

## Sustainable finance disclosures

### COMMUNICATION PURSUANT ARTICLES 3, 4, 5 of Regulation (EU) 2019/2088 (so-called "SFDR").

#### Background and Definitions

The purpose of this communication is to illustrate the choices made by the SGR as expressly required by Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 (so-called "**SFDR**") on sustainability-related disclosures in the financial services sector:

- information about the policies on the integration of sustainability risks adopted by the SGR in the investment decision-making processes and in the provision of advisory services (art. 3 SFDR);
- information whether the SGR considers or does not consider the principal adverse impacts of investment decisions on sustainability factors (Art. 4 SFDR);
- information on how the SGR has aligned its remuneration policy with its sustainability risk management objectives (Art. 5 SFDR).

The following definitions are useful for understanding this Communication.

- **Sustainability risk:** an environmental, social or governance event or condition which, if it occurs, could cause a significant actual or potential negative impact on the value of the investment;
- **Sustainable Investment:** an investment in an economic activity that contributes to an environmental or social objective, provided that such investments do not cause significant harm to any of these objectives and that the companies that benefit from them comply with good governance practices.
- **ESG:** *Environmental; Social; Governance.*

#### Art.3 Transparency of sustainability risk policies

Prelios SGR intends to comply with the global framework for sustainable development defined on 25 September 2015 by the United Nations General Assembly by directing its investment choices towards

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sustainable development objectives.

Prelios SGR's commitment to sustainable investing is embodied in its adherence to the Principles for Responsible Investment (PRI) supported by the United Nations in 2019 which, through the definition of principles and actions, promote the integration of ESG factors in investment choices, encouraging the engagement of stakeholders and monitoring their progress. In addition, Prelios SGR joined the GRESB as a Participant Member in 2020 for some of the funds managed by the Company, in order to see the SGR's efforts recognised through the inclusion in an international benchmark, and to be able to compare itself with a view to continuous improvement. Finally, analyses and assessments of the ESG profiles of the AIFs are carried out using a selection of the Sustainable Development Goals (SDGs) promoted by the United Nations as a reference standard.

A clear engagement of the Company represents a critical success factor for the improvement of actions and expected results, imposing a drive to assume a leadership role in the Italian impact industry through a constant commitment to improvement. The objective of integrating sustainability into the Company's actions is reflected on several interconnected levels: products, processes and organisation.

Prelios SGR therefore considers the integration of ESG factors in its investment process to be of fundamental importance, in the conviction that these elements, in addition to promoting sustainable economic and social development, can contribute positively to the financial results of its clients' portfolios while reducing their risks.

Integrating ESG criteria into the strategy can generate sustainable profits over time and, consequently, a solid prospect of value creation for all stakeholders. This also allows for a more efficient management of risks - financial, environmental and social - that may negatively affect the value creation of individual investments. Therefore, identifying and managing environmental, social and governance risks is part of the fiduciary duty to protect the value of investors' assets.

Prelios SGR has started a process aimed at integrating sustainable investment practices into its strategies, believing that such aspects should be considered, along with traditional financial measures, to provide a more complete view of the value, risk, and potential return of investments

In particular, the Company's sustainable investment strategy applies to all assets under management, with the following specifications:

- the Society operates on the basis of an exclusion list;
- for AIFs under Art. 8 and AIFs under Art. 9, ESG parameters may be identified, consistent with the relevant investment policy, depending on the asset class, sector, or reference benchmarks, which allow strategies to be directed toward investments with a high approach to sustainability;
- a due diligence process aimed at identifying and managing ESG risks in individual assets by assessing certain aspects, especially environmental and social, as part of the ordinary

investment process. This analysis is carried out by the Fund Management structure with the support of the Chief Sustainability Officer. The results of the ESG analysis, accompanied by any possible improvement actions identified, are included in the documentation prepared for the SGR Board of Directors;

- quantitative tools aimed at calculating and monitoring the ESG performance of products:
  - for all AIFs, ESG performance is assessed through a dedicated tool. Specifically, the Company has developed an ESG performance assessment tool for each AIF (real estate or credit securities). For each indicator, a weighted percentage score is assigned corresponding to the cluster to which it belongs (i.e., high, medium-high, medium-low, weak/absent). To each individual AIF is, then, assigned a final percentage score determined by the average of the scores given to the individual indicators;
  - for AIFs whose management regulations or bylaws provide for an explicit ESG strategy, additional criteria and specific identification, implementation, and monitoring tools are adopted, with respect to both ESG objectives and performance results.

The Head of Fund Management with the support of the Chief Sustainability Officer identifies ESG objectives in the investment analysis of the individual AIFs under management and is responsible for the activities of implementing the relevant strategies and monitoring the results achieved. In order to achieve the above objectives, the Asset Management structure supports the Fund Management structure in identifying and monitoring key ESG levers for the assets under management. The Chief Sustainability Officer, at least annually, maintains and prepares an overview of the Company's implemented and prospective ESG strategies at the overall level, which, together with the outcomes of the ESG performance monitoring and measurement activities of the AIFs, is submitted to the SGR Board of Directors. The outcomes of the monitoring of individual AIFs are also explained to Investors, where applicable, in the manner contained in the management rules of the relevant AIF.

The Sustainable Finance Committee is entrusted with advisory and proposal-making functions towards the Board of Directors and the CEO in the analysis and integration of ESG issues into the Company's decision-making processes.

The Company has developed specific risk management tools aimed at integrating ESG factors into the risk assessment criteria for individual investments. In particular, the Company has an internal methodology in order to assess sustainability risk for all managed AIFs. The total scoring risk calculated is derived from an average between the environmental, social and governance scoring risk identified for each AIF, based on the indicators defined by the Company. In addition, Risk Management analyses are presented to the Company's Board of Directors at least annually.

For specific topics, the Compliance, Risk Management, Corporate & Regulatory Affairs, Internal Audit and Administration, Finance & Control functions are involved.

#### **Art.4 Transparency of adverse sustainability impacts at entity level**

Prelios SGR considers as a priority to limit within its investments the effects of major negative effects arising from sustainability issues.

The Company, in compliance with Article 4 of Regulation (EU) 2019/2088 (the "**SFDR**") on sustainability-related disclosure in the financial services industry, has decided to adopt an "explain" approach in the consideration of the principal adverse impacts (i.e. PAI) of its investment decisions on ESG (Environment, Social, Governance) sustainability factors.

This approach discounts the limited availability in the marketplace of the data needed to enable the potential negative effects of investments on sustainability factors to be adequately assessed in line with the metrics outlined in the regulatory technical standards of Regulation (EU) 2019/2088.

#### **Art.5 Transparency of remuneration policies in relation to the integration of sustainability risks**

The SFDR requires the SGR to include information in its compensation and incentive policies on how they are consistent with the integration of sustainability risks.

The SGR shall ensure that its remuneration and incentive policies incorporate objectives in terms of sustainability risk management in order to correlate the incentive system with the pursuit of the objectives of the Responsible Investment Policy.

For more details on ESG risk management, see the sustainability risk policy information in Article 3 SFDR.

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