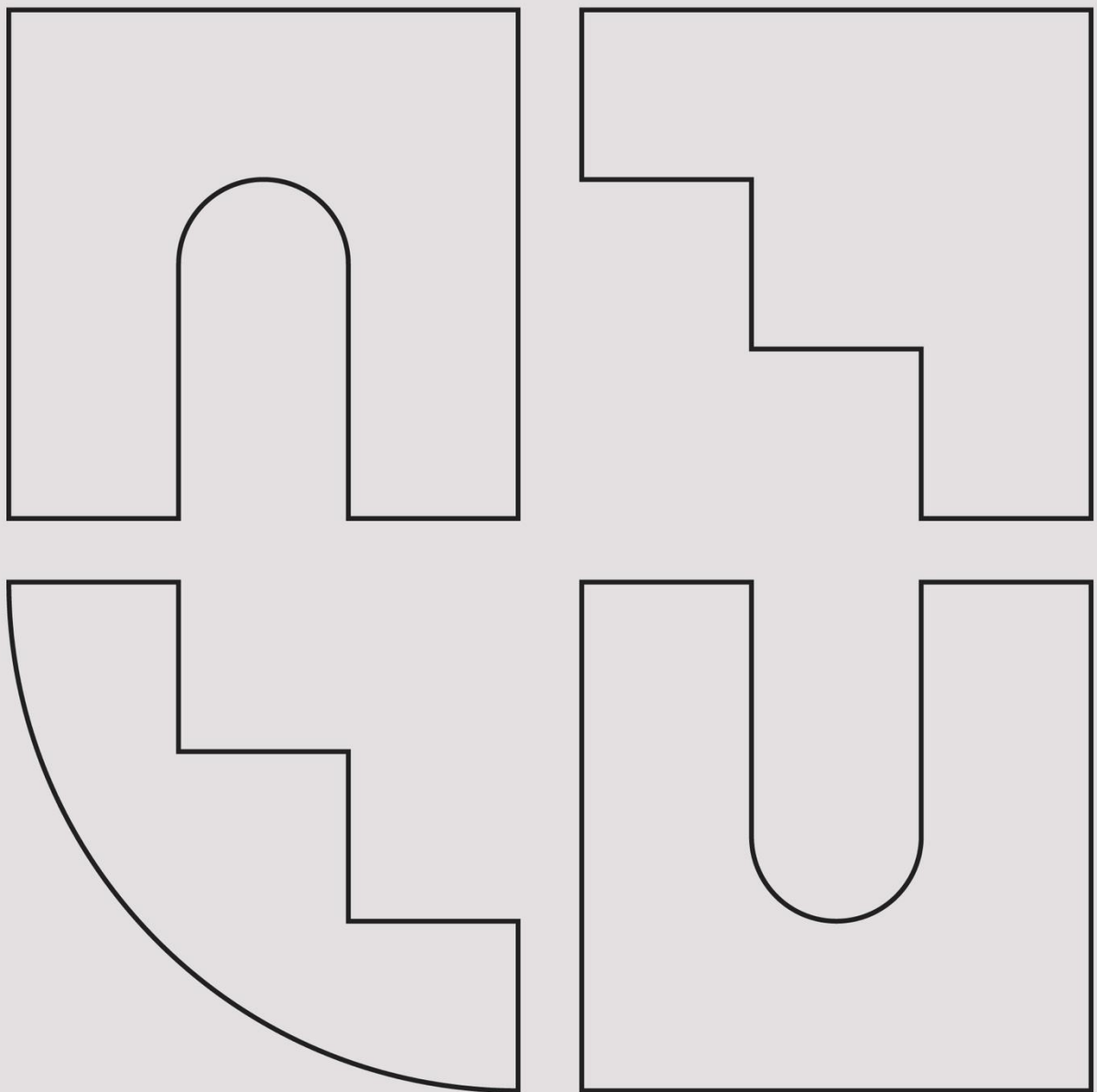


ESG Investment Policy



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1. PURPOSE AND SCOPE OF APPLICATION

The purpose of this ESG Investment Policy (hereinafter 'ESG Policy' or 'Policy') is to define the strategic guidelines for the integration of sustainability factors and risks within the decision-making and operational processes of Fürstenberg SGR S.p.A. (hereinafter, 'Fürstenberg SGR' or 'Company' or 'SGR' or "Asset Management Company"), belonging to the Banca Ifis Group (hereinafter the "Group"), in particular in the context of the establishment and management of Alternative Investment Funds (hereinafter 'AIFs' or 'Funds').

The Company's mission is to be a point of reference for the financial community and the business world in the establishment and management of closed-end and reserved AIFs (with initial raising of capital or contributions), with a particular focus on the turnaround market, special situations and performing credit, becoming a financial and industrial partner in support of small and medium-sized enterprises (hereinafter also 'SMEs' or 'Companies') with potential, even if they concern situations of temporary difficulty, to support them in their path of relaunch and growth.

The Company establishes and manages AIFs that invest in financial instruments with a focus on both the Private Capital segment (from senior loans to subordinated debt and/or equity and quasi-equity instruments), as a medium-long term strategic partner alongside performing Italian SMEs, and on the UTP & Turnaround segment (loans and receivables, equity and semi-equity instruments, assets) in Italian SMEs in financial imbalance, but with solid prospects for recovery, or in non-performing loans (NPEs/NPLs – non-performing exposure/loans) also backed by real estate guarantees. In addition, the SGR establishes and manages AIFs that acquire securitization notes whose underlying consists of retail and corporate granular NPEs/NPLs.

Fürstenberg SGR offers mainly to institutional and professional investors (such as: insurance Companies, banking foundations, pension funds, banks, funds of funds, family offices, and wealth management Companies), or to the reference customers specified in the Funds' offer documents.

With regard to issues related to sustainability issues and objectives, the Company, also in line with the policies of illimity Bank and with the ESG Policy (Group Principles and Guidelines in the ESG field) of the Parent Company Banca Ifis S.p.A. ('Parent Company'), guides the investment choices of its Funds by considering environmental, social and governance ('ESG') factors, with an approach consistent with the type of Fund managed (i.e. the methods of implementation of the ESG strategy also depend on the classification of the product, within the meaning of the sustainability disclosure regulations in the financial services sector to which each individual Fund refers).

The objective of this document is to define guidelines for the integration of ESG factors and risks within investment decisions and in all governance, management and control processes of the Funds and Fürstenberg SGR.

The Asset Management Company's ESG Policy applies to all AIFs established and/or managed by the SGR according to the integration methods and selection criteria governed therein, as well as in compliance with the distinctive characteristics pertaining to each Fund, in accordance with the relevant offering and/or contractual documentation, as well as in the regulations and management procedures adopted by the individual AIFs.

It aims to provide guidance on: (i) the responsible investment strategies that each AIF incorporates into its respective regulations; (ii) the different methods of assessing sustainability risks for the different AIFs; (iii) as well as the engagement guidelines where applicable in relation to the specific governance rights held by the Funds over the Companies subject to investment, in accordance with the procedures defined in the Guidelines set out in Annex 1, as well as with the provisions of the Regulations of the Funds themselves.

In particular, the SGR applies appropriate negative screening criteria (as defined in paragraph 5.1 below) on the entire investable universe of all AIFs, in order to integrate sustainability risks into the investment process, in accordance with the current regulatory obligations on transparency in sustainability reporting in financial services and taking into account the specificities that characterize the individual products.

This Policy is updated where necessary and, in any case, at least every three years, on the proposal of the Sustainability Manager, in coordination with the Compliance & AFC and the Risk Management Function of the SGR for their respective areas of responsibility, the latter also for the purpose of consistency with the illimity overall risk appetite.

2. REGULATORY FRAMEWORK AND GUIDING PRINCIPLES

Fürstenberg SGR operates in a context characterized by an international focus on sustainable development and sector regulations that aim to ensure transparency in the communication of how financial market participants take environmental, social, and good governance factors into account in their investment decisions.

2.1 Regulatory framework

This Policy responds to the regulatory obligations deriving from the articulated regulatory framework, adopted at European level, on sustainable finance and, more specifically, to the transparency obligations in sustainability reporting, introduced by EU Regulation 2019/2088, the so-called Sustainable Finance Disclosure Regulation (hereinafter, 'SFDR'). The SFDR imposes common rules on financial market participants and financial advisers on the disclosure of information on sustainability issues and on how they integrate sustainability risks into investment decisions or investment advice.

In addition, in relation to the consideration of sustainability risks, the SGR also responds to supervisory expectations on the integration of climate and environmental risks into corporate strategies, risk governance, control and management systems and market disclosure of intermediaries supervised by the Bank of Italy (hereinafter 'Bank of Italy's supervisory expectations on climate risks' or 'Supervisory Expectations').

2.2 International principles




The contents of this Policy are inspired by and consider international principles on sustainability.





Issues related to sustainability are of strategic importance for the Company for the creation of value that is sustainable over time and that also takes into account the economic, social, and environmental impact that the Companies in the portfolio can generate.

In this perspective, Fürstenberg SGR enhances, in the management processes of the Funds, and according to the specificity of the individual Funds, ESG (Environmental, Social, Governance) issues, as it believes that they can lead to greater resilience of the Companies invested in by the Funds, mitigating any financial, operational and reputational risks in the interest of the Funds' investors.

Fürstenberg SGR intends to contribute to the Sustainable Development Goals of the United Nations - 2030 Agenda ('SDGs'), also through the environmental and/or social characteristics promoted by the products classified pursuant to Article 8 SFDR.

The Company, through the promotion of these characteristics, contributes to the achievement of the objectives falling within some specific SDGs, such as, for example, the ones listed below.

Environmental and/or social characteristics	Reference SDGs
<ul style="list-style-type: none"> • Increased energy efficiency 	<div>  <p>Clean and affordable energy</p> </div> <div>  <p>Fight against climate change</p> </div>
<ul style="list-style-type: none"> • Sustainable use of water • Circular economy • Reduction of waste production 	<div>  <p>Responsible consumption and production</p> </div>

Environmental and/or social characteristics	Reference SDGs
<ul style="list-style-type: none"> • Pollution prevention and control • Biodiversity protection • Protecting ecosystems 	 Life on Earth
<ul style="list-style-type: none"> • Workers' health and safety 	 Health  Decent work and economic growth
<ul style="list-style-type: none"> • Employee training 	 Decent work and economic growth

The environmental and social characteristics promoted by the Fürstenberg SGR Funds classified pursuant to Article 8 of the SFDR are aligned with the categories of objectives defined by the framework relating to sustainable activities or activities linked to specific sustainability objectives ('Framework') adopted and published by illimity Bank; therefore, the targets and KPIs that are contracted by these Funds with counterparties are in line with it.

The Framework, inspired by the principles of the International Capital Market Association ('ICMA') and the Loan Market Association ('LMA'), aims to provide the parameters to classify a financial transaction as green (financing or investments intended for green projects and contribute to a greener economy); social (loans or investments in projects that have a positive social impact) or sustainability-linked (loans or investments linked to sustainability targets and KPIs)

Fürstenberg SGR is a signatory of the Principles for Responsible Investment ('PRI'). The signing of the PRI results in the SGR's commitment – broken down in different degrees of detail based on the characteristics and specific procedures established in the regulations of each Fund – to: (i) integrate ESG factors into investment decisions and processes, (ii) ensure transparency in reporting to the Funds' investors, (iii) collaborate with other financial market players and (iv) periodically report on the application of the principles, in order to contribute to the central objective of the PRI, which is to create a more sustainable and responsible financial system, which takes into account the needs of society and the environment, as well as financial returns.

Also, to contribute to the dialogue with regulators and, with a view to interpreting and evolving the legislation on sustainable finance, the Company participates in sector associations (e.g., the Italian Association of Private Equity, Venture Capital, and Private Debt – AIFI).

In this context, preparing this Policy, Fürstenberg SGR - in order to (i) achieve the strategic sustainability objectives of the Company, (ii) align with the relevant supervisory expectations and (iii) comply with the regulations on sustainability reporting in the financial services sector - has established the methods by which ESG factors are considered in investment decision-making and operational processes.

3. ROLES, RESPONSIBILITIES, AND INFORMATION FLOWS

The SGR has formalized, in the own Organizational Structure Regulation ('Regulation'), the roles and responsibilities of its internal bodies and structures in the field of sustainability, in order to address the integration of ESG factors and risks into the Company's governance, management and control strategies and processes.

About this Policy, as well as all subsequent periodic reviews thereof, it is approved by the Company's Board of Directors, which is also responsible for ensuring its proper implementation.

The Board of Directors of Fürstenberg SGR also ensures that sustainability factors and risks are adequately integrated into the investment processes, in compliance with the relevant regulatory obligations, also by determining the criteria for the execution of the alignment with Supervisory Expectations.

With the aim of monitoring the evolution of sustainability legislation and promoting and supporting the adoption of policies inspired by sustainability principles within the investment strategies of the individual Funds under management, the SGR identifies a contact person for Environmental, Social and Governance ('ESG') issues, assigning him the role of Sustainability Manager. In particular, the main responsibilities of the latter, better described in the above-mentioned Regulation, include:

- the coordination of the activities to monitor ESG issues carried out by the ESG contact people (management teams) identified within the individual Funds under management;
- coordination with the competent units of Illimity Bank and the Parent Company that oversee the Group's sustainability issues, in a transversal manner and in support of the entire organization of the SGR;
- supervision, in coordination with the Risk Management Function, the Compliance & AFC and the ESG contact persons (management teams) identified within the Funds under management, of the integration of ESG risks, with particular reference to climate and environmental risks, into the SGR's risk assessment and management policies and procedures;
- supervision, through the Operations & Administration Area, of the production of information and reporting (pre-contractual and periodic) on the integration of ESG factors into the investment process for investors.

Compliance & AFC monitors compliance with this Policy by supervising the correct application of the safeguards governed by external and internal legislation, verifying over time that the same, as well as the Company's procedures and processes, comply with the applicable legislation on the subject.

The Board of Directors is informed quarterly by the Risk Management Function on the management of sustainability risks, and on the main indicators relating to environmental and climate risks, as specified in Chapter 6 (Monitoring and reporting) below.

Finally, the Board of Directors receives at least an annual update from the Sustainability Manager on the coordination of ESG oversight activities, and on what is better specified in Chapter 6 below (Monitoring and reporting).

4. MANAGEMENT OF SUSTAINABILITY IMPACTS AND RISKS

4.1 Premise

In line with the Company's mission and based on the nature and investment policies of each of the Funds it manages, the following are taken into consideration as part of the assessment of investment opportunities:

- on the one hand, sustainability risks – where 'sustainability risk' means an environmental, social or governance event or condition that, if it were to occur, could cause a significant actual or potential negative impact on the value of the investment – also integrating a specific assessment of environmental and climate risks;
- on the other hand, ESG factors – by which we mean the criteria for selecting investment opportunities, which can be based on the type of Funds, both negative, excluding certain sectors of activity, and positive, favoring the environmental, technological, digital transition and social inclusion with specific and documented strategies, as well as good governance practices.

4.2 Investment Evaluation

Fürstenberg SGR oversees and evaluates the key issues related to sustainability, examining, in addition to the usual economic and financial data, also information on the sustainability of the Companies subject to investment in all AIFs, which mainly concern the following components:

- Environmental: the analysis of theme 'E' makes it possible to measure the performance of Companies based on criteria relating to environmental policy, climate-changing gas emissions, biodiversity, water and waste management, impact of products/services, type of energy used, levels of pollution generated, exposure to physical and transition climate risks (legal, operational, regulatory, market and conduct);
- Social: the 'S' theme covers human rights, workers' rights, impact on local communities, product safety, relations with customers and suppliers, supply-chain sustainability, and/or international reference principles, referred to in par. 2.2;
- Governance: theme 'G' expresses an assessment of the principles and processes that guide a company in carrying out its activities, through the analysis of the governance systems adopted, the integration of sustainability variables into the company's strategy, the composition and functioning of corporate bodies, and the risk associated with key-persons of the Company, the measures to prevent corruption, money laundering and anti-competitive practices, the risk of fraud and the level of tax transparency, the risks pursuant to Legislative Decree no. 231/01; as well as risk control functions, including IT risks, transparency and quality of information disclosure to all stakeholders of the target company and/or in the portfolio.

Fürstenberg SGR assesses – ex ante evaluation in the context of the decisions on investment transactions of the Board of Directors and, in any case, subordinating the execution of the same to the outcome of the assessment – and continuously monitors the main ESG issues and risks of the investments of the Funds managed, and the related repercussions on traditional risks, including reputational risks, by requesting, or indirectly obtaining, where possible, information on the adoption of norms, quality standards, codes of conduct, organizational, management and control models, as further described in Chapter 5 below.

4.3 Investment Management and Reporting

For the assessment of sustainability risks and ESG factors, Fürstenberg SGR uses, depending on the circumstances, tools for the analysis of the ESG profile of the individual target Companies or in the portfolio, through ESG data providers, also being able, where the regulations of the Funds provide for it and/or the conditions allow it, to seek the assistance of ESG Advisors (i.e. consultants with proven skills and professional experience in the field of sustainable finance and the assessment of environmental, social and corporate governance factors).

Within the limits of the exercise of its rights of intervention (or voting) and on the basis of active relations with the various stakeholders (i.e. Companies, investors, suppliers and other stakeholders), the Company collaborates actively and transparently with its stakeholders in order to improve the effectiveness in the application of the principles of

responsible investment, committing to inform them of the progress made in integrating ESG issues into the process of investment of the individual Funds.

4.4 ESG training and remuneration policy

The SGR provides professional training plans for its employees and collaborators on ESG issues, in coordination with the Group, through training courses, workshops, in-depth seminars and public events, held periodically by qualified internal and external interlocutors, such as associations, rating agencies and Companies specialized in sustainability.

Finally, in relation to the integration of ESG factors within corporate governance and processes, Fürstenberg SGR undertakes to adopt a sound and prudent remuneration and incentive policy for the Managing Directors of the Funds that limits the assumption of sustainability risk within the broader business risks, including reputational and operational risks, in line with the remuneration policies of the Group to which they belong and in compliance with the obligation pursuant to art. 5 of the SFDR.

5. RESPONSIBLE INVESTMENT STRATEGIES AND INTEGRATION OF ESG FACTORS AND RISKS

For Fürstenberg SGR, investing responsibly means incorporating ESG issues into the investment decision-making process, thus pursuing the dual purpose of creating sustainable value over time and simultaneously improving the overall management of the sustainability risks inherent in each portfolio.

In accordance with the characteristics, peculiarities and regulations of the Funds established and/or managed by the Company from time to time, the main phases of the responsible investment process may include the following main strategies and activities; therefore, in addition to the assessments referred to in paragraph 4.2 above, all AIFs shall apply at least two of these strategies.

1. *Negative screening*: exclusion based on ethical-value-based, regulatory or sectoral criteria based on exposure to controversial economic activities (norm-based & conduct-based screening), which applies to all AIFs of the SGR, with different declinations, and also further exclusions, based on the type of Fund, through an assessment of the economic activity and conduct of the Companies.
2. *Positive screening*: inclusion based on the adoption of management models that reward 'best in class' Companies, i.e. Companies that are leaders in sustainable development or committed to the implementation of virtuous sustainability paths over the investment period (such as, for example, Companies that have set or achieved scientifically based decarbonization targets validated by independent third parties or that create or use innovative technologies for sustainability and/or environmental transition). This strategy can only be adopted by AIFs, to which it is applicable, or which provide for this purpose in the regulations of the Fund.
3. *ESG integration*: integration of ESG factors and risks into investment choices, considering the performance of the overall sustainability profile of the target Companies, through a so-called ESG Due Diligence, direct, indirect or sample (i.e. set of Companies representative of a given investment opportunity), as well as investment management based on risk appetite and related limits and thresholds of tolerance (i.e. based on the level of ESG rating of the Company or the environmental assessment of the collateral). This integration strategy applies only to AIFs that provide such activity in the Fund's regulations. In addition, for Funds that promote environmental and/or social characteristics, the integration of performance objectives and specific environmental and/or social indicators of the target company is also envisaged, provided that the investments made comply with good governance practices and that the same objectives are monitored during the investment period. Finally, the integration is also carried out for all the AIFs of the SGR through Risk Management, which includes in its risk analyses - when assessing individual transactions - the impact assessments of ESG risks (e.g. through automatic ESG scores, models developed internally or from external sources, which estimate the impact of ESG factors on credit risks) and, in particular, the exposure of investments to climate-related and environmental risks, i.e. physical and transition risks.
4. *Engagement*: where required by the strategy of the individual Funds and the related regulations, an active dialogue is implemented with the management of the target and/or investee Companies, which is declined according to the guidance and governance rights granted to the specific Fund concerned, depending on the type of financial instrument; incentivizing, towards the Companies with which the dialogue is active, the improvement of their ESG profile, according to the Guidelines set out in Annex 1..

5.1 Negative screening (so-called 'negative screening' or 'exclusion')

For the purposes of selecting investments, the negative screening criterion is aimed at excluding Companies involved in specific activities or specific sectors considered, in a general sense, not eligible for financing on the basis of international best practices, the OECD Guidelines for Multinational Enterprises and the Principles of the United Nations Global.

5.1.1 Negative screening by sectors

On the basis of ethical-value considerations, the Company excludes investment opportunities in Companies operating in the following sectors:

- production and/or marketing of so-called 'controversial' weapons (e.g. anti-personnel mines, cluster munitions and submunitions, chemical weapons and biological weapons), i.e. that can indiscriminately or disproportionately injure them, and/or their essential components or technologies and services dedicated to them, falling within the scope

of current international conventions and treaties (e.g. Ottawa Convention on Anti-Personnel Mines, Oslo Convention on Cluster Mines, Biological and Toxin Weapons Convention, Chemical Weapons Convention, Nuclear Non-Proliferation Treaty, UN Arms Trade Treaty); in particular, in accordance with Law no. 220/2021, as subsequently amended, any form of financial support (including, but not limited to, the granting of credit in any form, the issuance of financial guarantees, the acquisition of shareholdings, the purchase or subscription of financial instruments), carried out also through subsidiaries, to Companies active in the construction, production, development, assembly, repair, preservation, use, use, storage, storage, possession, promotion, sale, distribution, import, export, transfer or transport of anti-personnel mines, cluster munitions and submunitions, of any nature or composition, or parts thereof;

- production and/or marketing of equipment, equipment, and goods whose export is prohibited pursuant to current European Union (EU Reg. 2019/125 and subsequent amendments) and national (Italian Law no. 185/1990) legislation;
- production and/or marketing of weapons of war and/or common firearms and/or defense or security equipment intended for countries:
 - subject to a total or partial arms trade embargo, as defined by the United Nations, the European Union or the Organization for Security and Co-operation in Europe or whose governments are responsible for violations of international human rights conventions, established by the competent bodies of the United Nations, the EU or the Council of Europe;
 - with which Italy has not signed bilateral or multilateral defense cooperation agreements, as well as countries that do not belong to the European Union, NATO, or the OECD;
 - in a state of armed conflict, in contrast with the principles of art. 51 of the Charter of the United Nations, without prejudice to compliance with Italy's international obligations or the various resolutions of the Council of Ministers;
 - whose policy is in contrast with the principles of art. 11 of the Italian Constitution;
 - without prejudice to the above, the execution of transactions or the granting of loans to Companies registered in the National Register of Companies in possession of specific ministerial authorizations and in compliance with the rules defined by Law 185/1990 is permitted ; only if these Companies operate on behalf of the State and/or the Italian Armed Forces and/or within the framework of intergovernmental programs, or if foreign counterparts are public bodies of OECD countries and not subject to restrictions, including those mentioned above;
- production and/or marketing of tobacco;
- activities related to gambling, betting, and similar activities;
- activities related to the production and distribution of pornographic material.

In addition to the exclusion of sectors on the basis of ethical considerations, Fürstenberg SGR does not invest in economic sectors that cause or could potentially cause a significant deterioration of the environment and natural resources, in line with the Company's commitment to environmental protection. These excluded sectors are:

- coal and/or fuel oil-fired power plants;
- gas and oil from unconventional sources (e.g., shale gas and tight oil, through fracking);
- production and/or marketing of asbestos fibers and/or products containing PCBs (polychlorinated biphenyls);
- manufacture of pesticides and other agricultural chemicals, limited to the activities covered by Annex I, section 20.2, of Regulation (EC) No. 1893/2006;
- production, marketing, and/or use of driftnets for so-called 'trawling' fishing (passive weir nets);
- palm oil production, without Roundtable on Sustainable Palm Oil (RSPO) certification or compliance with industry practices promoted by the RSPO;
- activities with a negative impact on UNESCO World Heritage Sites, wetlands covered by the Ramsar Convention and/or IUCN Category I to VI protected areas;
- activities responsible for soil and/or subsoil degradation, environmental pollution of the area surrounding the area where one's activity is conducted, carrying out activities' contrary to the protection of biodiversity, etc.

Further exclusions are considered based on the specific needs of the Funds' investors; in such cases, the negative screening criteria are detailed within the rules of each Fund and/or in specific side letters.

In the case of target Companies belonging to the above-mentioned sectors, the Business Areas verify the purpose of the investment during the analysis of the investment opportunity - also referring to external lists, where available - taking into account the weight of the excluded activity with respect to the overall operations of the target company.

In this context, it should be noted that the Company may make investments in target Companies operating in sectors with significant positive environmental and/or social impact only if the investment by the specific Fund aims to promote industrial and/or commercial conversion towards environmentally sustainable models ('green') and/or to significantly improve the socio-economic sustainability profile of such ('social') activities.

The choice relating to investment in these target Companies must also take into account, in light of current or prospective share of wallet and/or share ownership, the potential degree of effective influence that may be exercised on the governance choices of the counterparty by the Business Areas, i.e. the Business Areas, through the management teams of the Funds.

Therefore, the strengthening of the effectiveness of the reconversion processes is expressed through the definition and contractualization of a specific action plan with objectives for improving the sustainability profile that are clear, measurable and shared with the target company, as well as subject to periodic monitoring and reporting by the same.

Any exceptions to the foregoing in terms of exclusions must in any case be adequately justified and detailed and are the deliberative competence of the Board of Directors.

5.1.2 Negative screening norm-based & conduct-based"

This negative selection criterion is aimed at excluding investment in Companies that behave in contrast with national and international regulations. In particular, Fürstenberg SGR does not evaluate investment opportunities in Companies that:

- they do not guarantee compliance with the principles contained in the ILO (International Labour Organization) Convention on the protection of child labour;
- they do not guarantee full and complete respect for the human rights enshrined in the Universal Declaration of Human Rights;
- have been convicted of serious violations of anti-terrorism, anti-money laundering, or anti-corruption legislation;
- are involved in activities or investments that clearly violate international sanctions, i.e., restrictive measures of an economic, financial, or commercial nature and/or embargoes issued by EU institutions in compliance with art. 215 of the Treaty on the Functioning of the European Union.

5.2 Positive screening (so-called 'inclusion')

Positive screening involves the search for and active inclusion, in the investment portfolios of the Funds, of Companies selected within the investable universe delimited on the basis of environmental and social criteria of the processes implemented by the target Companies, which stand out in their sector for the positive value generated, such as, by way of example, regarding:

- environmental aspects: adoption of energy efficiency policies, reduction of greenhouse gas emissions, efficient use of natural resources, waste management, and/or reuse of the same with a view to circularity, environmental certifications including, but not limited to, ISO 14001, ISO 9001, EMAS, Ecolabel standards;
- social aspects: adoption of corporate welfare, diversity and inclusion policies, professional training, regulations relating to the protection and safety of workers, certifications including, but not limited to, OHSAS 18001, ISO 45001;
- governance aspects: composition of the Board of Directors, adoption of directors' remuneration policies linked to sustainability objectives, anti-corruption and anti-money laundering policies, internal and external control systems (internal audit, compliance and/or external audit), code of ethics and/or code of conduct, standards such as the Organisational Management Model (231/01), ISO 26000.

Positive screening assessments are supported by the use of internal ESG ratings (personal data, ESG questionnaires, etc.) or external (leading national and international providers of ESG ratings and/or published sustainability reporting) and sectoral benchmarks, used to apply ex ante criteria for the classification of counterparties or evidence of the

sustainability paths of the target Companies (e.g., public engagement and validation on SBTi targets). Specific inclusions are considered based on the purpose and purpose of the Funds, whose positive screening criteria are detailed within the regulations of each Fund.

5.3 ESG Integration

The SGR considers ESG factors financially relevant in all investment processes, integrating them into the overall management of risk-return in the medium to long term, also considering the sustainability risks that may emerge.

The process of assessing the sustainability performance of each Target Company is divided into the three pillars that make up the ESG (environmental, social and governance) paradigm, according to methods that differ on the basis of the intrinsic characteristics of the funds.

With regard to all AIFs, also pursuant to Article 6 of the SFDR, the integration and measurement of ESG risks is carried out ex ante through direct collection (e.g. questionnaire, where can be administered) or indirect, with the analysis of ESG information and sustainability ratings relating to the Target Companies, provided by third parties (e.g. primary info-providers, rating agencies). In addition, the Risk Management Function measures the exposure of investments to physical and transition risks, in order to integrate climate risks into the overall assessment of the risk performance of the investment itself.

In the case of contributed credit funds, ESG Due Diligence can be carried out by the Business Area, with the support of the Risk Management Function, also through ex ante assessments based on estimates or a representative and relevant sample of target Companies.

In paragraph 5.3.1 below, the specificities identified for the investment process of Funds that promote environmental and social characteristics are outlined, pursuant to art. 8 of the SFDR.

The contents of the ESG questionnaire are calibrated to consider the size of the company (in terms of turnover/number of employees), geographical location and the sector to which it belongs, on which distinct levels of materiality of ESG factors depend. Where applicable and/or necessary, documentary evidence is required to support the answers provided by the Company. The output of the assessment is a rating, which highlights the score obtained by the Target Company in each of the pillars of the ESG paradigm and at the aggregate level.

In addition to ensuring the assessment of the potential sustainability risks of the Funds of all Business Areas, if the purposes of the specific Fund so provide, such as those classified pursuant to art. 8 SFDR, and there are the necessary governance rights, the ESG analysis of the counterparties is also aimed at identifying the areas for improvement in the sustainability performance of the Companies in question, also by activating engagement activities, defined in paragraph 5.4.

5.3.1 Promotion of environmental and/or social characteristics (pursuant to art. 8 SFDR)

For funds that promote environmental and social characteristics ('E/S'), the Company provides in the Regulations of these AIFs, an investment strategy that can be summarized in three main phases:

- Investment fund classification process;
- Origination e Pre-Investment;
- Monitoring in the Holding Period.

The classification process consists of adapting the investment fund to the requirements necessary for the classification of a financial product in accordance with Art. 8 SFDR (binding elements). Therefore, the A/S characteristics that the investment fund intends to promote, in correlation with the SDGs, will be identified and the KPIs will be defined to verify the promotion of the characteristics themselves, aligning them with the mentioned Framework, ensuring compliance with the good governance practices of the Companies benefiting from the investments.

In the Origination phase of the individual investment, the preliminary assessment of each investment opportunity is carried out, according to the negative screening criteria established by this Policy and by the investment policy

of the specific AIF. Subsequently, the ESG Due Diligence of the Target Companies continues, in order to assess the alignment with the environmental and social characteristics that the investment fund intends to promote. Finally, in a phase subsequent to the investment decision, monitoring activities are carried out in the Holding Period, aimed at assessing the achievement – by the invested company – of the ESG KPIs previously contracted, which contribute to the achievement of the E/S characteristics.

5.4 Engagement

The engagement activity with the target Companies is started from the first discussions between the Company and them, through a dialogue focused on sustainability issues. It is a long-term process, aimed at positively promoting the company's behavior and increasing its degree of transparency.

Following the investment resolution and depending on the rights of direction and governance recognized on the target company, the Company may engage the company in order to prioritize any ESG risks that emerged during the due diligence or monitoring phase and plan their management. To this end, the Company may request:

- to identify roles and responsibilities related to ESG issues within the company, with the aim of encouraging commitment and engagement;
- to implement a sustainability policy (or to supplement the one already in place), in order to define sustainability principles to which company management must be inspired;

in general, and especially where the Fund's financial intervention does not affect corporate governance, to improve sustainability disclosure to stakeholders.

Fürstenberg SGR has defined a process of engagement of the Companies subject to investment, which is expressed through the exercise of voting rights and in constant dialogue with the Companies in the portfolio, focused on sustainability issues.

For contribution credit funds that invest in the UTP & Turnaround segment, engagement activities can be carried out limited to investments in equity or in participatory financial instruments, always on the basis of the relevant governance rights held by the SGR.

For funds that invest in the Private Capital segment, the assessment process involves the assignment of a sustainability profile that is expressed by the request to the target company for specific information relating to environmental, social and governance issues, related risks and the controls and controls in place (a profile that can be supplemented, if available, information and analysis of the company's ESG positioning, provided by ESG data providers), and, where possible (and in particular targeted for private capital investments), a dedicated assessment with the aim of also identifying the areas of improvement that can be followed from a forward-looking perspective over the investment period.

Through the analysis of the ESG score obtained for each target company, the SGR initiates an engagement process, aimed at identifying any areas for improvement with respect to sustainability performance and agrees with the company on the interventions to be implemented, i.e. the sustainability objectives, appropriately contracted, which will allow the improvement of performance. The achievement of these objectives may result in the recognition of economic benefits to the target company; conversely, failure to achieve them could result in the application of penalties.

In general, this engagement strategy is applied across the board for the entire asset management company according to the Investment Stewardship Guidelines in relation to sustainability issues set out in Annex 1 to this Policy.

6. ESG MONITORING AND REPORTING

ESG monitoring and reporting is carried out by the SGR for all AIFs, for which the application of the process of collecting and preparing internal and external sustainability reporting is envisaged, in order to ensure the necessary information flows to the Board of Directors and clear, timely and transparent communication to its investors and stakeholders on the assessments of ESG factors and the related sustainability risks of investments.

In addition, for Funds that promote environmental and/or social characteristics, monitoring and disclosures are supplemented by specific reports on the progressive achievement of the sustainability objectives agreed with the Companies; in addition to the periodic information required by current applicable legislation.

Specifically, during the duration of each Fund's investment, the SGR monitors the individual Companies for all AIFs, obtaining through the ESG Provider – at least annually and for more than half of the SGR's total assets under management – the assessment of the Company's ESG profile, in order to track trends in the portfolio's sustainability performance.

The SGR periodically communicates to investors, as part of the Annual Report, pursuant to Article 22 of Directive 2011/61/EU, the results of its activities on the integration of ESG factors and sustainability risks within its governance, business strategy, and investment process. In addition, with particular reference to Funds that promote environmental or social characteristics or sustainable investment objectives, it supplements the Annual Report with specific periodic information, pursuant to art. 11 SFDR, of the individual Fund managed.

The reporting includes any formalized ESG performance objectives for individual Companies, the actions implemented from time to time to achieve these objectives, the reporting of the intermediate results achieved and the updating of ESG scores/ratings/assessments at least annually.

On an annual basis, the Business Areas, through the management teams of the Funds, are required to collect the results and qualitative and quantitative metrics referred to above and submit them in a structured manner, through the Administration & Operations area and with the support of the Sustainability Manager, to the competent bodies for subsequent sharing and disclosure - in the manner provided for by the relevant AIF regulations - to investors.

The Risk Management Function is directly involved in the monitoring of sustainability scores and KPIs (Key Performance Indicators) and KRIs (Key Risk Indicators) and reports the results to the Board of Directors as part of the periodic monitoring of corporate risks, with the frequency referred to in Chapter 3 above.

The general principles and macro-processes described in this Policy, with particular reference to monitoring and reporting, are set out, where applicable, in the regulations and internal regulations governing the investment and management processes at the level of the Company and the individual Funds.

GLOSSARY

<i>Definitions</i>	
Sustainability Risk	<i>Pursuant to Regulation (EU) 2019/2088, an environmental, social or governance event or condition that, if it occurs, could cause a significant actual or potential negative impact on the value of the investment</i>
Sustainable Investment	<i>According to Regulation (EU) 2019/2088, an investment in an economic activity that contributes to an environmental objective, measured, for example, by key resource efficiency indicators relating to energy use, the use of renewable energy, the use of raw materials and water resources and land use, waste generation, greenhouse gas emissions, as well as the impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to the fight against inequality, or that promotes social cohesion, social integration and industrial relations, or an investment in human capital or in economically or socially disadvantaged communities, provided that such investments do not cause significant harm to any of those objectives and that the undertakings benefiting from such investments comply with the best practices of the European Union. good governance, in particular with regard to sound management structures, staff relations, staff remuneration and compliance with tax obligations.</i>

RELATED LEGISLATION

- Bank of Italy's supervisory expectations on climate-related and environmental risks (2022)
- ILO Convention No. 182 of 1999 on the Worst Forms of Child Labour
- ILO Convention No. 138 on the Minimum Age for Admission to Work
- Universal Declaration of Human Rights
- Directive (EU) 2022/2464 as regards corporate sustainability reporting ('CSRD')
- OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (2023)
- Principles for Responsible Investment (PRI)
- Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ('SFDR')
- Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment ('EU Taxonomy')
- Regulation (EU) 2023/2772 as regards sustainability reporting standards ('ESRS')
- Delegated Regulation (EU) 2022/1288 ('RTS')

ALLEGATO 1 - Stewardship guidelines in relation to sustainability issues

Premise

These Investment Guidelines ('stewardship') in relation to environmental, social and governance sustainability issues (hereinafter also referred to as the 'Guidelines'), aim to formalize the general indications regarding the stewardship and engagement processes, as defined below, which Fürstenberg SGR (hereinafter referred to as 'SGR') adopts in dialogue with the Companies subject to investment or in the portfolio (hereinafter also 'Invested Companies' or only 'Companies') of the Alternative Investment Funds established and/or managed by the SGR ('AIF', 'Funds' or 'Fund') and, more generally, with the direct stakeholders of the SGR.

Stewardship is defined as 'the use of rights and influence by investors to protect and enhance the overall long-term value for clients and beneficiaries, including the value of common economic, social and environmental assets, on which their interests depend', as also defined by the PRI (Principles for Responsible Investment).

The Guidelines apply, like the ESG Policy, to all AIFs in accordance with the procedures set out in the relevant offering and/or contractual documentation of each Fund. This document follows the approval and updating process established for the ESG Policy to which it is attached.

The updates to the Guidelines will reflect any changes in the processes and practices governing the SGR's stewardship activities.

Limitations on the application of the Guidelines

The processes and objectives defined in these Guidelines are applied only to Companies in which Fürstenberg SGR exercises intervention and/or voting rights ('Rights') towards them and/or in the case of external collaborations aimed at contributing, directly or indirectly, to the regulatory developments adopted by regulators and policy makers (i.e. national and international public or private institutional regulators).

The SGR therefore promotes the sustainability path of the invested Companies and participates in public dialogue to contribute to the development of sustainable finance.

The SGR exercises its rights in the invested Companies – in accordance with the procedures and within the limits defined from time to time, including in the internal regulations adopted to govern the management of shareholdings and in relation to the specific business and regulation of the Funds – to guide them towards the generation of sustainable value in the long term, for the benefit of investors and all stakeholders.

In particular, these Rights may be exercised exclusively against the Companies invested by the Funds falling within the investment classes in equity and participatory financial instruments. Subject to detailed exceptions, they typically do not apply to investments in receivables and/or financial instruments (i.e., debt securities) issued by securitization Companies for which the SGR does not hold Rights.

Stewardship

Fürstenberg SGR, within the limits of its Rights, actively exercises its stewardship. More specifically, the SGR is engaged in two categories of activities that fall within the category of stewardship commitments: (i) activities towards the invested Companies and (ii) activities, individual or collective, through which the SGR contributes to the dialogue with the so-called policy makers.

Stewardship activities towards the investee Companies

This includes the activities carried out by Fürstenberg SGR on behalf of the Funds in relations with Companies for the involvement of these Companies in the integration of sustainability considerations related to the financial return of the investments themselves, in line with the issues considered relevant as a result of the SGR's materiality analysis.

The Funds' management policies, aimed at creating shared and sustainable value in the long term, provide for a strong stewardship commitment in Companies in which the SGR holds participatory instruments.

This is also part of the purpose of some SGR Funds that aim to increase value, mainly over a medium and long-term time horizon, considering the essential link between the protection of business continuity and the regulation of the sustainability of business activities.

Stewardship activities are therefore carried out (i) both through raising awareness among investee Companies of efficient risk management - in its various and multiple manifestations, including that linked to ESG factors - with a view to preventing the crisis and improving economic and financial performance (ii) and through the possible activation of legal protection instruments, always with a view to the aforementioned protection of the business continuity of the Companies; in both cases with expected repercussions in terms of positive social impacts.

In the case of restructuring of the Target Companies, this is managed quickly and incisively, with effective coordination of all stakeholders. The valuation of the assets is planned over a time horizon compatible with the restructuring process. The Funds maintain a dynamic and proactive dialogue with the Target Companies to monitor and improve the company's strategies and operations, ensuring adequate governance that reflects the importance of the investment, possibly agreeing with the Company on the strengthening or discontinuity of the company's management. During the dialogue with the Companies and in the stewardship activity towards them, extraordinary transactions are evaluated to facilitate the restructuring and refinancing of debt, for example, by providing new financial resources, when necessary, and/or using legal protection instruments.

These policies of the Funds not only aim to support the relaunch of Companies, but also to protect jobs and ensure the continuity of activities in the production chains, thus contributing to economic and social stability. Supporting business continuity has a social impact, promoting best stewardship practices and a long-term approach oriented towards sustainable value creation.

These stewardship activities towards the invested Companies are also aimed at monitoring the sustainability performance of the Companies themselves, in order to consequently obtain an improvement in the ESG risk profile of the investment made by the SGR on behalf of the managed Funds and therefore of the overall portfolio of the SGR's Funds.

Monitoring of Invested Companies

The monitoring of the ESG performance of the Companies invested is a central element of Fürstenberg SGR's stewardship activities. The monitoring process during the investment period ('Holding Period') is necessary to ensure that the Companies invested are in line with the values and strategic objectives of Fürstenberg SGR and, more generally, defined at Group level.

In this regard, the SGR expects its invested Companies to conduct themselves in line with these values, as defined in the ESG Policy on sustainability, and to comply with international guidelines on corporate governance, human rights and the protection of workers' rights, such as – for example – the Declaration on Fundamental Human Rights, ILO Conventions, OECD Guidelines. In the event of violations or misalignment with these guiding principles and/or sustainability performance deemed unsatisfactory, the SGR initiates the engagement process, aimed at accompanying the Company in question in its path of remedy, transition and/or improvement of the sustainability profile.

Engagement activities

The engagement of the invested Companies consists of a constant dialogue, aimed at understanding and assessing the ESG risks to which the Company is exposed and, consequently, managing ESG risks and negative impacts on the investment portfolio and related returns, based on considerations related to the size and business criteria of each Company.

In this regard, the SGR applies an engagement process aimed at creating positive value and managing cases of ESG-related violations (e.g., violations of environmental protection conventions, illegal use of natural resources, cause of biodiversity loss such as spills of pollutants into watercourses, soil and subsoil degradation, etc.).

Starting from the analysis of the sustainability performance of the Company in question, in particular for the Funds classified pursuant to art. 8 SFDR, the SGR identifies areas of intervention aimed at improving the ESG performance of the Company. These areas of improvement are formalized, even post-investment, in order to define – in agreement with the Company and when feasible given the rights claimed by the AIF concerned – a set of improvement objectives.

In the case of minority shareholdings in the capital of the Companies and in accordance with the shareholders' agreements and/or statutory agreements, the SGR discusses ESG strategies and performance with the Companies invested, in the appropriate venues and in accordance with the Rights held and the applicable civil law.

In particular, the SGR requires Companies to comply with applicable legislation and the highest environmental, ethical, governance, health, and safety standards, through the exercise of their Rights in the appropriate venues, with a view to a stewardship role and active and proactive engagement.

The orientation towards sustainability and ESG culture not only makes the investee company more sustainable, potentially increasing its value, but also has a positive impact on the reputation of Fürstenberg SGR.

The results of the engagement activities carried out are communicated by the Business Areas to the Board of Directors and, finally, to investors as part of the periodic reporting to them, where required.

Conflict of Interest Management Policies

In the context of the management of conflicts of interest, Fürstenberg SGR follows the guidelines and requirements of the Company's Conflicts of Interest Policy, regarding the management of relations between asset management Companies and investors, as well as the provisions of the Conflicts of Interest Management Policy, adopted by Illimity Bank, and the Group Policy for the Management of Conflicts of Interest, adopted by the Parent Company.

These policies, to which reference is made for further details, are applied by the SGR; they identify the main types of conflicts of interest and describe the process for their identification and assessment, as well as the measures necessary for their prevention and management, also clarifying the roles and responsibilities of the various functions involved.

Engagement of stakeholders and policy makers

Fürstenberg SGR is committed to engaging its stakeholders, including policy makers, i.e., the process through which the Company contributes to the process of forming or revising regulations and policies in the sector, based on assessments related to the SGR's business objectives and their areas of application.

The SGR engages with policy makers in two ways: directly and/or indirectly, through third parties.

As regards this direct engagement, it takes place through the active participation of the SGR in roundtables and working groups, aimed at fostering dialogue with policy makers.

The engagement activities carried out indirectly by the SGR include those deriving from active participation in industry associations, which also have among their objectives the dialogue with policy makers and the orientation of investors towards market practices that respect the principles of responsible investment (such as the PRI organization and – for example – AIFI, the Italian Association of Private Equity, Venture Capital and Private Debt).

