

**COMMUNICATION ON SUSTAINABILITY IN THE FINANCIAL SERVICES SECTOR  
PURSUANT TO REGULATION (EU) 2019/2088 – SFDR**

**1. Background and reference period**

The purpose of this communication is to provide – pursuant to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 ("SFDR") – information on the SGR's positioning on:

- policies on the integration of sustainability risks in the investment decision-making process (art. 3 SFDR);
- adverse impacts of investment decisions on sustainability factors (art. 4 SFDR);
- consistency of the remuneration policies with the integration of sustainability risks (art. 5 SFDR).

**2. Definitions**

Here below are some useful definitions for understanding this communication:

- **ESG:** *Environmental, Social, Governance;*
- **sustainability factors:** environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters;
- **sustainability risk:** an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

**3. Policies on sustainability risks**

**3.1.** The SGR, as part of the decision-making process related to real estate investments of the AIFs managed, carries out specific due diligence activities aimed at fully assessing the risks associated with the potential investment, including:

- **technical due diligence:** origin of the property, functionality, quality and adequacy of the executive project, adequacy of the amounts declared in the authorisations and projects, urban and building planning regularity, compliance with regulations on structural works, property registration procedures, technical aspects related to leases;
- **environmental due diligence:** inspection of the property to assess its general conditions, interviews with property representatives to assess its current condition, the uses to which the property has been intended both in the past and present, compliance with local rules and regulations, check of the property to assess any environmental impacts, review of topographical, geological and hydrogeological maps, photographic documentation of the property;

- **legal due diligence:** aspects related to contractual documentation and any legal impacts, existence of commitments, constraints and easements, aspects related to rental status, insurance aspects, aspects related to the legal structure of the transaction.

**3.2.** In view of the SGR's growing focus on sustainability issues, it has outlined a responsible investment process for the integration of ESG criteria into the real estate AIFs managed, which includes:

- (i) carrying out (in conjunction with the aforementioned due diligence activities) an ESG assessment conducted through a sustainability checklist;
- (ii) the possibility to carry out - in addition to the ESG assessment - a specific ESG due diligence.

**3.3.** In addition, as part of its risk management system, the SGR has provided for the use of certain "Fund Risk Assessment", "Asset Risk Assessment" and "Fund Risk Assessment - Distressed Fund" models in order to estimate and monitor the overall level of the sustainability risk over time to which AIFs/assets may be exposed, identifying the key risk indicators associated with this risk factor and the related method of calculation, as well as assigning an ESG scoring.

#### **4. Adverse impacts of investment decisions on sustainability factors**

As of today, the SGR does not consider any adverse impacts of its investment decisions on sustainability factors.

For more details refer to the separate section of the SGR's website entitled "*No consideration of adverse impacts of investment decisions on sustainability factors*".

#### **5. Integration of sustainability risks in the remuneration policies**

The SGR's remuneration policies are in line with sector-specific regulations and best practices and provide - among other things - for the possible attribution of a variable portion of the remuneration upon the achievement of certain performance objectives, including corporate sustainability objectives.

In particular, the corporate sustainability objectives integrated within the SGR's annual incentive plans are assigned to the related personnel in a differentiated manner, taking into account the role held and the specific areas of responsibility of each employee, ensuring consistency with the risk-framework of the company and provided that this does not give rise to possible conflicts of interest.

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