



COIMA ESG CITY IMPACT 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

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Summary

COIMA ESG CITY IMPACT FUND (hereinafter also "the financial product", "the fund") promotes environmental and social characteristics pursuant to Article 8 of Regulation (EU) 2019/2088 (SFDR) and aims to support long-term the United Nations Sustainable Development Goals (UN SDG). Its environmental characteristics are qualified in part through alignment with the objectives of EU Regulation 2020/852 (EU Taxonomy), and in part through the promotion of other environmental characteristics not necessarily contemplated in the environmental taxonomy.

For all investments underlying the financial product that take into account the criteria of the EU Taxonomy, the DNSH principle is applied, i.e. *Do Not Significant Harm* to the other sustainability objectives and, to this end, the criteria of applicable technical screening reported in the annexes of EU Regulation 2020/852.

The PAI indicators (Principal Adverse Impact indicators), 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 sustainability of the investment object. 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.

COIMA ESG CITY IMPACT FUND 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 account the United Nations Principles for Responsible Investment (UN PRI).

The investment allocation programmed to achieve the environmental and social characteristics promoted by COIMA ESG CITY IMPACT FUND will be at least equal to 80% of the investments. In addition, the fund will have a minimum allocation of 50% in investments with sustainable objectives.

With regard to the investment strategy of the fund, the characteristics of environmental and social sustainability are pursued thanks to a careful initial phase of screening and selection of investment opportunities; 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.

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 methodologies used to measure the achievement of social or environmental characteristics include the comparison of the Fund's performance with the Global Real Estate Sustainability Benchmark (GRESB) and 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 negative effects 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, however, even if it does not aim for a sustainable investment, it has a minimum proportion of the investment with sustainable objectives. In fact, a portion of the fund's investments has characteristics of sustainability in line with the definition set out in art. 2, par. 17, of EU Regulation 2019/2088 (SFDR) and/or in line with EU Regulation 2020/852 (EU Taxonomy).

To ensure that no significant damage is caused to the other sustainability objectives (DNSH), COIMA guarantees that the DNSH will be applied and verified for the economic activities that the fund will pursue carried out within the scope "7. Construction and real estate activities" of EU regulation 2020/852, for the objective "Climate Change Mitigation".

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 ESG CITY IMPACT FUND's sustainable 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 social characteristics pursuant to Article 8 of EU Reg. 2019/2088.

The objective of COIMA ESG CITY IMPACT FUND is to provide long-term capital growth, while promoting ESG characteristics (i.e. Environmental, Social and Governance) by integrating sustainability risk into the investment process. In particular, the Fund pursues the objective of "Substantial contribution to climate mitigation" through economic activity ref. "7.7 Acquisition and ownership of buildings" described in the European Taxonomy for the sector ref. "7. Construction and real estate activities" also respecting the specific technical screening criteria defined by the legislation. Furthermore, the Fund also pursues the macro-objective of "Sustainable redevelopment of existing real estate assets and the territory", in the environmental field, and of "Creation of cohesive and resilient communities", "Health and well-being in buildings and in the community" and "Promotion of culture and education", in the social sphere. Lastly, the Fund's investments include investments that do not pursue sustainability objectives but have environmental and/or social characteristics.

These objectives and characteristics therefore go together with the environmental characteristics promoted by the fund, which in order to ensure a positive impact on communities and the environment, have been aligned with the Sustainable Development Goals (SDGs) established by the United Nations. These characteristics take the form of the development of quality, reliable, sustainable and resilient infrastructures (SDG 9), the improvement of urban planning and infrastructures to reduce their negative environmental impact (SDG 11), guaranteeing access to renewable energy at competitiveness for all (SDG 7), promoting the health and well-being of all (SDG 3), and promoting inclusive and sustainable economic growth, employment and decent work for all (SDG 8).

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: 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 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 building.

The constraining elements of the investment strategy can be traced back 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 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 operations, 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
- Investments 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 a consultative 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 innovation of product.

- Steering Committee: this is a strategic committee which has the task of analysing the progress of the Fund's projects in progress, the related ESG issues and organizing discussion sessions on ESG issues such as the country's needs, current ESG issues and the declination of such themes in the Fund's investments
- Control Functions: the Risk Management function is responsible for controlling and assessing the impact of ESG factors on the risk of the Fund and on its financial return

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 ESG CITY IMPACT 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 or social characteristics in COIMA ESG CITY IMPACT FUND, in compliance with the binding elements referred to in the previous paragraph, will be equal to at least 80% of the investments. Furthermore, while not having sustainable investment as its primary objective, it will have a minimum allocation of 50% in investments with sustainable objectives. With reference to the component relating to investments that contribute to the pursuit of an environmental objective, at least 50% will be invested in economic activities considered environmentally sustainable in accordance with the EU Taxonomy, according to the provisions of the "Climate change mitigation" objective. Furthermore, at least 50% promote an environmental objective, according to the provisions of current legislation (art.2, par.17 - SFDR), whose characteristics are not necessarily considered environmentally sustainable in accordance with the EU Taxonomy. Finally, at least 5% will be invested in sustainable activities with a social objective in accordance with current legislation (art.2, par.17 - SFDR).

The remaining part includes, for a minimum share of 30% investments that promote environmental and/or social characteristics that are not considered sustainable investments, and 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 ESG CITY IMPACT FUND does not use derivatives to achieve the environmental and social 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 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 three areas of analysis:

- Environmental, area in which the risks and related environmental objectives and parameters are identified:
 - Calculation of the physical risk of the asset;
 - Calculation of asset's transition risk;
 - Application of voluntary environmental certifications (e.g. LEED® Leadership in Energy and Environmental Design) for buildings and districts.

- Social, area in which risks and related objectives and parameters are identified in terms of integration and/or social impact such as:
 - Decent working conditions;
 - Living standards and well-being;
 - Community and society;
 - Engagement and relationship with stakeholders.

- Governance, area in which risks and related objectives and parameters in terms of corporate governance of sustainability are identified:
 - Ethics;
 - Transparency;
 - ESG rating of the company.

Furthermore, the Fund is subjected to the Global Real Estate Sustainability Benchmark (GRESB), an independent global ESG rating which allows the performance of the COIMA ESG CITY IMPACT FUND to be compared with an international benchmark, compared to the rating calculated internally using the COIMA ESG Metrics.

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 these data rooms, information about the materials used, the Energy Performance Certificate of the building, the sustainability certifications achieved, etc. is available. In some cases, the data are also obtained from regional or national public databases, while the data relating to the consumption or 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 and transition 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.

With regards to social data, at the time of writing the Social Taxonomy is not yet being finalized, therefore, the requirements of the first two social indicators explained in the "Methodologies" will not necessarily be aligned with what will be requested in the final version of the Social Taxonomy.

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 identified, 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, excluding the Global Real Estate Sustainability Benchmark (GRESB).