




## **MANUAL OF ORGANISATIONAL PROCEDURES**

### **EXTRACT FROM THE POLICY FOR INTEGRATING SUSTAINABILITY RISKS IN INVESTMENT PROCESSES**

**APPROVED BY THE BOD ON 21/07/2022**


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	<i>SECTION</i>  <b>C</b>	<i>MANUAL OF PROCEDURES</i>
	<i>CHAPTER</i>  <b>3.4</b>	<i>POLICY FOR THE INTEGRATION OF SUSTAINABILITY RISKS IN INVESTMENT PROCESSES</i>

## Contents

1. Objectives.....	4
2. Legal References .....	4
3. Recipients and stakeholders .....	4
4. Related Documents .....	5
5. Main roles and responsibilities.....	5
5.1. Board of Directors .....	6
5.2. Chief Executive Officer.....	6
5.3. Sustainability and Innovation Committee .....	6
5.4. Sustainability Function.....	6
5.5. Risk Management Function.....	6
5.6. Operating Functions and Committees .....	7
6. The sustainability risk of AIFs .....	7
6.1. Identification of the risk .....	7
6.2. Measurement of the risk .....	8
6.3. Management of the risk .....	8
7. Monitoring of sustainability risk .....	10
8. Risk ceilings .....	10
9. Reporting.....	10
10. Policy Review .....	11

	SECTION	MANUAL OF PROCEDURES
	C	
	CHAPTER	POLICY FOR THE INTEGRATION OF SUSTAINABILITY RISKS IN INVESTMENT PROCESSES
	3.4	

## 1. Objectives

Coima SGR S.p.A. (hereinafter also “SGR”) manages closed, reserved real estate AIFs and is registered under number 107 in the Alternative Investment Fund (hereinafter “AIF” or “Fund”) managers’ section of the register of asset management companies (under art. 35 of the T.U.F.).

Pursuant to article 3 of Regulation (EU) 2019/2088, in view of the Company’s status as a financial market participant, SGR’s Board of Directors adopts the following Policy on the Integration of Sustainability risks in Investment Processes (hereinafter also the “Policy”), which illustrates the processes for analysing and the measures for mitigating sustainability risks within the investment selection and evaluation process for the funds managed. The document has also been drawn up in accordance with the requirements of Delegated Regulation (EU) 2021/1255 of 21 April 2021 amending Delegated Regulation no. 231/2013 on the integration of sustainability risks and factors within the Risk Management Policy.

The Policy sets out the sustainability risk management policies and strategies adopted by SGR’s Board of Directors and defines the role of the Sustainability and Risk Management Functions and all company functions directly or indirectly involved in the process of integrating sustainability risks in investment processes.

Sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause a negative material impact on the value of the investment.

The Policy may be subject to reviews necessary to guarantee its continued correspondence to the company, business and regulatory context.


## 2. Legal References

- Directive 2011/61/EU (Alternative Investment Fund Managers Directive)
- Commission Delegated Regulation (EU) no. 231/2013 of 19 December 2012
- Commission Delegated Regulation (EU) 2021/1255 of 21 April 2021
- Regulation (EU) 2019/2088 of the European Parliament and of the Council of November 27, 2019
- Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18, 2020
- Bank of Italy Regulation implementing Articles 4j and 6(1)(b) and (c-bis) of the T.U.F., issued on December 5, 2019 (hereinafter “Bank of Italy Regulation”)

## 3. Recipients and stakeholders

The policy is addressed to all COIMA SGR employees and collaborators and recipients are required to understand all the recommendations it contains regarding their respective responsibilities in the context of the management of the company’s risks.

The following is a list of the main entities and functions involved in the Risk Management Policy in various ways:

	<i>SECTION</i>	<i>MANUAL OF PROCEDURES</i>
	C	
	<i>CHAPTER</i>	<i>POLICY FOR THE INTEGRATION OF SUSTAINABILITY RISKS IN INVESTMENT PROCESSES</i>
	3.4	

BoD	Board of Directors	CEO	Chief Executive Officer
RMF	Risk Management Function	CF	Compliance Function
AML	Anti Money-Laundering Function	IA	Internal Audit
VF	Valuation Function	IC	Investments Committee
CC	Conflicts Committee	RAC	Remuneration and Appointments Committee
CR	Risks Committee	L&CA	Legal & Corporate Affairs
SIC	Sustainability and Innovation Committee	F&A	Fund & Asset Management
I&C	Investment & Capital Markets	S&C	Sustainability & Communication
MDA	Head of Fund & Asset Management	HR	Human Resources
IT	Information & Digital Transformation	OF	Organisation Function
BoA	Board of Auditors	FA	Finance Area
SF	Sustainability Function	InvT	Investment Team
SIC	Sustainable Innovation Committee	HSC	Head of Sustainability & Communication
SO	Sustainability Officer	FM	Fund Manager

#### 4. Related Documents


This Policy constitutes part of the set of documents adopted by SGR within its Internal Control and Risk Management System.

The principles contained in this Policy are implemented in the following related documents:

- “Investment, allocation and disinvestment operating process;
- “Fund establishment, allocation, subscription of fund shares, regulatory changes, AIF liquidation process”;
- “AIF management operating process”;
- “Sustainability risk measurement method”;
- “Risk Management Operating Process”

#### 5. Main roles and responsibilities

With reference to the “*allocation of responsibilities within the AIFM pertaining to risk management*”, the following is a summary of the main roles and responsibilities in the risk management process, assigned, in accordance with the current regulatory framework, to the Entities and individuals listed

	SECTION  C	<i>MANUAL OF PROCEDURES</i>
	CHAPTER  3.4	<i>POLICY FOR THE INTEGRATION OF SUSTAINABILITY RISKS IN INVESTMENT PROCESSES</i>

in point 3 “*Recipients and stakeholders*, with particular regard to sustainability risk.

### **5.1. Board of Directors**

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As the body tasked with Strategic Oversight, the BoD of SGR is responsible for decisions regarding general policies and strategies concerning fund investment and disinvestment. In keeping with this provision, on the advice of the RMF the BoD draws up and approves the Policy for integrating sustainability risks in investment processes and the relative measurement tools.

### **5.2. Chief Executive Officer**

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Pursuant to article 34, para 2 of the Bank of Italy Regulation, the entity with Management Function is tasked with implementing the corporate policies for managing the company’s risk, defined by the BoD of SGR, and for verifying their adequacy and the efficacy of their implementation.

Pursuant to article 60, para 2, point i) of Delegated Regulation (EU) no. 231/2013, he is responsible for the integration of sustainability risks into the context of the activities under his control with regard to the implementation and verification of the general investment policy for each AIF managed, for the periodic review of the adequacy of internal investment procedures, and the definition and application of the remuneration policy.

### **5.3. Sustainable Innovation Committee**

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The SIC is a consultative and advisory body involved in the management of ESG, Impact Investing and product innovation.

The SIC pursues the short and medium term sustainability objectives set by the CEO in accordance with the corporate strategies and long term objectives defined by the BoD of SGR with regard to ESG and Innovation.

### **5.4. Sustainability Function**

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Reporting to the HSC, the SF coordinates impact and ESG issues with the support of the SO, who is responsible for identifying, defining and managing the main sustainability-related aspects within the company, especially with regard to the investment/disinvestment process and the management of the property portfolios, verifying the requirements necessary to comply with the provisions of Regulation 2019/2088 (the Sustainable Finance Disclosure Regulation, or SFDR).

### **5.5. Risk Management Function**

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The Head of the RMF attends meetings of the IC, without voting rights, and liaises with the other control functions (CF, AML and IA) and with the BoA, also within the RC, of which he is the secretary.

The RMF integrates sustainability risk in all activities assigned to it defined in the Risk Management Policy and this Policy, with the operating procedures defined in the “Risk Management Operating Process” and applying the approved assessment models. The RMF submits the sustainability risk integration Policy and the relative measurement tools, agreed in advance with the SF, to the BoD for its approval.

	SECTION C	MANUAL OF PROCEDURES
	CHAPTER 3.4	POLICY FOR THE INTEGRATION OF SUSTAINABILITY RISKS IN INVESTMENT PROCESSES

## 5.6. Operating Functions and Committees

The operating functions (InvT and F&A) constitute the front line in the identification, management and assessment of the sustainability risk to which the AIFs managed are exposed. The operating functions cooperate with the second and third level control functions to provide information, and liaise with them in deciding the measures to be adopted. The Committees (IC, RC and RAC) provide an additional control function, each in its own area of activity.

## 6. The sustainability risk of AIFs

In line with the system for management of the risks of the AIFs and SGR, sustainability risk, like other forms of risk, is continually monitored. The phases of the relative process are:

- identification of the risk;
- measurement of the risk;
- management of the risk.

The verification activity of the RMF is based on the information made available by the operating functions, which supply data depending on their areas of competence, and/or by any External Providers.


### 6.1. Identification of the risk

With effect from 1 August 2022, Commission Delegated Regulation (EU) 2021/1255 of 21 April 2021, amending Commission Delegated Regulation (EU) no. 231/2013 of 19 December 2012, requires sustainability risk to be taken into consideration in investment decision-making and integrated in investment policies and procedures. In view of the recent changes to the regulatory framework and in line with its aim of integrating sustainability in every business process, SGR has performed an analysis to identify the main sustainability risk factors.

The sustainability risk identification process involved an analysis of a large number of institutional sources and respected industry players. The documentation considered is listed below:

- Task Force on Climate-related Disclosure recommendations (TCFD): the TCFD report defines climate risk, subdividing it into physical risk and transition risk, and provides suitable guidelines with regard to procedures for the definition and disclosure of risks;
- Global Reporting Initiative (GRI) Standards: the GRI Standards are one of the main sustainability reporting frameworks and provide specific environmental, social and economic Key Performance Indicators (“KPIs”);
- EU Taxonomy (Reg. EU 2020/852): the European Taxonomy aims to provide an objective assessment of sustainable products, by setting specific environmental and social objectives depending on companies’ area of business;
- European Banking Authority (EBA) Report on management and supervision of ESG risks for credit institutions and investment firms: the EBA indicators were drawn up for banks, in order to provide guidelines for the measurement of specific ESG KPIs.

This analysis enabled the identification of specific general categories, with the relative indicators, of

	SECTION C	<i>MANUAL OF PROCEDURES</i>
	CHAPTER 3.4	<i>POLICY FOR THE INTEGRATION OF SUSTAINABILITY RISKS IN INVESTMENT PROCESSES</i>

environmental, social and governance risk, which make up the sustainability risk measurement tool called COIMA ESG Metrics, which replaces the previous COIMA Charter.

The general categories and the factors identified from the analysis of the sources are listed below:

- Environmental aspects:
  - Physical risk
  - Transition risk
  - Environmental certifications
- Social aspects:
  - Decent working conditions<sup>1</sup>
  - Living standards and well-being<sup>1</sup>
  - Community and society
  - Stakeholder engagement and relations
- Governance aspects:
  - Ethics
  - Transparency
  - Company's ESG rating

## **6.2. Measurement of the risk**

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As required by article 60 of Delegated Regulation (EU) no. 231/2013, as amended by Delegated Regulation (EU) no. 1255/2021, SGR has defined adequate, effective instructions, procedures and methods for measuring the sustainability risk to which AIFs are exposed.

The SGR Board of Directors has approved a sustainability risk assessment model for this purpose. The main aim of the model adopted is to measure the AIF's overall level of sustainability risk, considering the environmental, social and governance risk identified by SGR and assessing them on a rating scale from 0 to 100. The model is able to measure the risk level at the property portfolio and single investment level and to assess them on the same rating scale.


Within the processes assigned to them, the IF and F&A measure risk within a specific "COIMA ESG Metrics", verified by the RMF and submitted to the BoD.

## **6.3. Management of the risk**

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Sustainability risk management, defined as the set of actions intended to mitigate the criticalities arising from management of the AIFs, is performed during the investment phase and annually during updating of the Business Plan. Therefore, the SF, the other Operating Functions and the RMF, each

<sup>1</sup> The "Decent working conditions" and "Living standards and well-being" aspects will be integrated in the ESG Risk Metrics at a later date.

	<i>SECTION</i>  C	<i>MANUAL OF PROCEDURES</i>
	<i>CHAPTER</i>  3.4	<i>POLICY FOR THE INTEGRATION OF SUSTAINABILITY RISKS IN INVESTMENT PROCESSES</i>

for its own areas of competence, advise the BoD concerning the most appropriate strategies for containing the risk identified, as compatible with the performance targets set for the AIF and stated to investors.

During the investment phase, sustainability risk management consists of the following activities:

- Screening and selection of investment opportunities: this activity is performed on the basis of specific exclusion criteria. The exclusion criteria considered are the following:
  - No development in protected natural areas;
  - No construction of new buildings for the extraction, storage, transportation or production of fossil fuels.
- Due diligence: due diligence is performed with the aim of
  - Understanding the investment’s financial and sustainability risks
  - Verifying that the risk-return profile is in line with the fund’s risk profile
- Calculation of the investment’s sustainability risk by means of COIMA ESG Metrics:
  - The “as is” situation: assessment of the investment’s risk at the time of acquisition;
  - The “target” situation: assessment of the investment’s risk after the redevelopment work or the new build.

Once the investment operation has been completed, F&A starts the activities to manage and develop the project in accordance with the conditions defined during its subscription and on the basis of the Business Plan approved at the time of acquisition, as subsequently amended.


A performance monitoring procedure is performed on an annual basis by updating COIMA ESG Metrics, analysing deviations from the “target” situation and if necessary updating the Business Plan to adapt actions to ensure the achievement of this scenario.

Investors are supplied with a regular report that sets out the evolution of the investment’s ESG and financial performance in relation to the targets set. The identification, analysis and continual management of ESG risks and opportunities form part of the active management of the assets owned by the AIFs managed.

The following is a set of tools and processes used in the active management of investment risk:

- regular checks during the development phase to assess a building’s condition further to renewal processes (issue of annual reporting stating progress in relation to achievement of the objectives set in the ESG areas identified during the Due Diligence);
- an environmental strategy implemented for each asset acquired, which sets the specific performance standards used for assessments;
- market analysis to identify the best methods for electricity and water use and carbon production;
- tenant satisfaction surveys;



	SECTION C	<i>MANUAL OF PROCEDURES</i>
	CHAPTER 3.4	<i>POLICY FOR THE INTEGRATION OF SUSTAINABILITY RISKS IN INVESTMENT PROCESSES</i>

- regular performance analysis which evaluates progress in performance in relation to environmental targets and objectives for compliance with regulatory requirements and internal policy;
- assessment of the specific risks relating to investments, produced by expert advisors to identify health and safety risks.

The tools and processes described above enable a correct assessment of the asset’s competitive positioning on the market.

## 7. Monitoring of sustainability risk

Risk management is also performed continually as part of the monitoring activities conducted by both the Operating and the Control Functions.

The BoD, which has responsibility for decision-making regarding general policies and strategies with regard to AIFs’ investment and divestment, acquires information about both individual operations and the overall evolution of the AIFs’ risk profile, assesses risk mitigation/management proposals submitted by the IC (supported by the Operating Functions) and the RMF and approves the most appropriate actions for management of the risks identified.

SGR has established an internal operating system to define company processes relating to funds’ entire life cycle (investment, divestment, allocation, management, and establishment and liquidation of AIFs), which describe the activities and responsibilities of the corporate entities, committees and operating functions involved. In particular, the system describes the verification activities, preventive measures and the compulsory disclosure for every type of operation.


## 8. Risk ceilings

Risk ceilings are monitored by both the Operating Functions and the RMF. These Functions report any criticalities which may imply the exceeding of the set risk ceilings to the BoD of SGR to enable it to consider and define the most appropriate measures to be taken.

During the approval of each new AIF, where appropriate the BoD also approves a sustainability risk target, using the scale set by the internal risk management model adopted (see point 6.2 “*Measurement of risks*”). Within their respective areas of competence, the Operating Functions and the RMF monitor the compliance of AIFs’ risk with the risk target assigned. These Functions report any criticalities which may imply the exceeding of the set risk targets to the BoD of SGR to enable it to consider and define the most appropriate measures to be taken, bearing in mind that exceeding the risk target does not necessarily imply exceeding regulatory or legal ceilings.

## 9. Reporting

In addition to the requirements of the risk management Policy and in accordance with article 3 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019, on the initiative of the SF, S&C publishes information on the website concerning policies for the integration of sustainability risks into investment decision-making processes and the relative updates.

	<p>SECTION</p> <p>C</p>	<p>MANUAL OF PROCEDURES</p>
	<p>CHAPTER</p> <p>3.4</p>	<p>POLICY FOR THE INTEGRATION OF SUSTAINABILITY RISKS IN INVESTMENT PROCESSES</p>

## 10. Policy Review

This Policy is adopted by the BoD which, in accordance with article 41 of Delegated Regulation (EU) no. 231/2013, reviews it annually and in all cases whenever there is a significant change in the business or of the context within which SGR operates, in order to identify the most appropriate measures to eliminate any criticalities in the overall risk management system, with the support of the RMF, which analyses proposals for changes and puts forward its own.