

ESG POLICY

Index

1. INTRODUCTION AND OVERVIEW	3
2. INTEGRATING ESG CRITERIA INTO THE INVESTMENT PROCESS.....	4
3. REPORTING	9
4. GOVERNANCE.....	9
5. FINAL PROVISIONS.....	10

Changes to the Document

Versions	Date	Description of Changes
00	5/03/2021	Drafting the first version of the ESG Policy and Strategy as separate documents
01	16/12/2021	Approval of ESG Policy and Strategy documents by the Board of Directors
02	24/07/24	Updating the ESG Policy in accordance with Anima Holding Group guidelines; integrating the ESG Policy and Strategy into a unified document

1. Introduction and Overview

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

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

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

1. incorporate environmental, social and governance aspects into investment analysis and decision-making processes, taking into account the specific characteristics of each individual operation;
2. operate as an active investor in real estate investments, integrating ESG issues into its engagement activities, where relevant to its role in the particular transaction;
3. request, where possible, sufficient disclosure on ESG matters by Target Companies;
4. promote the adoption and integration of PRIs across the financial sector;
5. collaborate with industry professionals and organisations to optimise the execution of PRIs;
6. periodically report on the activities and progress in PRI implementation.

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

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

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

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

This policy is based on the following key elements:

- the ESG strategy
- monitoring the sustainability risks of real estate investments
- the assessment of the principal adverse impacts on sustainability factors

These key elements define the investment process and are applicable to all products covered by this Policy, including those funds pursuant to Article 8 of the EU Regulation 2019/2088 (“SFDR” regulation), covering all required disclosures as per SFDR requirements, both in terms of offer documents and periodic reporting.

2.1 ESG strategy

The SGR, through its investment activities, aims **to contribute to the achievement of the United Nations' sustainable development goals** (the so-called Sustainable Development Goals or “SDGs”). With this in mind, Castello has developed a strategy that sets forth the sustainability targets to be achieved over the medium to long term and the actions necessary to integrate ESG principles into its investment and asset management activities.

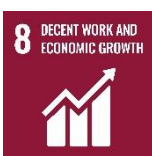
In line with the Anima Group's Sustainability Plan, the objectives are listed below:



3.9: By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination



7.2: By 2030, increase substantially the share of renewable energy in the global energy mix



8.8: Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment



11.3: By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries



12.6: Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle



13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries






16.6: Develop effective, accountable and transparent institutions at all levels






17.16: Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries

The Castello strategy is built on three Pillars, which are summarised below:

- ENVIRONMENT 
Tackling climate change by establishing targets to reduce portfolio emissions, in accordance with the Group Sustainability Strategy
- SOCIAL 
Promoting community development, inclusion and well-being
- GOVERNANCE 
Ensuring transparency and creating shared value with stakeholders

Operationally, Castello's ESG strategy is outlined as follows and is integrated into the Group's broader Sustainability Plan, to which we refer for further details.

Goals	Actions
<p>ENVIRONMENT</p>  <p><i>Tackling climate change by establishing targets to reduce portfolio emissions, in accordance with the Group Sustainability Strategy</i></p>	<ol style="list-style-type: none"> Promote investments aimed at decarbonisation, such as Net-Zero, Nearly Zero Emission Buildings (NZEB), Zero Emission Buildings (ZEB), and similar initiatives. Prioritise investment in real estate assets with low environmental and energy impact (energy-efficient assets, renewable energy systems, etc.) Implement the conversion, renovation, and recovery of real estate assets to improve energy efficiency and lower emissions from properties in the portfolio, including through data collection on environmental performance, digitisation of real estate, and the use of renewable energy sources
<p>SOCIAL</p>  <p><i>Promoting community development, inclusion and well-being</i></p>	<ol style="list-style-type: none"> Invest in real estate assets that enhance collective welfare by being affordable, comfortable, and safe Ensure health and safety standards in real estate development projects and construction sites Implement real estate projects that revitalise urban spaces and benefit local communities
<p>GOVERNANCE</p>  <p><i>Ensuring transparency and creating shared value with stakeholders</i></p>	<ol style="list-style-type: none"> Measure and report ESG objectives and performance in accordance with international sustainability standards (such as PRI, GRESB, and GREEN BUILDING certification protocols). Increase the number of real estate funds assessed by GRESB

Exclusions

In light of the aforementioned ESG principles and strategies, the SGR does not invest in assets involved in:

- activities that are banned under the biodiversity conservation legislation of the country where the project is located, or by significant international agreements regarding the protection of biodiversity or cultural heritage;
- the development of projects in areas designated as protected natural areas;
- the construction of new buildings for extraction, storage, transport, or the production of fossil fuels.

Additionally, the SGR excludes tenants who engage in production or marketing activities or whose activities are related to:

- weapons deemed controversial or prohibited under major international conventions¹;
- pornography and prostitution;
- substances prohibited in the jurisdiction where the property is situated;
- endangered or protected wildlife.

Further exclusions may be specified at the product level, as detailed in the offer documentation.

Monitoring Targets

To monitor the effective execution of the ESG strategy and the achievement of the sustainability goals, as well as adherence to SFDR regulations, the SGR defines specific Key Performance Indicators (so called “ESG KPIs”) to be assessed and tracked at set periodic intervals.

Below is an overview of the ESG KPIs that the SGR has identified.

Pillar	Field	KPIs
Environment	Asset Energy Efficiency	% AuM invested in real estate assets with low environmental and energy impact
	Certified portfolio	number of real estate assets with BREEAM certifications
	Certified portfolio	number of real estate assets with LEED certifications
	Certified portfolio	number of real estate assets with WELL certifications
	Engagement with International Frameworks	number of real estate funds assessed by GRESB
Social	Social impact investments	number of real estate projects and initiatives designed to enhance urban areas and benefit local communities
	Social impact investments	% AuM invested in real estate assets that contribute to collective welfare

2.2 Monitoring the sustainability risks of real estate investments

As part of its strategy, the SGR seeks to progressively incorporate ESG criteria throughout all stages of the investment process.

¹ These include, for example, the Nuclear Non-Proliferation Treaty, the Biological Weapons Convention, the Paris Convention on chemical weapons, the Ottawa Convention on anti-personnel mines, and the Oslo Convention on cluster bombs.

These guidelines apply to all new and existing funds (excluding those in liquidation and/or classified as “distressed”), with their scope of application customised according to each fund's investment goals, lifecycle, portfolio characteristics, and SFDR classification.

With specific reference to real estate investments, the SGR takes ESG criteria into account throughout all phases of the investment lifecycle:

- Assessment
- Acquisition
- Investment Management

Assessment of investment opportunities

In assessing new investment opportunities, the SGR includes, alongside conventional financial and real estate metrics, key environmental and/or social aspects based on the nature of the investment and its intended use (e.g., residential, office, retail, etc.).

To achieve this, the due diligence for new acquisitions - covering technical, environmental, and legal aspects - include ESG profiles to assess risks and identify opportunities for improvement and enhancement, facilitated by the use of specific sustainability checklists.

Planning and oversight of development and redevelopment activities

In development and redevelopment projects, appropriate tools and technical standards are utilised based on the project's specific features and goals (e.g., offices, social housing, co-housing, senior living, youth accommodations, etc.), which may involve criteria for site selection, energy efficiency exceeding minimum standards, and adherence to voluntary environmental sustainability certifications (like LEED, BREEAM, WELL, etc.).

Investment Management (Holding Period)

ESG profiles considered most relevant to the investment and/or fund characteristics are monitored through an ESG data set and taken into account during asset management and related improvement plans.

In this context, both routine and exceptional maintenance of assets in managed funds consider the strategies outlined in the ESG framework and may involve upgrades designed to create positive environmental or social impacts, such as reducing building emissions or improving space quality (comfort, well-being, healthiness, etc.).

The evaluation of these interventions considers not only the fund's strategy and characteristics but also its financial resources and any requests from subscribers and/or tenants.

Additionally, during extraordinary maintenance work, the technical, economic, and financial feasibility of equipping assets with tools for monitoring energy consumption is assessed to enhance the energy efficiency of the fund's real estate assets.

Whenever feasible, during lease negotiations, the SGR evaluates the benefits of sharing environmental performance targets with tenants and incorporating clauses into the lease agreements for disclosing data and information useful for reporting on environmental impacts and asset performance.

Nevertheless, the SGR is committed to prioritising the health and well-being of tenants in its managed properties and the wider community, working to ensure that its assets meet these conditions.

In this regard, the SGR commits to carry out periodic surveys to evaluate tenant satisfaction (e.g., quality of service, health, and well-being) and to resolve any issues discovered, including promoting new services to meet user needs where possible.

2.3 Assessment of the principal adverse impacts on sustainability factors

In accordance with Article 4, paragraph 1, letter B) of EU Regulation 2019/2088 (“SFDR Regulation”), Castello SGR acknowledges that its investment decisions might impact sustainability factors adversely but does not currently consider the Principal Adverse Impacts (PAIs) of these decisions on sustainability factors.

This is because Castello SGR is not currently able to measure these impacts in a timely manner, due to the specific characteristics of the real estate sector.

3. Reporting

One of the SGR's primary objectives is to safeguard stakeholders' interests by upholding principles of transparency and comprehensive corporate disclosure, and by ensuring stakeholder involvement in decision-making processes. In undertaking their activities, they are dedicated to ensuring that information is shared effectively with other internal departments and among various corporate functions.

The periodic reporting of ESG activities and results, reflecting Castello's transparency culture, shows a commitment to fostering dialogue with stakeholders and supporting the community.

In this context, and adhering to regulations on sustainability transparency (such as the EU SFDR), external disclosures include:

- the incorporation of ESG factors in the Funds' Management Report, in accordance with the SFDR fund classification and requirements under EU Regulation No. 2019/2088;
- the publication of a sustainability-focused section on the website, outlining the Policy and providing detailed insights into the SGR's ESG approach, particularly how sustainability risks are incorporated into investment decision-making processes.

4. Governance

Reaffirming its commitment to ESG and the crucial role of sustainability within its investment strategy, Castello has integrated ESG criteria into the corporate governance framework by adjusting the roles and responsibilities of its corporate bodies and functions.

Below is a summary of the roles and responsibilities of corporate bodies and functions regarding ESG topics.

Board of Directors (BoD):

It gives guidance on sustainability strategies, policies and plans, approves this ESG Policy and its updates, and regularly reviews its implementation and the funds under management;

ESG Committee:

It assists the BoD in evaluating and making decisions on environmental, social, and governance issues, with particular reference to assessing investment performance from an ESG perspective and promoting any improvement plans;

Chief Executive Officer (CEO):

It executes the sustainability strategies, policies and plans set by the BoD, ensuring that ESG criteria are integrated into business processes and applied to the development, investment, and optimisation of real estate assets;

ESG Manager:

Working with other functions, it supports the CEO and the BoD in executing ESG Policies, particularly focusing on evaluating, managing, and reporting the ESG performance of the SGR and the funds under management

Risk Management / Asset Valuation:

It supports the CEO and the BoD in evaluating the sustainability risks associated with investments and monitors these risks over time; it integrates ESG criteria during the assessment of real estate assets of the managed funds.

Head of Investments Real Estate & Credits - Head of Investments Hospitality

They assist the CEO in executing the investment strategies set by the BoD, working closely with Business Development, including analysing the ESG profiles of new investment opportunities and existing portfolios, and recommending improvement actions as needed. They also incorporate ESG criteria into their policies for selecting, managing, and evaluating suppliers, especially those involved in real estate development.

5. Final Provisions

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

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

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