ESG POLICY
Ver Capital SGR

Index

1. INTRODUCTION AND DEFINITIONS

Regulation 2088 of the European Parliament and the Council of the European Union (hereinafter the "Regulation" and/or also "SFDR") of November 27, 2019 sets out a system of harmonized rules to improve transparency and inform investors about the integration of sustainability risks into the economic system.

The Regulation aims to expand and standardize the information provided to investors in order to protect client interests by requiring intermediaries to integrate sustainability risks into their investment process, consider adverse sustainability effects, and promote the environmental and/or social characteristics of sustainable investments, and by obliging financial market participants and financial advisors to make pre-contractual and ongoing disclosures to end investors where they are acting as agents on behalf of (principal) end investors. More specifically, the Regulations require:

- post on the website and supplement pre-contract documentation with its written policies about integrating sustainability risks into the investment process;
- post on the website and pre-contractual documentation whether or not they consider sustainability impacts (so-called "PAI") of their investment choices or intend to do so in the future;
- integrating remuneration policies with consideration of ESG issues;
- integrate periodic product reporting information (in this case: annual and semi-annual fund report).

Under the Regulations, the following are defined as:

❖ "financial market participant": a) an insurance company that makes available an insurance investment product (IBIP); b) an investment company that provides portfolio management services; c) an institution for occupational retirement provision;(d) a creator of a pension product; e) an alternative investment fund manager (AIFM); f) a provider of a pan-European individual pension product; g) a manager of a qualified venture capital fund registered in accordance with Article 14 of Regulation (EU) No. 345/2013; h) a manager of a qualified social entrepreneurship fund registered in accordance with Article 15 of Regulation (EU) No. 346/2013; i) a management company for a collective investment in transferable securities (UCITS management company); or j) a credit institution that provides a portfolio management services;

❖ "sustainability risk": an environmental, social or governance event or condition that,if it occurs,could cause a significant negative impact on the value of the investment;

❖ "sustainability factors": the environmental, social, and personnel issues, respect for human rights, and issues related to combating active and passive corruption;

❖ "sustainable investment": an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators concerning energy use or that promotes social cohesion, or an investment in human capital or in economically or socially disadvantaged communities provided that such investments do not significantly harm any of these objectives and that the enterprises benefiting from such investments comply with good governance practices;

- "principal adverse impact": (hereinafter also referred to as "PAI") the effects of investment decisions and investment advice that result in negative impacts on sustainability factors.

2. OBJECTIVES OF THE DOCUMENT

Ver Capital Sgr is committed to combining economic and profitability objectives with environmental, social and corporate governance (ESG) issues.

As a signatory to the United Nations Principles for Responsible Investment (UN PRI), an initiative aimed at disseminating and integrating ESG criteria into investment practices, Ver Capital Sgr is committed to:

- incorporate ESG factors into investment analysis and decision-making processes;
- request documentation on ESG issues from the issuers being invested in, either from the agent or directly from the issuers for direct lending issues;
- periodically report to external investors on the results obtained from the implementation of policies adopted in this area.

With this ESG Policy, the SGR therefore intends to define the set of principles and guidelines to be followed with reference to environmental, social and governance issues in order to combine the objectives of creating value in the management of its Funds and promoting the ESG principles themselves.

The SGR adopts a phased approach in complying with the provisions taking into account activities and product development and in view of the completion of the relevant regulatory framework. The SGR is therefore committed to the updating of this Policy on the basis of the legislation in force from time to time and the best practice matured by the market.

3. RESPONSIBLE FINANCE - SCOPE

Article 3 of the SFDR Regulation requires financial market participants to publish, on their website and in the pre-contractual disclosures of each product, information regarding internal policies aimed at identifying and managing sustainability risks and the effects these risks may have on product performance.

SGR believes that the introduction of ESG criteria within the entire life cycle of an investment is an essential factor for the creation of lasting value shared among all stakeholders.

In particular, SGR has prepared the methodologies and procedures aimed at the realization of impact. The methodology for measuring ESG (Environmental, Social and Governance) impact, and more specifically environmental impact, aims to define the SGR's approach to managing ESG issues and

in particular those of an environmental nature, at all stages of investment, in its corporate policies and practices, as well as in its communication to all stakeholders, promoting the management of these issues in the Portfolio

Companies of the Managed Funds.

This methodology applies to SGR and to all employees and contractors, who in turn are committed to integrating sustainability principles and practices into their activities.

SGR has defined the following activities to be accomplished for each of the following areas:

i. Environment (“E”) - Ver Capital is committed to identifying the performance of the Fund's Portfolio Companies with respect to the impact on the environment generated by their activities during normal operations. In this context, Ver Capital aims to raise awareness among Portfolio Companies, through the promotion of internal policies and periodic initiatives, about the importance of protecting the environment;

ii. Social (“S”) - Ver Capital is committed to fostering the development of internal resources employed at the Fund's Portfolio Companies and within Ver Capital itself, promoting a safe and inclusive work environment, in which no discriminatory behavior is adopted in relation to personal characteristics or choices, and which fosters the development of individuals based on the principles of diversity and inclusion. At the same time, Ver Capital promotes and supports the adoption by Portfolio Companies of initiatives aimed both at enhancing the value of their workforce through incentive plans and at the social development of the entire community in which they operate;

iii. Governance (“G”) - Ver Capital is committed to promoting the adoption of best practices in corporate governance by Portfolio Companies and the achievement of high standards of ethics and corporate responsibility. Ver Capital promotes the achievement of gender equality goals within the Governance and Management Team of the Portfolio Companies.

The SGR conveys its commitment to supporting responsible finance both through its website and through the preparation of appropriate reporting. The commitment takes place across all levels of the company through compliance and proper application by the various individuals within the organization and, as far as possible, by all counterparts involved in the operation of the business. The SGR provides training sessions for its employees on issues related to sustainable finance and responsible investment more generally. In addition, the SGR adapts as part of its remuneration policies the internal remuneration and incentive policy in order to strengthen the commitment made in its investment processes to promote effective management of ESG aspects.

Commitment to the SGR staff

People working for SGR are offered a clear career path at all levels of the company. SGR's commitment is rooted in the company's culture, starting with the value it places on diversity (experience, age, gender, etc.) and equal opportunity.

SGR believes that human capital, in addition to contributing to the operation of the company's business, is also a primary source in the application of the ethical values adopted by the Company. For this reason, it is essential to raise employees' awareness of the values established in the area of responsible finance through training meetings dedicated to learning the notions used to integrate ESG criteria into their respective areas of work.

In addition, with the aim of fostering the creation of a serene and stimulating work environment, the SGR provides its employees with a set of initiatives, goods and services (corporate welfare) to increase their well-being and promote the reconciliation of private and professional life.

Commitment to the environment

Although the environmental impact due to SGR's activities is relatively limited considering the nature of the business conducted and the size of the company, the Company is committed to office management geared toward high sustainability and energy efficiency, such as: minimizing water consumption, waste management, and efficient use of air conditioning (limited to working hours). Separate containers are maintained for food, plastic, paper and glass and a strict recycling policy is implemented on all batteries and cartridges, also using recycled paper or electronic receipts where possible. In addition, reusable water bottles are provided to all staff members, and only reusable glass water bottles are used for our meeting rooms.

In addition, SGR encourages its employees through specific initiatives to use innovative and environmentally friendly public transportation and transportation systems, both for business travel and private home-to-work transportation. Therefore, SGR's goal is to incentivize the switch to the use of electric (or at least hybrid) cars for its corporate fleet and contribute to the cost of season tickets for the use of public transportation.

Commitment to investors

The SGR bases the achievement of its business success on the trust placed in it by investors, to whom it ensures that any activity is conducted in accordance with principles of professionalism, fairness and transparency.

SGR, its employees and all counterparties working with the Company are required to comply with both national and international regulations on anti-corruption, anti-money laundering and anti-terrorism.

With the goal of building strong investor relationships, SGR believes it is critical to approach fund management through an issue selection process that, in addition to including diversification and soundness criteria, also includes ESG variables in order to generate long-term sustainable value.

In addition, SGR is committed to the application of timely and effective communication with its investors in order to convey the results achieved in a concrete way and proving to be a valuable promoter of a culture of sustainability.

4. ANALYSIS AND MANAGEMENT OF ESG FACTORS

4.1 Background

The principles formalized within the Policy are intended to inform all stakeholders about the sustainability guidelines, which the SGR adopts in carrying out its operations, both at the SGR and investment fund manager level.

4.2 Assessment of ESG factors at the SGR level

An enterprise can be considered sustainable if it is able to have a competitive business position with stable returns over time, in a more precise way:

- creates shared value with all stakeholders on a long-term basis;
- measures business decisions by analyzing all the impacts (economic and otherwise) that they lead to;
- communicates the sustainability impacts of decisions for each ESG factor.

To achieve sustainable development, it is important to harmonize three fundamental factors:

- environmental factor: which considers the risks associated with climate change and therefore pays attention to reducing CO_2 emissions, energy efficiency, efficient use of natural resources (e.g., water), adopting policies that counter air and water pollution and waste of natural resources and deforestation;
- social factor: which includes qualitative policies for the work environment, labour relations, supply chain control, as well as attentive to gender, skill and age diversity, labour standards, safe working conditions, respect for human rights, and an all-round assumption of social responsibility;
- corporate governance factor: which relates to the ethics and transparency of corporate governance and concerns the presence of independent or nonexecutive directors, diversity policies in the composition of the Boards, the presence of sustainability plans and goals related to board remuneration, as well as, control procedures, policies and more generally the behavior of top management and the company in terms of ethics and compliance.

These risk factors are assessed on a semi-annual basis.

4.3 Assessment of ESG factors in funds under management

The responsible investment strategy applies to the individual investment and to all funds under management. Ver Capital SGR believes that consideration of environmental factors, such as climate change, social factors, such as respect for human rights, and governance factors, such as diversity policies, as well as having to raise awareness among all stakeholders, must necessarily be included in the investment decision-making process.

The assessment and implementation of ESG factors changes depending on whether funds under management are classified according to Article 6, Article 8, or Article 9 of EU Regulation 2019/2088.

A) <u>Funds Classified according to Article 6 of EU Regulation 2019/2088</u>

Monitoring of ESG aspects takes place on two implementation levels:

- investment phase;

- periodic monitoring and reporting phase.

During the investment process, ESG factors are incorporated by combining exclusion and integration approaches:

a) exclusion: Ver Capital implements a policy of ESG exclusions (the "Exclusions policy"). The SGR acts in accordance with applicable national and international laws, prohibitions, treaties and embargoes in defining its investment universe. In addition to these legal requirements, the SGR also considers own exclusion criteria. The exclusions policy describes the standards and sectors to which it applies;
b) integration: after ascertaining that the issuing company's industry and/or business meet the above exclusion criteria, the company's exposure to ESG risk factors is assessed. In this regard, Ver Capital complements the review of financial information, with information in the public domain and/or that can be acquired from freely accessible sources, concerning corporate governance and environmental and social issues, in order to detect any issues that may make the investment unsuitable.

The results of the assessment are reported within the investment memorandum, in a section devoted to the results that emerged from the analysis of these aspects, so that the ESG assessment becomes an integral part of the final decision-making process.

The subsequent monitoring phase is also a central moment in the integration of ESG principles into investment activity, as it consists of the periodic verification of information, always in the public domain, in order to identify new events that may undermine the temporal sustainability of the principles themselves. Ver Capital, at least annually, verifies information so that an ESG judgment can be made for each individual company, which is included in periodic reporting at the fund level.

B) <u>Funds Classified according to Article 8 of EU Regulation 2019/2088</u>

Funds under management classified according to Article 8, in addition to complying during the investment and monitoring phase with the same criteria defined for funds classified according to Article 6, have as their main feature the promotion, inter alia, of environmental or social aspects, or a combination thereof, provided that the companies in which the investments are made comply with good governance practices.

The SGR therefore adopts an additional methodology for integrating sustainability criteria, based on the qualitative/quantitative assessment of ESG factors, which vary depending on whether it concerns a UCITS fund or an Alternative Investment Fund (AIF).

Specifically, for a UCITS fund, the investment process begins with the identification of the initial investable universe, representing the financial instruments consistent with the fund's investment policy. This defined investable universe is then subjected to a screening process based on the application of the exclusion policy and ESG (Environmental, Social, Governance) performance, using data from the "Sustainalytics" tool provided by Morningstar Inc.

The next phase involves adopting the "best in class" methodology, which selects companies with the best ESG performance within each sector. In this context, the bottom 20% of issuers (5th quartile) are further excluded, defining the final investable universe. This approach ensures that only issuers with superior ESG practices are considered.

ESG scores and the definition of the final investable universe are updated at least quarterly to reflect any significant developments.

For an Alternative Investment Fund (AIF), each asset in the portfolio is subjected, both in the preliminary investment phase and in the subsequent monitoring and reporting phase, to an internal analysis aimed at determining an ESG score, taking into account the initiatives and/or targets that the Company, the object of potential investment, intends to pursue. SGR has developed a proprietary model that assigns a score, on a numerical scale 1-5 (where "1" indicates an excellent ESG profile and "5" an inadequate ESG profile), to each ESG key indicator. Specifically, the ESG key indicators considered are the followings:

- **Environmental factors:** climate change impact and CO_2 emissions; pollution reduction; energy efficiency and clean energy; waste treatment and recycling; any other factors;
- **Social factors:** workplace safety; data protection and privacy; poverty reduction; human rights and community relations; any other factors;
- **Governance factors:** ethical considerations; strategy, internal controls and risk management; inclusion policies and inequality reduction; transparency and reporting; any other factors.

Once a score has been attributed to each of the previous indicators, an aggregate score is identified for each of the three ESG (Environmental, Social and Governance) factors and finally a final score for the asset in question, through a weighted average with different weights depending of the asset's sector.

The score identified during analysis is updated each time the SGR receives new documentation from the company or agent regarding the practices, initiatives, and goals identified by the issuing company (e.g., sustainability report, ESG report, or any ESG questionnaire).

Taking into account the score of each asset, the Fund in question will be considered compliant according to Article 8 of EU Regulation 2019/2088 if and only if at least 50% of the AUM in which the fund is invested has a score less than or equal to "3."

Investments that while presenting a score higher than "3" will also be considered sustainable if they can identify clear purposes of promoting environmental, social and/or governance characteristics. Such promotion purposes should be made explicit in the fund regulations and based on objective sustainability assessment parameters such as, but not limited to, step-up mechanisms (increase in the cost of funding if expected sustainability targets are not met) or ratchet mechanisms (reduction in the cost of funding when expected sustainability targets are met).

C) Funds Classified according to Article 9 of EU Regulation 2019/2088

During 2022, the SGR began to incorporate elements of assessment and reporting on economic and social impact investments through the establishment of an Article 9 Fund under the SFDR Regulations.

Art. 9 Funds aim at sustainable investments, by which is meant investments in economic activities that contribute to environmental objectives provided that such investments do not significantly harm any environmental or social objectives and that the companies benefiting from such investments comply with good governance practices, particularly with regard to sound management structures, employee relations, staff compensation, and compliance with tax obligations.

For one or more of the typical dimensions of sustainable investments, i.e., environmental, social, and governance, a set of objectives is identified in advance and monitoring of the results achieved through the use of shared market-wide indicators and targets and, when consistent, monetization of the benefits is provided. The process is activated at the goal-setting stage and is carried out by evaluating choices and results along the so-called impact chain. Specifically, it involves:

- mapping of objectives, inputs, outputs and outcomes;
- monitoring, over time, of all useful information to understand the impact generated;
- he specific Key Performance Indicators (KPIs) for each sector, also assessed with a view to contributing to the achievement of the SDGs defined by the UN in 2015 and related targets;
- periodic data collection through direct survey, indirect surveys, based on data from administrative sources and/or from official sources such as ISTAT. Sharing results and evaluation objectives with project partners and, when present, public stakeholders make the data that can be collected in a more precise and reliable way.

ESG criteria and objectives are defined at the level of the Fund's regulations, being binding in the implementation of the Fund's investment policy. It is therefore mandatory in terms of the investment process to monitor and control compliance with these limits/objectives.

In addition, with reference to products classified under Article 9 according to the SFDR Regulations, the SGR takes into consideration the TRS regulatory technical standards from time to time defined by the European Commission.

5. MARKET DISCLOSURE

Ver Capital feels a timely focus on the disclosure and reporting phase of sustainability aspects is necessary and, in this regard, identifies three key steps:

- disclosure in the promotion phase of managed funds. On the SGR website, sustainability risk is defined as an environmental, social or governance condition that, if it were to occur, could result in an actual or only potential negative impact on the value of the investment, and its approach is described in order to mitigate its potential negative effect;

- pre-contractual disclosure for informed membership. For funds classified under Art. 6 of the SFDR Regulations, the SGR clarifies in the respective regulations how sustainability risks are considered in the management of these funds, just as for Art. 8 and Art. 9 funds, the Company expressly states in the pre-contractual disclosure how sustainability risks are integrated into their investment decisions;
- specific requirements regarding the preparation of periodic reporting. Currently, the SGR does not produce specific documentation in the area of ESG reporting for funds classified art. 6. If the Company decides to reevaluate its position regarding the negative effects that sustainability factors may have on the funds under management, it will provide the necessary infrastructure, data and processes to produce reporting in order to comprehensively inform investors on these issues. For Art. 8 and Art. 9 funds, on the other hand, updated reporting is required at least every six months.

6. TRANSPARENCY OF REMUNERATION POLICIES WITH REGARD TO ESG FACTORS

The remuneration and incentive mechanisms adopted and formalized in the "Remuneration and Incentive Policy" are aimed at good governance of the SGR, as well as sustainability.
The SGR's reward system is also based on the achievement of objectives that take into account compliance with sustainability criteria, consistent with ESG issues and the principles of sustainable finance promoted by the SGR itself.

7. ROLES AND RESPONSIBILITIES

The Investment Team is responsible for the inclusion of ESG issues as part of the analysis of new investments. At the investment stage, ESG due diligence could be entrusted to independent consultants with proven expertise.
The Investment Team, in collaboration with the Board of Directors, will be involved in defining specific actions (Guidelines) related to ESG issues and is also responsible for implementing ESG reporting related to investments made.
The Risk Management Function and Compliance Function work with the Investment Team in monitoring the implementation of the Guidelines covered by this procedure.

8. COMMITMENT TO POLICY ADAPTATION TO CHANGING REGULATORY ENVIRONMENTS

This policy is reviewed and approved by the Board of Directors of Ver Capital SGR and will be subject to review at

least annually in order to incorporate any new guidelines or regulations on the subject.
All adopted ESG strategies and procedures will also be reviewed based on both any changes in this policy, additional financial considerations, and new regulations that may arise.
Ver Capital SGR is committed to keeping its stakeholders informed and updated on revisions and updates to this Policy.