



Generali Real Estate S.p.A. SGR SUSTAINABILITY POLICY

Implementation of Regulation (EU) 2019/2088 Art. 3

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Glossary and Definitions

Term	Definition
AIF	Alternative investment funds managed by GRE SGR, included those managed pursuant to a delegation agreement and compartments of GRE SICAF S.p.A.
BOD	Board of Directors of the Company
CEO & GM	Chief Executive Officer and General Manager of the Company
CRO	Chief Risk Officer of the Company
ESG FACTORS	Environmental, Social and Governance factors
GRE SPA/SERVICE PROVIDER	Generali Real Estate S.p.A. as Real Estate service provider of GRE SGR
GRE SGR	Generali Real Estate S.p.A. Società di Gestione del Risparmio
POLICY	This Sustainability Policy
SUSTAINABILITY RISK	A sustainability risk can be defined as an environmental, social, or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment.
TCFD	Task Force on Climate-related Financial Disclosures

Roles and Responsibilities

Corporate Function	Roles and Responsibilities
BOARD OF DIRECTORS/BOD	<ul style="list-style-type: none"> Approves and reviews the Sustainability Policy upon proposal of the CEO; on an annually basis, assesses and reviews the underlying methodology and the outcomes of the implementation of the Policy.
CHIEF EXECUTIVE OFFICER/CEO	<ul style="list-style-type: none"> Presents to the BoD the Sustainability Policy for its approval; implements the Sustainability Policy.
CHIEF RISK OFFICER/CRO	<ul style="list-style-type: none"> participates to the GRE SPA Sustainability Steering Committee, in order to have evidence on market trends and other ESG-related themes.
ESG FUNCTION	<ul style="list-style-type: none"> directly reports to the CEO is in charge of defining the sustainability assessment methodology; implements ESG initiatives in coordination with the fund management team and monitors ESG parameters; supports and collaborates with the other stakeholders and involved functions of the investment process providing ESG opinions, views and research on relevant ESG and climate topics in order to inform the investment decision-making process with updated quantitative and qualitative information; drives and monitors the activities carried out on behalf of GRE SGR and related AIFs by the service provider GRE SPA; publishes on the GRE SGR website the updated version of the Sustainability Policy; publishes on the GRE SGR website a clear explanation of the amendments carried out when the Sustainability Policy is amended; informs on an annual basis the Board of Directors about the implementation of the Policy.
SUSTAINABILITY STEERING COMMITTEE	<ul style="list-style-type: none"> oversees and supports the implementation of the Responsible Property Investment Guidelines; reviews and monitors the targets and key performance metrics from each of the strategic focus areas, which are set by the Committee whenever it sees the opportunity; discuss and approve new targets and key performance metrics, once the previous ones are met and/or whenever it deems convenient and necessary.
FUND MANAGEMENT	<ul style="list-style-type: none"> manages the AIF's portfolio and it is responsible for the performance of the AIF; focus on internationally, well-known and reputable building certifications and increasing coverage throughout the AIFs' portfolios; undergoes environmental/sustainable due diligence (SDD) with outputs taken into consideration in the investment decision process.

Introduction

Generali Real Estate S.p.A. SGR (“**GRE SGR**”), part of the Generali Group, believes that the proactive integration of ESG factors (see table below) into the investment process concerning the assets in which the AIFs managed invest (including real estate assets, credits and units of other AIF), will support it to achieve both financial returns and social value. Furthermore, where possible GRE SGR seeks to have an influence on tenant’s behaviours, through engagement activities aimed to create a holistic ESG approach to the real estate value chain.

European Regulators developed a framework to boost the inclusion of sustainability considerations in finance in order to achieve a long-term sustainable development.

On 25 September 2015, the UN General Assembly adopted a new global sustainable development framework: the 2030 Agenda for Sustainable Development, which has at its core the Sustainable Development Goals (SDGs).

The transition to a low-carbon, more sustainable, resource-efficient and circular economy in line with the SDGs is key to ensuring long-term competitiveness of the economy of the Union. The Paris Agreement adopted under the United Nations Framework Convention on Climate Change which was approved by the Union on 5 October 2016, seeks to strengthen the response to climate change by, inter alia, making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

As the Union is increasingly faced with the catastrophic and unpredictable consequences of climate change, resource depletion and other sustainability-related issues, urgent action is needed to mobilise capital not only through public policies but also by the financial services sector. Therefore, financial market participants and financial advisers should be required to disclose specific information regarding their approaches to the integration of sustainability risks and the consideration of adverse sustainability impacts.

In this regard, on the 27 November 2019 the European Parliament and the Council adopted Regulation (EU) 2019/2088 “Sustainable Finance Disclosure Regulation” or “SFDR” which entered into force on the 29 December 2019 and is applicable starting from 10 March 2021. Several provisions of SFDR have been implemented by the Delegated Regulation 1288/2022.

SFDR was enhanced by the Regulation (EU) 2020/852 (*TR*) which provides the criteria for determining whether an activity can be considered environmentally sustainable, further integrating certain provisions of the SFDR.

SFDR aims to reduce information asymmetries in principal-agent relationships with regard to the integration of sustainability risks, the consideration of adverse sustainability impacts, the promotion of environmental or social characteristics, and sustainable investment, by requiring financial market participants and financial advisers to make pre-contractual and ongoing disclosures to end investors when they act as agents of those end investors (principals).

GRE SGR, fulfilling the requirements laid down by SFDR, adopts and publishes the present document which comprises the policy on the integration of sustainability risks in the investment decision-making process (as laid down by Article 3 of the SFDR).

In consideration of the activities governed by this Internal Regulation and its potential impacts, it is also relevant for the purposes of Legislative Decree 231/2001.

Therefore, the breach of its provisions will constitute a breach of the Organization and Management Model and penalties may be imposed in accordance with the provisions of the Model itself.

Anyone who becomes aware of a potential breach of the Organization and Management Model is required to promptly inform the Supervisory Body established pursuant to Legislative Decree 231/2001.

Categories and related example of Environmental, Social and Governance factors

Category of the factor	Example of factor
E-ENVIRONMENTAL	<p>Aspects related to the quality and to the functioning of the environment and natural systems, including: greenhouse effect and climate change; the availability of natural resources, including: energy and water; changes in the use of soil and urbanization; quality of the air, water and soil; the production and management of waste; the protection of natural habitats and biodiversity.</p> <p>This dimension is particularly relevant in the real estate industry as buildings sector consumes around 40% of the world's energy and contributes up to 30% of global annual greenhouse gas emissions¹</p>
S-SOCIAL	<p>Aspects related to the rights, well-being and legitimate interests of people and local communities, including: human rights, diversity and promotion of equal opportunities; demographical changes; occupation and the right to decent working conditions, including child and forced labor, as well as occupational health and safety; the distribution of wealth and inequalities within and among countries; migrations; education and human capital development; digital transformation, artificial intelligence, internet of things and robotics; health and access to social assistance and healthcare; consumer safety; power diffusion and the crisis of traditional elites.</p>
G-GOVERNANCE	<p>Aspects related to government of the companies and organizations, including: transparency; ethics and integrity in business practices and compliance with laws; corruption; tax responsibility; board structure, independence and diversity; employees' diversity; mechanisms to incentivize the management; stakeholders and stakeholders rights, protection/distortion of competition.</p>

¹ United Nations Environment Programme Finance Initiative, Integrating Climate Risks in Real Estate, <https://www.unepfi.org/fileadmin/documents/IntegratingClimateRisksInRealEstate.pdf>

1. Policy on the integration of sustainability risks in the investment decision-making process

This Policy, required by art. 3 of SFDR aims at setting out the rules according to which sustainability risks are integrated into the investment decision-making process through the identification, measurement and mitigation of risks stemming from ESG factors.

As an investment manager with a long-time horizon, the material impact that ESG factors have on the long-term returns of asset classes is of utmost importance. It is therefore essential to consider how ESG integration affects long-term investment returns and take advantages on anticipating the risks characteristics of the underlying real estate assets, considering ESG factors in trend and valuation analysis, where material. GRE SGR believes that ESG risks will have a significant impact on these macroeconomic risk drivers and therefore on the risks and return of the portfolio.

Considering the activities regulated in this Policy, also for their potential implications, this document is relevant also for the purposes of the Legislative Decree no. 231/2001 with regard to the provisions of the Organization and Management Model as its integral part.

Whoever becomes aware of potential violations of the provisions contained within this Policy must report immediately to the Surveillance Body established in accordance with the Legislative Decree no. 231/2001.

1.1 SUSTAINABILITY RISK ASSESSMENT

Sustainability risk identification

The sustainability risk identification process aims at guaranteeing that all material risks to which GRE SGR is exposed to are properly identified, assessed, and considered based on their likelihood of occurrence and severity, and mitigating actions are identified and properly implemented.

GRE SGR ESG Risk Assessment activity is structured taking into consideration the characteristics of the underlying assets (including real estate assets and credits), the business model and the strategy. The assessment starts from the identification of the material risks affecting the asset, taking into consideration its destination of use and characteristics for real estate assets, as well as implementing an assessment at Sponsor level for credits. A Due Diligence Questionnaire with a section focused on sustainability is performed for investments in other AIFs. ESG risk identification at AIF and asset level is intended to detect sustainability risks and opportunities that can impact the evolution of performance going forward. Indeed, successful ESG strategies can create value for the AIFs/ vehicle investing in the underlying assets and performing ESG risk management can avoid/ minimize costs by managing risks and increasing resiliency to sector and macro adverse trends. GRE SGR ESG analysis allows to measure the ESG risks, also capturing whether assets' ESG performance are improving or worsening over time.

In particular, the main ESG risks identified by GRE SGR affecting its business are:

- a) Climate change and natural disasters: most of the possible outcomes from climate change, mainly deriving from an increase in global temperatures, will have direct impact on the real estate assets, such as increased intensity of storms, including tropical cyclones with higher wind speeds and precipitations; increased risk of inland flash floods; more frequent coastal flooding and increased coastal erosion from storms and sea level rise ("Physical risk"). Furthermore, "Transition risks" associated with climate change are also identified: adoption of new climate regulations, changing customer behaviour and preferences, development and/or expansion of low emission goods and services, reputation risk due to increased stakeholder concern or negative stakeholder feedback.
- b) Pollution, water and waste: scarcity of planet resources and the limitless use of water, energy, materials, food and resources in general, have a significant impact on the global environmental and social sustainability and on the economic risks deriving from it. GRE SGR acknowledges an operational risk related to health and safety of the premises it manages and thus negative impact on the wellbeing of employees, tenants and the wider community.
- c) Risk of involvement in ethical violations (e.g. Human rights, corruption, compliance with laws) or in controversial business sectors (unconventional weapons, severe environmental damages) through its investments and consequently the reputation risk related to inadequate responsible commitment.

Sustainability Risks can include potential increased running cost, potential decreased revenues, potential need of Capital Expenditures (Capex)/ Extraordinary Expenses, Contingent Liabilities & Provisions in order to prevent or limit the potential negative impact of sustainable risks.

Sustainability risk measurement and materiality

Sustainability risks, as ESG factors that can be detrimental to the value of the investment, are identified under the above framework and measured both in a quantitative and qualitative manner to provide the context of the investment decision-making process with the most updated and reliable figures and information.

Sustainability risk can be measured both in absolute and relative terms. Information leverages on internal research in conjunction with sustainability news, and raw data coming from multiple external providers (among which GRE SPA) are used to such end. Third-party data coming from ESG external provider are vetted and cross-checked with both external and internal researches. Internally to GRE SGR, qualitative assessments are performed in cases where available data are not sufficient to correctly measure and manage material sustainable risks.

GRE SGR ESG assessment focuses, from one side, on the material risks of AIFs/ assets and, from the other side, on the counterparties.

In GRE SGR's view, a strong positive ESG approach exists when a AIF/ real estate asset has a higher likelihood of showing resiliency and better long-term strategic positioning than fund/ real estate asset with a negative ESG view. Therefore, in case material ESG risks are associated to a specific AIF/ real estate asset, a series of analyses are run to identify the specific improvements that could be implemented and support the AIFs/ assets in the transition path or in carrying out the relevant mitigation actions.

GRE SGR aims at identifying and quantifying those factors and insights that can strengthen and better inform the investment decision making process and strategies based on their financial materiality.

GRE SGR's aim is to create a holistic ESG approach which emphasizes materiality; therefore, GRE SGR focuses on ESG metrics that have a significant financial impact on the investments.

In addition to the above, GRE SGR is organized to adopt ESG integration techniques for its investments (including real estate assets, credits and units of other AIFs), with the goal of:

- Incorporate financial information and ESG information in portfolio construction process;
- Uncover hidden risks;
- Enhance returns anticipating trends;
- Focus on ESG factors found to be material and likely to affect corporate performance and investment performance.

1.2 SUSTAINABILITY RISK STRATEGIES

Sustainability risk strategies related to investment in real estate assets

As detailed under previous paragraph 1.1, among ESG themes, climate-related concerns gained greatest importance due to increasing regulatory and societal pressures, as well as their growing impacts in terms of transition and physical risks. As such, climate topics are embedded into GRE SGR decision making process.

Specifically, GRE SGR performs climate-related analysis to (i) assess and mitigate assets exposure to transition and physical climate risks and simultaneously (ii) to influence assets users/ tenants in order to improve their approach to the energy and water consumptions.

As a result, climate strategies can be implemented with the aim of ensuring that assets consumptions are addressed towards climate change targets, with particular focus on transition risk and physical risk.

GRE SGR implements a wide range of ESG screening strategies carried out through GRE SPA or other real estate service provider based on AIFs' rules/prospectus, such as the application of actions regarding the following dimensions:

1. Investments and divestments
2. Refurbishment/ capital expenditures
3. Tenants and counterparties
4. Processes (health, safety and environmental management system; procurement; compliance key controls on Real Estate Management Procedures)

Investments and divestments

For investments and divestments in real estate assets, GRE SGR, in order to prevent and minimize reputational risk and simultaneously encouraging potential counterparties/ the business community in general to adopt Sustainable and Responsible Investments “SRI” principle and ethical behaviours, has mandated GRE SPA to adopt a series of controls and checks on the counterparties (i.e., buyer, seller or co-investor).

GRE SPA performs said controls and checks for each counterparty identified by GRE SPA pursuant to outsourcing agreement in place with GRE SGR and refers the output to GRE SGR.

Controls and checks are based on the analysis of a number of dimensions such as involvement in controversies which potentially infringe the principles of United Nation Global Compact and/ or involvement in controversial business sectors. In case the counterparty is deemed to be characterized by poor ESG practices on the above-mentioned dimensions, the business opportunity is aborted.

Regarding portfolio rotation and investment selection GRE SGR, through its Fund Management team and ultimately the BoD applies the following actions:

- Focus on internationally, well-known and reputable building certifications including but not limited to: “BREEAM²”, “LEED³”, “WELL⁴”, “HQE⁵” and “DGNB⁶” and increasing coverage throughout the portfolio;
- On top of preferences for building certified acquisitions undergo environmental/ Sustainable Due Diligence (“SDD”) with outputs taken into consideration in the investment decision process.

Refurbishment/ capital expenditures

GRE SGR recognizes the opportunity to embed sustainability within the refurbishment projects of the underlying assets. This includes both the capital expenditure on materials in the initial build and implementation of technology upgrades and building management systems optimization during refurbishment and project management stages for operational effectiveness.

The following implementation activities establish GRE SGR’s approach to development and project management:

- integrating responsible property investment considerations into the design and specification of major refurbishments and new developments with a rollout of refurbishment guidance;
- investing in capital expenditure to ensure the most appropriate level of technology efficiency is achieved when developing or refurbishing sites;
- ensuring continuous improvements in the energy intensity of our assets through upgrades and optimization in the development and project management of our assets, in line with the European Union’s Energy Performance in Buildings Directive (EPBD);
- mitigating climate risk through the upgrades and the refurbishment of assets.

Tenants and performance monitoring

In order to monitor assets data consumption needed to identify and prioritize ESG actions to be implemented a data gathering process and related reporting and trends analysis is needed. Those tools are relevant to make enhancements and engaging with the tenants.

The following implementation activities, applied by GRE SPA, represent GRE SGR approach to an active recurring asset management:

- data capturing from tenants’ operations through ongoing data analytics to drive proactive property management and maintenance to pursue energy and resource efficiencies as well as targeting assets for refurbishments and upgrades;
- operational data are used to engage with tenants on consumption trends and behaviour to find ways to reduce consumption.

² Building Research Establishment Environmental Assessment Method

³ Leadership in Energy and Environmental Design

⁴ WELL Building Standard

⁵ Haute Qualité Environnementale

⁶ German Sustainable Building Council

Processes (health, safety and environmental management system; procurement; compliance key controls on management procedures)

The ESG topics are addressed by GRE SGR through GRE SPA in accordance with the outsourcing agreement in place, pursuant to which GRE SPA will apply the following procedures adopted by GRE SPA itself:

- Direct Investment and Divestment
- Capex Procedure
- Letting Procedure
- Health, Safety and Environmental Management System Procedure
- Procurement Procedure
- Compliance key controls on management procedure

The perimeter of the six policies above has been structured around the four GRE SGR sustainability dimensions - (i) Investments and divestments, (ii) Refurbishment/ capital expenditures, (iii) Tenants and performance monitoring (iv) Processes - and are summarized in the previous paragraphs.

Sustainability risk strategies related to investment in credits

For investments in credits, the ESG Manager and the Fund Management Functions, with the support of an international provider specialized in sustainability, have developed an “ESG scorecard” which, during the investment process, assesses the credit sustainability aspects of the transaction, analysing:

- the sustainability profile of the Project sponsor and of the counterparty of the loan; and
- the sustainability aspects of the underlying asset (e.g., availability of Sustainable Building Certification, eco-efficiency and refurbishment, tenant health, safety and well-being).

The “ESG scorecard” is applied by the Fund Manager of the relevant AIF involved from time to time with the assistance of any third party service provider and/or consultant appointed, and its output is taken into consideration in the investment decision making process.

Sustainability risk strategies related to investment in units/shares of AIFs

For investments in units/shares of AIFs, GRE SGR requires to the asset manager of the AIFs to fill in a Due Diligence Questionnaire integrated according to PRI⁷ and INREV⁸ standards, which – among other aspects – contains ESG aspects (e.g. policy and strategy, governance, reporting). The Fund Management – if necessary, with the assistance of any third party service provider and/or consultant appointed – carries out the assessment of how the target AIF integrates the sustainability risk in its investment decision making process through a Due Diligence Questionnaire, with a section focused on sustainability, in order to verify the alignment of the sustainability integration of the target fund with the acquiring fund.

1.3 PROCESS GOVERNANCE

Governance of ESG Risk Assessment and Integration process

GRE SGR Board of Directors is in charge of the approval and review of the Sustainability Risk Policy. The Board of Directors approves the Policy upon proposal of GRE SGR CEO & GM, which is also in charge of the implementation of the Policy.

GRE SGR ESG Function, under the direction of CEO & GM to which reports and following the path traced by clients or AIFs’ rules/prospectus, is in charge of defining the sustainability assessment methodology and ESG parameters, implements ESG initiative in coordination with the fund management team, monitors ESG parameters and the compliance with this Policy, drafting an annual report on the implementation of the Policy addressed to the Board of Directors.

ESG Function supports and collaborates with the fund management on the investment process providing ESG opinions, views and research on relevant ESG and climate topics in order to inform the investment decision-making process with updated

⁷ Principles for Responsible Investment

⁸ European Association for Investors in Non Listed Real Estate Vehicles

quantitative and qualitative information, actively participating in the process to identify the measure in order to face any sustainability event and supporting the fund management team in defining the investment strategic choices.

The ESG Function will also perform and monitor the activities carried out on behalf of GRE SGR and related AIFs by GRE SPA as service provider.

In order to have updates on sustainability topics and sharing information GRE SGR through its CEO & GM and CRO participates to the GRE SPA Sustainability Steering Committee, whose aim is to give evidence on market trends and other ESG related themes.

The EO & GM refers updates and information to ESG Function, fund managers and, where relevant, Business Development & Investor Relation, to perform their activities.

Reporting of the process

Annually, the ESG Function publishes on its website the updated version of this Policy.

In compliance with article 12 SFDR the Policy published on the website is kept up to date. If the Policy is amended, the ESG Function shall publish on the same website a clear explanation of such amendment.

Internally, the Board of Directors is informed by the ESG Function annually of the implementation of the Policy in order to assess and review the underlying methodology and the outcomes.

Periodically, upon request of the fund management, internal reports are delivered by the ESG Function to the fund management in order to enable it to fulfill their oversight duty on investments. In addition, other internal stakeholders (such as the Investor Relations function or the CFO function) are updated and involved based on the process's needs (for example, in the case of marketing or reporting activities).