeing the SGR's work and the managed Funds'

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<sup>1</sup> [Universal Declaration of Human Rights](#)

performance. Specifically, the BoD is responsible for reviewing and approving the strategic decisions on sustainability put forward by the ESG Committee; it also approves the Responsible Finance Policy, the Procedure Manual, and the sustainability reporting. Moreover, serving as a governing body, the BoD plays an active guidance and governance role in integrating ESG risks - in particular, physical and transition climate risks - into the corporate strategy by supervising and approving the initiatives undertaken by the SGR and the Funds in this regard and by making evaluations based on the materiality of the risks mentioned above.

- **The ESG Committee:** The ESG Committee plays an advisory role primarily concerning the definition of the SGR's ESG strategy and objectives, actively interacting with the other board committees by issuing reasoned opinions, both binding and non-binding. When requested by the Board of Directors, the Committee reviews the ESG profiles of the investment transactions of the Funds managed by the SGR and issues opinions on the subject. The ESG Committee is also responsible for actively promoting the development and proper implementation of the ESG strategy outlined by Fondo Italiano, both at the SGR and Fund levels.
- **The Commercial, Investor Relations & ESG Department:** The Commercial, Investor Relations & ESG (CIRESG) Department is responsible for setting and overseeing the strategy for integrating environmental, social, and governance criteria and the activities carried out in this area while providing constant monitoring in this regard. Specifically, the department annually reviews the Responsible Finance Policy and suggests possible amendments. Oversight of the Responsible Investment strategy falls under the responsibility of the Head of the Commercial, Investor Relations & ESG Department.
- **The Investment Teams:** Each investment team undertakes to identify an ESG coordinator from among its members responsible for the operational implementation of the responsible investment approach, i.e., the assessment of ESG risks and opportunities and the monitoring of ESG performance throughout the investment process. In addition, the Investment Teams ensure that, for each investment, a contact person from either the majority-owned investee company or the portfolio UCI manager is identified, who is responsible for liaising with the investment team member in charge of implementing ESG activities.
- **The Risk Management Unit:** The Risk Management Unit is responsible for integrating the sustainability risk throughout the investment cycle into its risk identification, management, and monitoring system. The involvement of the Risk Management Unit is differentiated based on the type of investment (direct and indirect) and product (funds under Articles 6, 8, or 9 SFDR), the investment stage (ex-ante, in the resolution phase, or ex-post during monitoring and up to divestment), and first-level operations.

Furthermore, all employees of Fondo Italiano d'Investimento are required to follow the principles of the Code of Ethics and this Policy in carrying out their activities.

#### 4. ESG Goals of Fondo Italiano d'Investimento

To encourage the spread of responsible investment best practices, Fondo Italiano d'Investimento has identified the ESG goals around which it intends to generate a positive impact that benefits the Country system, contributing to the United Nations Sustainable Development Goals (SDGs). The identified goals have been grouped under three key pillars, to which specific SDGs are linked, guiding the ESG strategy and summarizing Fondo Italiano d'Investimento's ESG ambitions:

##### **E - Environment – “Acting responsibly to protect the environment”**

Fondo Italiano d'Investimento acknowledges the importance of addressing climate change challenges and, therefore, aims to generate a positive impact when conducting its business and within its investment activities by reducing greenhouse gas emissions, mitigating physical and transition climate risks, and adopting energy management practices geared toward renewable transition.



### S – Social – "Supporting people's development"

Fondo Italiano d'Investimento is committed to business growth and innovation to foster talent and strengthen skills. Fondo Italiano d'Investimento advocates, both in its SGR-related activities and in its investment activities, for the protection of human rights and the creation of healthy and safe work environments, and champions diversity and inclusion by creating work environments that encourage active employee participation and training and by building positive relationships with the communities in which it operates. In carrying out its investment activities, Fondo Italiano d'Investimento is committed to ensuring that the business activities conducted by the companies in which it invests conform to the UNGP<sup>1</sup> principles and OEGCD<sup>2</sup> guidelines.



### G – Governance – "Promoting business ethics"

Fondo Italiano d'Investimento supports ethical and transparent behavior in conducting its business and within the companies in which it invests; it encourages investee companies to adopt adequate sustainability safeguards and create transparent disclosures for the market. Specifically, Fondo Italiano di Investimento is committed to including in all ESG Action Plans developed for investees (concerning direct investments) the development of a Code of Ethics and/or the adoption of an Organizational Model under Legislative Decree No 231/2001.



## 5. Responsible Investment Strategy

The SGR has devised a Responsible Investment strategy to apply the principles of responsible finance to all investment stages and processes, as it believes that introducing ESG criteria throughout the entire investment life cycle is essential for creating lasting value to be shared among all stakeholders. The integration of ESG criteria occurs in a balanced and incremental way in all investment strategy segments while at the same time ensuring that the best way to achieve this integration is identified based on the specific characteristics of each transaction, operating according to a principle of materiality.

ESG principles are implemented at the different stages of the investment and portfolio management process, focusing on tailoring the integration of these criteria to the different investment strategies adopted by the Company to properly identify and manage the risks and opportunities potentially associated with investments. The scope of applicability relates to new Investment transactions initiated after the approval of this Policy. As regards the Funds already in existence, the SGR undertakes, where possible and in compliance with the provisions of the applicable law and agreements in place, to implement the principles of responsible investment provided for in Section 5.C (Holding Period), 5.D (Engagement and Stewardship Activities), and 5.E (Divestment).

The various steps of the investment process are illustrated below:

#### A. Exclusion

Prior to the investment assessment process, Fondo Italiano d'Investimento excludes from its investment opportunities the assets and/or companies involved in sectors deemed to be ethically controversial and in which, consequently, the SGR refuses to invest. Specifically, the SGR has identified a set of exclusion criteria that can be applied to direct and indirect funds associated with the following sectors/activities:

- i. *military systems, controversial weapons<sup>3</sup>, and ammunition (by way of example, anti-personnel mines, cluster munitions, and submunitions<sup>4</sup>)*
- ii. *tobacco;*
- iii. *gambling and gambling-related products;*
- iv. *pornography;*

<sup>1</sup> United Nations guiding principles on business and human rights

<sup>2</sup> OECD Guidelines for Multinational Enterprises on Responsible Business Conduct

<sup>3</sup> This exclusion shall not apply to activities that are part of, or incidental to, European Union policies.

<sup>4</sup> As per Law No 220 of 22 December 2021 and related implementing provisions.



- v. *computer programs and electronic solutions developed to illegally enable network access or downloading of computer data;*
- vi. *human cloning;*
- vii. *activities that are unlawful according to applicable laws or regulations or that violate the guiding principles of responsible investment (i.e., transparency, integrity, and suitability) according to the guidelines of international industry associations;*
- viii. *activities connected with the extraction of fossil fuels;*
- ix. *power generation activities using coal or oil.*

The SGR does not invest in activities explicitly prohibited by the relevant standards and that are detrimental to human dignity, such as child labor, exploitation of workers, discrimination based on ethnicity, religion with special attention to gender discrimination, human trafficking, violation of internationally recognized human rights.

## B. Preliminary Assessment

Once the exclusion criteria have been applied, the Investment Teams begin the preliminary investment assessment activity, which, alongside the financial criteria, also includes the analysis of ESG issues. During this phase, Fondo Italiano d'Investimento's goal is to identify potential ESG risks and opportunities related to the investment considered. Specifically:

- **In the case of direct investments**, the Investment Teams determine (with the support of external consultants) the list of potentially material ESG issues against which the ESG Due Diligence will be carried out. To perform this activity, Fondo Italiano d'Investimento has developed a proprietary framework that includes a list of issues that are considered when analyzing all investment opportunities - regardless of the business activities of the latter - as they are considered of paramount importance to the SGR and cover the evaluation of exposure to so-called systemic risks. More specifically, the framework includes themes regarding the analysis of the Target Company's potential exposure to physical and transition climate risks. For Funds that conform to Article 8 of Regulation (EU) No 2088/2019 SFDR, the alignment of the investment opportunity with the environmental and social features the Fund promotes is also verified. Next, an in-depth ESG Due Diligence is conducted with the support of external consultants to identify potential ESG risks and opportunities to which the Target Company may be exposed.
- **In the case of indirect investments**, during the preliminary assessment of indirect investments made through the Fund of Funds activity, the SGR performs an ESG Due Diligence aimed at verifying the commitment made by the Target Funds (hereinafter also "Manager") in the area of Responsible Investment, the related policies and, in particular, the extent to which ESG criteria are considered at different stages of the investment process. The ESG Due Diligence, carried out using a proprietary screening tool, includes a check of the safeguards adopted by the Manager against physical and transition climate risks. Regarding "FOF Impact Investing," the "Fund of Funds" investment team verifies, also with the support of external consultants, the consistency of the impact measurement model of the target UCI with the model used by the Company and, in particular, the consistency with the sustainability objectives pursued, as well as the compliance of the activity carried out by the target fund with the requirements of Article 9 SFDR. At this stage, priority SDGs are also assigned to each target UCI with the support of the ESG Advisor, taking into consideration the documentation made available by the target UCI manager (e.g., ESG policies, SDGs sustainability plans, scorecards for monitoring specific indicators, etc.) to assess the SDGs selected by the target UCI.

For both direct and indirect investments, once the Investment Teams complete the ESG Due Diligence, they draw up in the Investment Memorandum a section on the outcomes of the analysis of ESG aspects so that they become an integral part of the final decision-making process, which includes the Board of Directors. During this stage, Fondo Italiano d'Investimento reserves the right to relinquish the investment if serious ESG risks and violations – assessed on a case-by-case basis - emerge when analyzing investment opportunities. When defining contractual clauses for an investment, the SGR commits to encouraging the adoption of ESG Action Plans, policies, management systems, and other initiatives to mitigate ESG risks and significant adverse impacts identified during the ESG Due Diligence.

### C. Holding Period

Throughout the holding period of its investments, Fondo Italiano d'Investimento aims to ensure that proper asset preservation is combined with growing awareness of the importance of conducting business by adopting a Responsible Investment approach and integrating ESG criteria. The SGR undertakes to verify that any shortcomings revealed during the preliminary assessment are addressed during the holding period and to periodically assess compliance with the requirements defined in the execution phase and the results achieved by the investee companies and the portfolio Funds.

- **Direct investments:** Once the ESG risks and opportunities have been identified in the course of the ESG Due Diligence, the first step during the holding period is to develop an ESG Action Plan specific to the Target Company, which includes a series of short-to-medium-term actions aimed at improving the Target Company's ESG performance by minimizing risks and maximizing emerging opportunities. ESG Action Plans are also intended to establish good governance practices by setting actions, targets, KPIs, and timelines to guide the company's operations. For Funds under Article 8 of Regulation (EU) No 2088/2019 (SFDR), the actions included in the ESG Action Plan will be specifically directed at promoting the Fund's environmental and social features.

While investee companies are in the Fund's portfolio, Fondo Italiano d'Investimento monitors their ESG performance regularly and in a structured manner. To do so, Fondo Italiano uses a dashboard of KPIs that are identified and updated as the portfolio evolves, also to raise awareness of ESG issues among companies. Monitoring is performed through a proprietary tool of Fondo Italiano d'Investimento and is managed by the Fund's ESG Coordinator. For Funds under Article 8 of Regulation (EU) No 2088/2019 (SFDR), the monitored indicators include the data required to calculate the Principal Adverse Impact indicators (PAIs) defined by the SFDR's Reporting Technical Standards (RTS). In addition, for Funds under Article 8 of Regulation (EU) No 2088/2019 (SFDR), the investee companies' progress in supporting the environmental and social features the Fund promotes is also monitored.

- **Indirect investments:** After the closing, the SGR checks that managers comply with some requirements as negotiated. These include adherence to the UN PRIs and adopting a Responsible Investment Policy - or compliance with this Policy - within a limited and predetermined time frame. In addition to this, the SGR requires periodic sharing of information on the ESG performance of the Funds (e.g., reporting, third-party scores) and the ESG management of the investee companies (e.g., emerging ESG risks/opportunities, ESG Action Plans), thereby adopting an approach of regular monitoring on ESG aspects inherent to the subscribed fund. Regarding "FOF Impact Investing" in particular, the monitoring activity also covers implementing impact investing strategies and analyzing the features under Article 9 SFDR of the target UCIs.

The ESG coordinators of the individual Investment Teams - who operationally supervise the investee companies and Funds during the holding period, also relying where appropriate on the ESG Advisors of the funds under Articles 8 and 9 SFDR - provide the CIRESG Department, at least annually, with an ESG monitoring report so that the CIRESG Department can report to the ESG Committee, at the latest as part of the presentation and review of the SGR's sustainability report.

In addition, during the holding period, each investee (direct and indirect) is provided with a special Relevant ESG Incident Reporting Form, through which each investee/managed fund is requested to promptly report the occurrence of relevant ESG incidents. The members of the investment teams appointed as ESG coordinators shall promptly inform the CIRESG Department of any evidence detected during ESG monitoring by completing the "Relevant ESG Incident Reporting Form."

### D. Engagement and Stewardship Activities

Fondo Italiano engages in engagement and stewardship activities with investee companies to encourage and monitor the proper integration of ESG criteria during the holding period. These activities include the regular review of the progress of the Action Plan outlined for each investee company, which is monitored on a semi-annual basis through meetings involving the Fund's investment team (i.e., the ESG coordinator in the team) and the ESG coordinators of the investee companies. On these occasions, Fondo Italiano d'Investimento supports investee companies in identifying potential situations that require operational support from the

Fund. Should relevant ESG risks and incidents associated with portfolio investments be identified, Fondo Italiano d'Investimento undertakes to activate a direct communication channel with the investee companies and Fund managers to promote a sustainable approach and positively influence their work, as well as mitigation and remedial actions. To that end, the Funds' ESG coordinators, supported by the Head of the CIRESG Department, undertake engagement and stewardship activities by engaging with the investees appropriately according to the specific case.

Should the initial stewardship efforts fail to achieve their intended objectives within a given period, Fondo Italiano d'Investimento will consider intervening on a case-by-case basis with increasingly assertive stewardship approaches and initiatives and involving key stakeholders, also looking at how the investment is managed.

To improve the impact of its responsible investment activities, Fondo Italiano d'Investimento is committed to reporting to its investors, through dedicated sections in its periodic reporting, on the progress of the integration of ESG criteria within the activities carried out by the SGR, the Funds and the investees, including reporting any ESG incidents occurred and any initiatives implemented. Moreover, during investor meetings, Fondo Italiano d'Investimento intends to provide updates on the overall progress of the investees in integrating ESG criteria and implementing ESG Action Plans.

Intending to operate with greater awareness, Fondo Italiano d'Investimento provides training for all people involved in the investment process, both at the SGR and Fund levels. For this reason, a dedicated ESG Training Program, which comprises training sessions for all ESG Governance roles, has been put in place. The ESG Training Program is reviewed periodically as the relevant regulatory landscape evolves.

## **E. Divestment**

Lastly, in the divestment phase, Fondo Italiano d'Investimento sets itself to estimate the socioeconomic impact of individual transactions and assess improvements in the investment's ESG profile, comparing the situation beforehand with that afterward. These analyses will be an integral part of the preparation of specific reports (e.g., Vendor Due Diligence) regarding the performance of the Company in the area of responsible finance. In the divestment phase, buyer suitability is assessed, also through Know Your Customer analyses.

## **6. Commitment to Investors and Transparency Toward Stakeholders**

Fondo Italiano d'Investimento seeks to establish and maintain lasting relationships with its investors based on helpfulness and respect and distinguished by highly professional service. Thus, the SGR ascertains that any activity follows fairness, objectivity, and transparency principles, ensuring professional service characterized by integrity and high ethical standards. With this in mind, the SGR ensures the utmost confidentiality of information concerning third parties produced or acquired internally and in business relationships and full respect for the privacy of those concerned.

The SGR, its employees, and collaborators must comply with national and international anti-money laundering and anti-bribery rules and regulations. The SGR ensures observance of the law in all its activities. It has adopted specific internal measures for verifying the origin of financial flows and acquiring adequate knowledge of customers and counterparties with whom transactions are to be carried out.

To attain high recognition in the area of responsible finance, the SGR is committed to ensuring open communication with its investors, pursuing maximum transparency over its performance, demonstrating leadership in fostering a sustainable culture, and informing them of any relevant ESG incidents that have occurred across portfolios (see Section 5 "Responsible Investment Strategy," Paragraph C).

As part of its accountability to and transparency toward its stakeholders, Fondo Italiano d'Investimento periodically prepares public reports on the results achieved in the ESG area through its internal performance and investments (i.e., Sustainability Report). The reporting document, prepared with the support of external consultants, is reviewed internally by the Commercial, Investor Relations & ESG Department and the ESG

Committee and then approved by the Board of Directors before publication. Please refer to the relevant website [section](#) for more information.

## 7. Document Updates and Applicability

The SGR is committed to disseminating this Policy through its website ([www.fondoitaliano.it](http://www.fondoitaliano.it)) to ensure that all employees and stakeholders comply with it and apply it correctly.

The Policy is subject to annual review. Any modifications are prepared by the Commercial, Investor Relations & ESG Department and must be validated by the corporate control functions. Then, the amended Policy is submitted to the Chief Executive Officer, who submits it to the ESG Committee for an opinion and to the Board of Directors; the latter deliberates on the approval of the Policy and is responsible for ensuring compliance with its principles. The content and updates of the document are published on Fondo Italiano d'Investimento's website.

## 8. Glossary

- ❖ **ESG:** Environmental, Social, Governance;
- ❖ **UN PRI (*UN Principles for Responsible Investment*):** A UN-supported international network of investors and works to promote the implementation of its six Principles of Responsible Investment, often referred to as "the Principles." Its purpose is to understand the investment implications of sustainability and support its signatories in incorporating these factors into their investment decisions and ownership practices. By implementing these principles, the signatories contribute to the development of a more sustainable global financial system;
- ❖ **UN Sustainable Development Goals (SDGs):** A set of 17 interconnected goals defined by the United Nations as a blueprint "to achieve a better and more sustainable future for all";
- ❖ **Universal Declaration of Human Rights:** A globally agreed document articulating people's fundamental rights that the United Nations General Assembly adopted during its third session on 10 December 1948 in Paris;
- ❖ **Regulation (EU) No 2088/2019 (SFDR):** Regulation on sustainability reporting in the financial services industry (hereinafter also referred to as the "SFDR" Regulation);
- ❖ **Fund under Article 8 of Regulation (EU) No 2088/2019 (SFDR):** A fund that promotes, among others, environmental or social features or a combination of such features;
- ❖ **Fund under Article 9 of Regulation (EU) No 2088/2019 (SFDR):** A fund that has established a sustainable goal that it intends to achieve through its investment activity;
- ❖ **PAIs (*Principal Adverse Impacts*):** The main adverse effects caused by investment decisions made by the Asset Manager on the sustainability factors identified in the ESG framework, as defined by the Regulatory Technical Standards (RTS);
- ❖ **RTSs (*Regulatory Technical Standards*):** Technical standards that define the methodology to be used for ESG disclosure by financial market participants in connection with Regulation (EU) No 2088/2019 (SFDR) and PAIs;
- ❖ **Regulation (EU) No 852/2020 or EU Taxonomy Regulation:** It creates a framework for sustainable investment and amends Regulation (EU) No 2088/2019. The EU taxonomy aims to create a "green list" of environmentally sustainable economic activities to facilitate sustainable investment;
- ❖ **Aspettative di vigilanza sui rischi climatici e ambientali (*Supervisory Expectations for Climate and Environmental Risks*):** Document published by the Bank of Italy in 2022, which identifies supervisory expectations by financial institutions regarding the integration of climate and environmental risks into the corporate strategies, the risk management, governance and control systems and the market disclosure of supervised intermediaries;
- ❖ **Physical Climate Risk:** Economic impact resulting from the expected increase in natural events whose occurrence can be defined as "extreme" or "chronic." Acute physical risks depend on the occurrence of extreme environmental phenomena (such as floods, heat waves, and droughts) related

to climate changes that increase their intensity and frequency. Chronic physical risks, on the other hand, are determined by progressively occurring climate events (such as progressive temperature and sea level rise, the degradation of ecosystem services, and the loss of biodiversity);

- ❖ **Transition Climate Risk:** Economic impact from adopting regulations to reduce carbon emissions and encourage the development of renewable energy, from technological developments, and from changing consumer preferences and market confidence;
- ❖ **Sustainability (or ESG) Risk or Opportunity:** An environmental, social, or governance event or condition that, if it occurred, could cause a significant positive/negative impact on the value of the investment;
- ❖ **ESG Strategy:** A three-year focused strategy defined by Fondo Italiano d'Investimento SGR to guide the process of integrating ESG criteria into the investment process;
- ❖ **ESG Action Plan:** An operational action plan defined for Portfolio Companies to improve their approach to ESG issues, reducing risks and maximizing opportunities;
- ❖ **Relevant ESG Incidents:** Any significant fines and non-monetary penalties for non-compliance with laws and/or regulations, or justified environmental, social, and business ethics complaints (e.g., non-compliance with tax laws, customer safety, labeling, market disclosure, environment, employment regulations, human rights, international, national, regional, and local laws); violations of corporate policies regarding environmental, social, and business ethics issues; fatal accidents or those that have resulted in permanent personal injuries; any other incidents that have a significant adverse impact on the environment or health and safety conditions (including, without limitation, explosions, spills, or workplace accidents that result in death, severe or multiple injuries, or environmental contamination); any social incident (including, without limitation, violent labor unrest or disputes with local communities) that has or is reasonably likely to have a material adverse effect on the social and cultural environment.