



COIMA Italian Residential Fund

Transparency of the promotion of environmental or social characteristics and of sustainable investments on websites - Publication referred to Article 10 (1) of Regulation (EU) 2019/2088 and Articles 25 to 36 of the Delegated Regulation (EU) 2022/1288

Version: I

Date: 22.11.2023

Summary

COIMA Italian Residential Fund (hereinafter also "the financial product", "the fund") promotes environmental and/or social characteristics pursuant to Article 8 of Regulation (EU) 2019/2088 (SFDR) and aims to sustain completion of the United Nations Sustainable Development Goals (UN SDGs).

The PAI indicators (Principal Adverse Impact), i.e. the indicators of the negative effects on sustainability, are taken into consideration in order to understand their impact during the investment phase of the fund and understand which actions to take to limit the negative effects on the sustainability of the fund. object of the investment. The PAIs referring to the fund are monitored and analysed on a quarterly basis from 1 January 2022, thanks to the use of specific templates and databases.

The investments of the Fund are aligned with the OECD guidelines for multinational enterprises, the United Nations Guiding Principles on Human Rights and the United Nations Global Compact. Furthermore, COIMA takes into consideration the United Nations Principles for Responsible Investments (UN PRI).

The investment allocation programmed to achieve the environmental characteristics promoted by COIMA Italian Residential Fund will be at least equal to 80% of the investments. The fund will therefore have a minimum allocation of 80% in investments aligned with environmental characteristics that do not have as a final objective a sustainable investment.

With regard to the investment strategy of the fund, the promotion of environmental or social characteristics is pursued thanks to a careful initial phase of screening and selection of investment opportunities; in fact, in the due diligence phase, the ESG profile of the investment is determined using a methodology developed in-house, by verifying the economic impact relating to the achievement of the ESG objectives identified.

Finally, the Risk Management function supervises the above mentioned process, with the objectives of: understanding the investment risks and the ESG risks associated with investments, verifying that the risk-return profile is in line with the risk profile of the fund and analysing the areas of ESG improvement of the investment.

The methodology used to measure the achievement of social or environmental characteristics include the use of a proprietary framework for measuring sustainability indicators (KPIs), i.e. the COIMA ESG Metrics.

Furthermore, COIMA is committed to a continuous dialogue and involvement of the Fund's stakeholders, not only with the aim of promoting sustainability and becoming a catalyst in the education and communication of ESG aspects, but also with the aim of reducing and mitigating the main effects negative deriving from its investments,

by organizing, for example, periodic meetings with tenants, to measure their degree of satisfaction and spread the culture of sustainability.

An index has not yet been designated as a benchmark to meet the environmental or social objectives pursued by the financial product.

No sustainable investment objective

This financial product promotes environmental or social characteristics but does not aim for a sustainable investment. However, this financial product takes into account the indicators of the negative effects on sustainability (PAI - *Principal Adverse Impact Indicators*) present in the Tables of Annex I of the delegated regulation (EU) 2022/1288.

In particular, the following PAIs were selected:

- **Mandatory PAIs for the Real Estate sector:**
 - Fossil Fuel;
 - Energy efficiency.
- **Optional PAIs:**
 - GHG Emissions;
 - Energy consumption intensity.

These indicators are measured and analysed using specific databases and templates from 1 January 2022 to assess the impact of investment choices on sustainability factors. The data necessary for the determination of the PAI are also collected in the pre-acquisition phase in the technical due diligence on the property. The related disclosures will be published on the COIMA website starting from June 2023, as required by EU Regulation 2019/2088 (SFDR).

COIMA Italian Residential Fund's investments are aligned with the OECD guidelines for multinational enterprises, the United Nations Guiding Principles on Human Rights and the United Nations Global Compact. Furthermore, COIMA takes into consideration the principles of the United Nations for responsible investments (UN PRI - *Principle for Responsible Investment*). COIMA also requires acknowledgment of its Code of Ethics, ensuring that stringent supervision and control requirements are complied with in places at greater risk for occupational health and safety, ensuring that equal opportunities and workers' rights are respected.

Environmental or social characteristics of the financial product

The Fund promotes environmental and/or social characteristics pursuant to Article 8 of EU Reg. 2019/2088.

The objective of COIMA Italian Residential Fund is to provide long-term capital growth, while promoting ESG (i.e. Environmental, Social and Governance) characteristics by integrating sustainability risk into the investment process. In particular, the Fund promotes environmental features that aim to ensure a positive impact on

communities and the environment and are aligned with the Sustainable Development Goals (SDGs) established by the United Nations. These characteristics materialize in the development of quality, reliable, sustainable and resilient infrastructures (SDG 9), and in the improvement of urban planning and infrastructures to reduce their negative environmental impact (SDG 11).

Investment strategy

The characteristics of environmental and social sustainability promoted by the financial product are pursued through an investment strategy that provides for the management of sustainability risk and is divided into the following activities:

Screening and selection of investment opportunities (negative screening): this activity is carried out on the base of specific exclusion criteria. The exclusion criteria considered are the following:

- Exclusion of the possibility of developing in protected natural areas;
- Exclusion of the possibility of constructing new buildings intended for the extraction, storage, transport or production of fossil fuels.

Due Diligence: due diligence is performed with the aim of

- Understanding the financial and sustainability risks of the investment
- Verifying that the risk-reward profile is in line with the risk profile of the fund

Calculate the sustainability risk associated with the investment using the COIMA ESG Metrics, which analyses:

- “As is” Situation: assessment of the risk associated with the investment at the time of acquisition;
- “Target” Situation: assessment of the risk associated with the investment following the redevelopment interventions or the new construction of the property.

The constraining elements the investment strategy can be traced to:

- ESG rating calculated using COIMA ESG Metrics equal to maximum: 40/100
- Two exclusion criteria:
 - Exclusion of the possibility of developing in protected natural areas
 - Exclusion of the possibility of constructing new buildings intended for the extraction, storage, transport or production of fossil fuels

The Fund's ESG investment strategy and process are monitored continuously on a regular basis with regards to specific roles and responsibilities attributed to the governance described below and in particular by the Fund Manager with the contribution of the Sustainable Innovation Committee (SIC):

- **Board of Directors:** approves the investment transactions, the business plan of the Fund and of the investments and any annual changes, taking into account the Policy for Integrating Sustainability Risks into the Investment Process
- **Investment Committee:** is responsible for applying the ESG guidelines defined in the Policy for Integrating Sustainability Risks into the Investment Process to the selection process of each investment. It has an advisory function in defining the proposals to be presented to the Board of Directors regarding sustainable and responsible investment issues, aimed at guaranteeing the innovation of the methodologies and processes adopted, the monitoring of compliance with the ESG indicators and the ways in which they are taken into account for the various products and services offered to customers
- **COIMA Sustainable Innovation Committee (SIC):** is an advisory and proactive committee set up to support the Chief Executive Officer of COIMA SGR in the corporate management of "ESG" (Environmental, Social & Governance) issues, "Impact Investing" and product innovation
- **Control Functions:** the Risk Management function is responsible for monitoring and assessing the impact of ESG factors on the risk of the Fund and on its financial performance

With regard to the policy for the assessment of good governance practices of the companies benefiting from the investments, it should be noted that given the type of asset class, as well as the intrinsic characteristics of the real estate sector, the assessment relating to good governance practices is not applicable.

In fact, COIMA Italian Residential Fund does not invest in issuing companies, but in real estate. Reason why the drafting of a policy to evaluate the good governance of the asset in which one invests is not applicable.

Proportion of investments

The minimum allocation of the investment used to achieve environmental characteristics in COIMA Italian Residential Fund, in compliance with the binding elements referred to in the previous paragraph, will be at least equal to 80% of the investments. The fund will have a minimum allocation of 80% in investments aligned with environmental characteristics that are not considered sustainable investments.

The remaining part includes the remaining investments of the financial product that are not aligned with the environmental and/or social characteristics, nor are they considered sustainable investments. The latter could arise due to the technical or economic impossibility of achieving the objectives or environmental or social characteristics set by the Fund. It should be noted that, also for these investments, the exclusion criteria of the investment strategy of the financial product are respected and an analysis of the sustainability risk is carried out.

Finally, it should be noted that COIMA Italian Residential Fund does not use derivatives to achieve the environmental objectives set by the financial product but only as a risk hedge.

Monitoring of environmental or social characteristics

During the entire life cycle of the financial product, a rigorous procedure is followed for monitoring the performance of the Fund. Through the periodic calculation of the sustainability indicators (KPIs) identified within the COIMA ESG Metrics (a description of the methodology is provided in the following paragraph), the pursuit of the environmental and social characteristics promoted by the Fund is assessed and any corrective actions are undertaken to improve the Fund's ESG performance or reduce the Fund's ESG risks. The Risk Management function supervises the entire process.

Investors will be provided with a periodic report illustrating the evolution of the investment's ESG and financial performance, with respect to the identified targets: the identification, analysis and continuous management of ESG risks and opportunities are an integral part of the active management of assets owned by the Fund.

Methodologies

The achievement of the sustainable objectives that the Fund pursues is assessed and measured through KPIs examined in the COIMA ESG Metrics tool. The COIMA ESG Metrics is a proprietary measurement and monitoring tool that makes it possible to obtain a quantitative assessment in the form of a 100-based rating of the contribution provided by the investment to the sustainability dimensions indicated below. In particular, the investment process in the Fund is bound to the achievement of a maximum ESG rating, equal to 40/100, which will be monitored throughout the life of the Fund and it measures the maximum ESG risk that an investment could have.

The COIMA ESG Metrics includes, for this specific fund, three areas of analysis:

- Environmental, area in which risks and related environmental objectives and parameters are identified:
 - Calculation of the physical risk of the asset;
- Social, area in which risks and related objectives and parameters are identified in terms of integration and/or social impact such as:
 - Community and society;
 - Engagement and relationship with stakeholders.
- Governance, area in which risks and related objectives and parameters are identified in terms of corporate governance of sustainability:
 - Ethics;
 - Transparency;
 - ESG rating of the company.

Data sources and processing

The data needed to determine the environmental and social characteristics or sustainability goals of the investment is collected on a periodic basis from internal data rooms. In some cases, the data are also obtained from regional

or national public databases, while the data relating to the consumption and actions of tenants or suppliers are collected by filling in specific questionnaires relating to their ESG performance.

The quality of the data is verified through control measures that are carried out during due diligence and periodic annual checks. In most cases the data are actual and real, but, when necessary, estimations are made. Those could occur because data that comes from third parties is not directly controllable by COIMA.

Limitations to methodologies and data

With regards to environmental data, particularly physical risk, COIMA uses third-party tools. However, the lack of a guideline on benchmarks and reference scenarios makes it difficult to compare data at market level.

Furthermore, with regard to data relating to "Stakeholder engagement", this data will be progressively collected by tenants and contractors, therefore it can be estimated or not on the basis of the availability of information received from stakeholders. In any case, COIMA will try to minimize the use of estimates, so that the characteristics of the investment are not affected.

Due diligence

The Risk Management function supervises the entire due diligence process, which is performed with the aim of:

- a. understanding the investment risks and the ESG risks associated with investments through the evaluation of specific elements included in the COIMA ESG Metrics;
- b. verifying that the risk-return profile is in line with the risk profile of the fund;
- c. analysing the areas for improvement in terms of the ESG objectives of the investment with the purpose to identify an "as is" and a "target" scenario.

The results of the analysis and the ESG targets for investment management are integrated in the investment memorandum presented to the Investment Committee and the Board, which also contains a summary of the main findings of the due diligence.

Engagement policies

Investment preferences, in addition to stakeholder involvement, are crucial elements for COIMA's business: collaboration is an integral part of all projects and is necessary to obtain the best results on the market and to be a catalyst in the education and communication of ESG issues.

Through the commitment with the stakeholders, COIMA aims not only to promote sustainability but also to reduce and mitigate the main negative effects deriving from its investments. The cultural events organized by the Riccardo Catella Foundation, for example, intend to involve the public and non-profit sector with the aim of developing civic projects for the community aimed at spreading the culture of sustainability and promoting a responsible approach to urban development. This culture is further developed with the involvement of contractors and service providers engaged in the building construction/refurbishment process, who are reminded of the importance of using eco-sustainable and recycled materials as much as possible, in order to promote economic circularity and use of renewable sources.

In meetings with tenants, the degree of satisfaction with the management of the property is measured, while the need to adopt sustainable behaviors within their homes and offices is also underlined, encouraging lower energy



consumption, where possible. In the same way, the engagement with designers and architects aims to promote the reduction of energy use and greenhouse gas emissions, through the development of buildings characterized by advanced insulation and ventilation systems and the use of low energy consumption equipment / appliances.

Finally, COIMA is aware of the influence that the choices of investors and partners have in promoting a more sustainable future. For this reason, the Company is committed to promoting the choice of ESG investments during quarterly updates and industry conferences and events, in order to direct towards increasingly sustainable investments.

Designated reference benchmark

An index has not currently been designated as a benchmark to meet the environmental or social objectives pursued by the financial product.