ALGEBRIS INVESTMENTS

ESG & Responsible Investment Policy

2023

1. Introduction

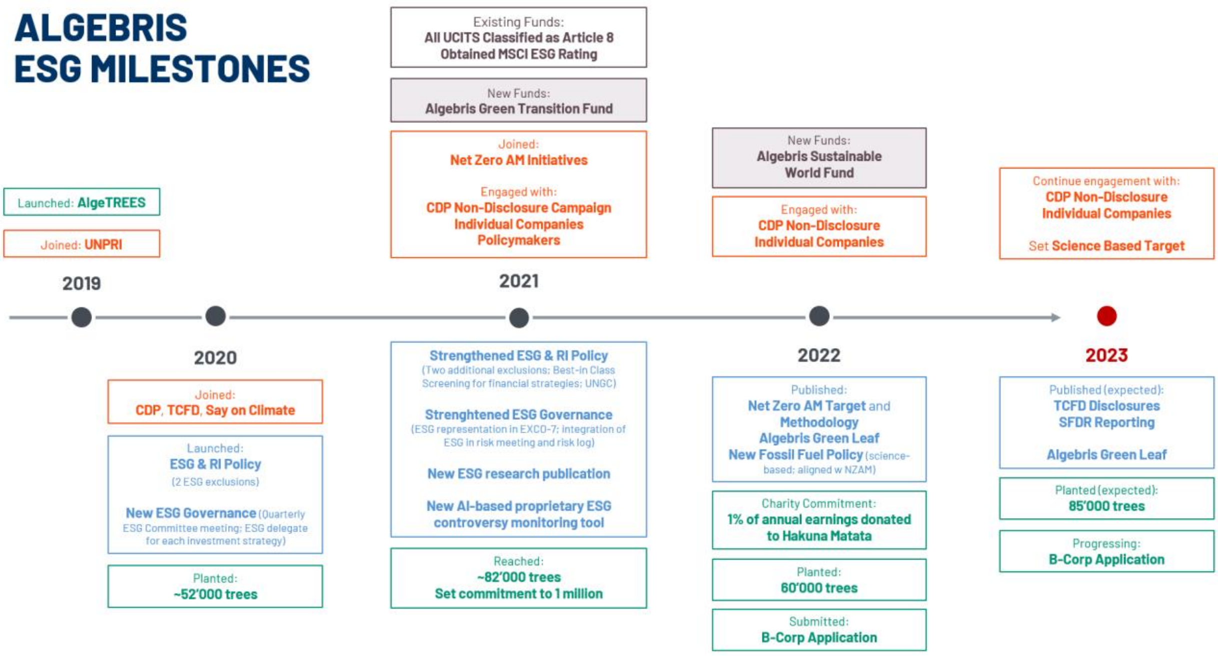
Environmental, Social and Governance ("**ESG**") factors have become increasingly important in the financial services industry in recent years and Algebris Investments ("Algebris" or the "Firm") believes they are vital in driving sustainable growth and delivering a transition towards a greener and fairer economy.

Sustainability and ESG considerations are deeply engrained into Algebris' business culture and embraced at every level of our organization. As a responsible asset manager, Algebris is aware that our impact on the environment and society manifests itself first and foremost through the choices we make in our investment decisions. We believe that supporting the transition to a more sustainable economy forms an integral part of our fiduciary duty, and are committed to strongly integrate ESG factors across all our investment processes and operations, through research, analysis, and decision-making.

This Policy covers the following topics:

- Algebris' approach to Responsible Investment (RI)
- Algebris' participation in ESG/RI collective initiatives
- Algebris' ESG governance and organizational structure
- ESG investment integration across Algebris' strategies
- Algebris' policy on stewardship and engagement
- Sustainability across the Firm's operations
- Algebris' Corporate Social Responsibility actions

The policy is maintained by the Firm's ESG Committee and is reviewed on an annual basis, or more frequently if required. For any queries in relation to this Policy, please consult the Firm's ESG Committee accordingly .



2. ESG Governance

2.1 ESG Committee

Algebris has robust governance arrangements in place to ensure that ESG and climate-related considerations are integrated in the Firm's culture across all key investment and business functions. Algebris CEO and Senior Management are the driving force in devising our climate strategy and ESG investment integration framework. Senior Management's strategic vision is operationalised by the Algebris ESG Committee – a key body of the Firm, comprised of the Group CEO and 15 professionals from across Algebris Investment, Business Development, Compliance, Legal and Risk teams, based in different regional offices across the Group.

The Algebris ESG Research Team, a core part of the ESG committee, is currently comprised of three analysts plus the Firm's Head of ESG and Policy Research. This team is responsible for all data analysis and research underpinning Algebris' ESG investment integration framework across all investment strategies. It is also in charge of drafting Algebris' periodic publication on investment-relevant ESG themes (*The Green Leaf*).

The ESG Committee brings together one Investment Team representative for each of Algebris strategies. These Investment Team representatives play a key role in the integration of climate-related considerations and ESG issues in the investment process. The involvement of members from Algebris Risk Team ensures that sustainability risks are also thoroughly integrated in investment decision-making and closely monitored.

The Algebris ESG Committee meets quarterly, with the participation of the group CEO and the Head of Risk. The Head of the ESG Committee is also a member to the Firm's EXCO-7 Committee – a senior executive body that meets monthly to discuss strategic issues for the Firm, including climate-related risks and opportunities, as well as the allocation of appropriate resources to the implementation of Algebris ESG strategy.

The ESG Committee is responsible for identifying climate-related risks and opportunities, for developing and implementing Algebris ESG investment integration framework across all strategies, and for overseeing all projects aimed at embedding sustainability considerations in the wider Firm's activities – including our AlgeTREES carbon offsetting project.

Table 1 – Algebris ESG Committee Members

Member	Responsibility	Team
Silvia Merler (Head of ESG Committee)	*Head of Algebris ESG and Policy Research* *Research, oversight, management of ESG strategy*	Research – Investment
Davide Serra Tom Cotroneo Polina Hristova	*Senior Management Strategic Oversight* *Senior Management Risk Oversight* *Senior Management Legal Oversight*	CEO Risk CEO Ireland
Ginevra Bargiacchi Antonio Focella	*Investment Integration – ESG analyst* *Investment Integration – ESG &Research analyst*	Research – Investment
Giancarlo Bollero John Lyon Lennart Langeling Elisa Natali Mariasole Bozzi	*Investment Integration – Financial Credit Strategies* *Investment Integration – Financial Equity Strategies* *Investment Integration – Global Credit Strategies* *Investment Integration – Italian Equities Strategies* *Investment Integration – PD and PE Strategies*	Investment
Dimitrios Karadimos	*Investment Integration – Risk management*	Risk
Solveig Leary	*Investor Communication; ESG third-party research*	
Karina Cooper Joseph Beard	*Regulatory oversight and compliance* *Legal Oversight*	Compliance Legal
Lucy Challis	*Carbon Offsetting project execution*	Hakuna Matata

2.2 Resources and Training

Algebris has set up an ESG Research Team currently comprised of three analysts plus the Firm's Head of ESG and Policy Research. This team is responsible for all the data analysis and the research work underpinning Algebris' ESG investment integration framework across all investment strategies. The ESG Research Team is also in charge of drafting Algebris' periodic publication on investment-relevant ESG themes (*The Green Leaf*). In carrying out these tasks, the ESG Research Team relies on a variety of ESG data sourced from specialised third-party providers, as well as data from NGOs and other stakeholders, on specific themes, complemented with internal research and analysis (Table 2).

Table 2 –ESG Data used by Algebris

Provider	Service
S&P - RobecoSAM	*ESG scores Questionnaire-level ESG KPIs. S&P Global Product Involvement Controversy and Questionnaire.*
S&P - Trucost	*Environmental metrics and priced externalities. Carbon data in line with GHG protocol standards. Environmental Climate Risk Models: 2 Degree Alignment; Carbon Earnings at Risk; Physical Risk. Positive Impact: SDGs; Green Revenues.*
Sustainalytics - Morningstar	*Product Involvement data and research.* *Global Standard Screening*
Moody's – Vigeo Eiris	*ESG scores, data, and research for all sectors globally.*
MSCI	*Global Norms Screening and Fund Reporting*
Clarity AI	*ESG Risk, Exposures, Climate, ESG Impact, UN SDGs, SFDR, EU Taxonomy*
Autonomous	*Data on banks' green financing*
CDP	*Data from the Carbon Disclosure Project (CDP) annual questionnaire*
Banktrack / RAN	*Data from the annual RAN Report on banks' financing and exposure to fossil fuel companies*
Urgewald	*Data from Global Coal Exit List and, Global Oil and Gas Exit List*
RavenPakck	*News Analytics*

Working jointly with the Algebris Big Data Team, the ESG Research Teamhas set up a a proprietary AI/Big Data-based tool to monitor the insurgence of ESG controversies on portfolio names in real time. The proprietary tool leverages natural language processing and distributed data-processing technologies to conduct large-scale news tracking and identify controversial events related to investees. The tool scans through over 17,000 news stories linked to our portfolio companies daily, using data from news analytics provider RavenPack. The news is then filtered for relevant ESG controversies based on a comprehensive event taxonomy derived from Sustainability Accounting Standards Board (SASB) and the UN Global Compact (UNGC) fields and NLP-enriched features including event sentiment, relevance, and novelty.

Detections of controversies are communicated systematically to the ESG Research Team through an interactive web-based dashboard application and regular summary emails. For exceptionally serious controversies, special email alerts would be triggered to notify the ESG Research Team, which would then reach out to the portfolio managers to take actions in a timely manner. Through the data provider used, the team also maintain access to a database of over 20 years of historical news events which allows tracking portfolio companies' ESG performance over time.

Algebris believes in the value to educate our staff on the importance of ESG factors in the investment process and business operations. The Head of ESG Research has completed the CFA Certificate in ESG Investing, and two Responsible Investment courses offered by the UN PRI Academy. Members of the ESG and investment team are encouraged to pursue similar ESG training. All investment team members are an integral part to our ESG strategy development and are actively consulted and informed on developments pertaining to the Firm's ESG investment integration framework and broader sustainability policies. They have all received training in the services offered by our external ESG data providers and are encouraged to take any additional specific responsible investment training relevant to their field of work (e.g. the CFA ESG certification). All relevant staff is trained on the Firm's policy in relation to ESG and regularly receive refresher training when any updates to that policy are made.

3. Participation in RI Initiatives

Algebris has been a signatory to the United Nations Principles for Responsible Investment ("**UN PRI**") since 2019. The UNPRI Six Principles are fully integrated across our business and investment processes:

- ***Principle 1***: We will incorporate ESG issues into investment analysis and decision-making. Algebris has developed an internal ESG research and analytical capacity, which works closely with the investment team to integrate ESG consideration in the investment process across our investment strategies.

- ***Principle 2***: We will be active owners and incorporate ESG issues into our ownership policies and practices. Algebris takes into account long-term sustainability considerations of issuers when deciding how to exercise our voting rights. Our voting policy also includes a formal commitment to vote in favor of AGM resolutions asking for companies to submit a Climate Transition Action Plan.

- ***Principle 3:*** We will seek appropriate disclosure on ESG issues by the entities in which we invest. Algebris is a member of collective engagement initiatives that push for disclosures on ESG issues, and we actively participate in CDP's Non-Disclosure campaign. The investment teams conducts individual engagement with invested entities on ESG issues that may emerge from our analysis of their performance, and thematic engagement centered around Science Bast Targets (SBTs) forms the core of our strategy to achieve the Net Zero AUM commitment set in 2022. Our annual Voting and Engagement Report is available on our website.

- ***Principle 4:*** We will promote acceptance and implementation of the Principles within the investment industry. As a key player in the financial sector, Algebris engages directly with regulators and supra-national authorities on ESG issues. Examples of this engagement are available on our website.

- ***Principle 5:*** We will work together to enhance our effectiveness in implementing the Principles. Algebris is a member of several collective engagement initiatives revolving around Responsible Investment and listed below. These initiatives allow us to leverage our influence on investee companies' sustainability practices by acting together with likeminded investors.

- ***Principle 6:*** We will report on our activities and progress towards implementing the Principles. Algebris submitted its first UN PRI reporting in 2021, and will publish its first TCFD Climate report in 2022. We also aim to include portfolio-level non-financial ESG metrics in perdiodic factsheets that are sent to invetsors, in the near future.

In 2020, we became supporters of the Task Force on Climate-related Financial Disclosures (**TCFD**) and joined the Carbon Disclosure Project (**CDP**) as investor signatory. Since joining, we have been actively participating in CDP's Non-disclosure Campaign – requesting investee companies to respond to climate change, forests and water security questionnaires developed and managed by CDP. In 2022, Algebris also submitted its first reporting under CDP's Climate Change questionnaire.

In 2020, we joined the **Say on Climate Initiative**, supported by the Children's Investment Fund Foundation, CDP and ShareAction. The initiative stems from a recognition that companies and investors are failing to address climate change, and that there is a growing need for companies to publish climate transition action plans. Only 2.5% of companies have committed to set a Science-Based Target and fewer than 100 companies globally address their shareholders on climate change issues each year, largely ad hoc. We believe that publishing climate transition action plans must become the norm for all listed companies, on an annual basis. As members of the initiative, we commit to enter into dialogue with investee companies and encourage them to submit a Climate Transition Action Plan at their AGM for a shareholder vote. Where companies will not do so voluntarily, we commit to vote for or file AGM resolutions requiring such votes. This commitment has been formally embedded into our firm-level voting policy.

In 2021 we also joined the **Net Zero Asset Mangers Initiative** (NZAM), which is a formal partner of the UNFCCC's Race to Zero Campaign. The Net Zero Asset Managers initiative is a group of international asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner. As part of this commitment, we set an initial target of 57% of total AUM (79% of AUM excluding discretionary mandates) to be managed in line with attaining net zero emissions by 2050 or sooner. This target will be reviewed at least every 5 years with a view to reach 100%.

For setting our NZAM target, Algebris is using the SBT Portfolio Coverage approach. In line with this approach, Algebris commits to drive adoption of Science-Based Targets (SBT) by all investee companies in our Net Zero-aligned portfolios. For investees to have enough time to implement their target and ultimately achieve an economy-wide transition to net zero by 2050, investees will need to have had their SBTs approved by 2040. hFor Algebris, this implies a target to reach 100% SBT coverage of the portfolios within our Net Zero-aligned AUM by 2040. In 2022, Algebris will explore the possibility to pursue validation of this target through the Science Based Targets initiative. While this is a separate process from NZAM, and it is not compulsory for NZAM signatory to pursue validation, we believe that it will further ensure the robustness of our target.

4. ESG Investment Integration

4.1 Overview

Algebris' ESG investment integration strategy aims to ensure the Firm is aware of key risks and opportunities of investments by incorporating additional layers of scrutiny and due diligence in investment analysis and decision-making, as well as in risk monitoring. A key element to ESG integration is materiality, i.e. identifying those ESG factors most likely to affect corporate and investment performance. The assessment of materiality requires a top-down understanding of ESG issues relevant for each country or sector. This is achieved by means of internal research collating ESG information from various sources – news, ESG research providers, data and research from NOGs and public bodies. Algebris' ESG research team also regularly publishes an investor-dedicated ESG publication (*The Green Leaf*). This top-down assessment is supplemented by bottom-up research on the individual investees' ESG profile and performance, underpinned by external and internal ESG research as well as direct engagement of the investment team with the investees.

Our ESG investment integration framework relies on a combination of different approaches to Responsible Investment. These are applied differently across our strategies, taking into account the focus of each, as well as the geographic and sector composition of the respective investment universe. This tailored approach ensures a coherent and effective ESG integration across the Firm's different strategies, and allows identifying the ESG issues that are most material to each line of investments. Regarding the depth of ESG integration in the investment process, a key distinction is between the funds that are included in Algebris Net Zero AUM pledge, and funds that for the time being are not yet committed (Table 3).

Negative Screening / Exclusion – exclusion of certain names from the investable universe to ensure the Firm is not involved in financing activities or business practices that we deem unethical or harmful to environment or society. Where possible, our ESG exclusions include a financing overlay, which targets the financial actors playing a major role in financing or ownership of restricted activities. We apply 3 kinds of exclusions:

- *Normative exclusion (UNGC):* aiming to exclude firms in violation of UNGC principles
- *Ethics exclusions:* covering a number of controversial activities that varies across funds
- *Climate exclusions:* covering the large spectrum of the fossil fuel industry, from thermal coal mining and power generation to conventional and unconventional oil and gas production

Positive ESG screening / Best in Class - a process by which certain securities are included in the portfolio by means of their stronger ESG attributes, including but not limited to ESG scores. Algebris generally aims to maintain portfolios with above average ESG scores. For our financial strategies, we formally restrict the investable universe to exclude the 10-15% worst performers in the sectors' distribution of ESG scores.

ESG Engagement - seeking to direct the behavior of an investee company in which a fund is invested, in order to enhance their long-term sustainability through a focus on fostering good ESG practices and/or remedying bad ESG practices. This pillar is central to our Net Zero AUM commitment and to our voting policy.

Table 3 – Overview of RI approaches at Firm level

	Article 6	**Article 8** Non Net Zero	**Article 8** Net Zero	**Article 9** Net Zero
Exclusions – Norms (UNGC)		■	■	■
Exclusion – Climate (basic)		■	■	■
Exclusion – Ethics (basics)		■	■	■
Exclusion – Climate (extended)			■	■
Exclusion – Ethics (extended)				■
ESG Screening		■	■	■
ESG Best in Class			■	■
Portfolio CO_2 Footprint			■	■
Active Ownership		■	■	■

Note: Article 6 Funds include al Algebris NPL Funds; Article 8 Non Net Zero Funds include Algebris Global Credit Opportunities and Algebris Core Italy Fund; Article 8 Net Zero Funds include all Algebris financial funds (Financial Credit; Financial Credit IG; Financial Income; Financial Equity; Financial Bond); Article 9 Net Zero Funds include Algebris Green Transition Fund (GTF) and Algebris Sustainable World Fund (SWF).

4.2 ESG Exclusion Policies

Algebris applies a broad range of ESG exclusion policies to all its UCITS funds. These policies are grounded on normative, ethical, or climate related considerations and applies across all Algebris funds where Algebris controls the investment policy of the entire fund in its capacity as sole investment manager (Table 4).

Table 4 – Overview of RI approaches at Firm level

	Article 8 Non Net Zero	**Article 8** Net Zero	**Article 9** Net Zero GTF	**Article 9** Net Zero SWF	**Financing Overlay** (all funds)
Norms (UNGC)	■	■	■	■	
Ethics – Controversial Weapons	■	■	■	■	■
Ethics – Tobacco	■	■	■	■	■
Ethics – Predatory Lending	■	■	■	■	■
Climate – Thermal Coal	■	■	■	■	■
Climate – Oil Sands	■	■	■	■	■
Climate – Arctic Oil	■	■	■	■	■
Climate – Oil and Gas		■	■	■	■ *
Ethics - Alcohol			■	■	■
Ethics – Military Contracting			■	■	■
Ethics – Small Arms			■	■	■
Ethics – Gambling			■	■	■

Note: * = only applies to Algebris Green Transition Fund (GTF). Article 8 Non Net Zero Funds include Algebris Global Credit Opportunities and Algebris Core Italy Fund; Article 8 Net Zero Funds include all Algebris financial funds (Financial Credit; Financial Credit IG; Financial Income; Financial Equity; Financial Bond); Article 9 Net Zero Funds include Algebris Green Transition Fund (GTF) and Algebris Sustainable World Fund (SWF).

Algebris is a global investment manager with a historical focus on the financial sector and over 80% of the Firm's AUM invested in this sector. We consider the financial sector to be the 'gatekeeper' of the transition to a more sustainable economy, due to the key role it plays in allocating funds across sectors. Whenever possible under existing data limitations, our sectoral ESG exclusion policies add a 'financing overlay' to the more traditional exclusions based on companies' direct involvement in controversial activities. Trough this overlay, we exclude companies that play a major role in the financing of the economic activities we restrict – either through significant ownership stakes in directly involved companies, or through financing.

4.2.1 Norm-Based exclusions

The ten UN Global Compact Principles are derived from the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption. They are intended to lay out a framework for assessing corporate sustainability in view of a company's value system and a principles-based approach to doing business. The UNGC principles hence serve as a compass to assess companies' behaviour against their fundamental responsibilities in the areas of human rights, labour, environment, and anti-corruption. By incorporating the Ten Principles of the UN Global Compact into business strategies, policies, and procedures, and establishing a culture of integrity, companies are not only upholding their basic responsibilities to people and planet, but also setting the stage for long-term success.

Algebris ESG research team carries out a UNGC screening underpinned by data from ESG data providers Vigeo Eiris (VE) and MSCI, as well as internal research. The aim of our UNGC screening is to minimize exposure to companies with especially poor practices in key UNGC-relevant areas and identify potential issues on which to engage with companies in the portfolio. From an operational standpoint, the UNGC screening restricts investment in companies that are identified to be in involved in very serious violations of any of the UNGC principles. We define a very serious violation as the case of a company being involved in persistent UNGC-related controversies, where the controversy is of critical severity and the company is non-reactive.

4.2.2 Ethics Exclusions

Algebris applies several sector exclusions on grounds of ethicals considerations. Investment in companies directly involved in the manufacturing of controversial weapons, tobacco products and predatory lending activities is restricted across all Algebris liquid funds. Algebris Article 9 funds are subject to a broader range of ethical ESG restrictions encompassing also alcohol, military contracting and arms, as well as gambling (Table 5). On account of its narrower focus on the green and energy transition, the Algebris Green Transition Fund is also subject to additional restrictions that do not apply to Algebris Sustainable World Fund. These can be found in the GTF's ESG Policy. All these exclusions are accompanied – where possible – by a financing overlay targeting significant ownership or major financing of restricted activities. More details are available in our **ESG Exclusion Policy**.

Table 5 – Ethics Exclusion – Revenue Thresholds

	Article 8 Non Net Zero	**Article 8** Net Zero	**Article 9** Net Zero GTF	**Article 9** Net Zero SWF
Ethics – Controversial Weapons	0%	0%	0%	0%
Ethics – Tobacco Products	0%	0%	0%	0%
Ethics – Tobacco services	5%	5%	0%	5%
Ethics – Predatory Lending	0%	0%	0%	0%
Ethics - Alcohol			0%	5%
Ethics – Military Contracting			0%	5%
Ethics – Small Arms			0%	5%
Ethics – Gambling			0%	5%

Note: Article 8 Non Net Zero Funds include Algebris Global Credit Opportunities and Algebris Core Italy Fund; Article 8 Net Zero Funds include all Algebris financial funds (Financial Credit; Financial Credit IG; Financial Income; Financial Equity; Financial Bond); Article 9 Net Zero Funds include Algebris Green Transition Fund (GTF) and Algebris Sustainable World Fund (SWF).

4.2.3 Climate Exclusions

Algebris is committed to actively fight climate change. Aware that our largest impact on climate occurs through the choices we make in our investment process, in 2021 we joined the Net Zero Asset Managers Initiative (**NZAM**), committing to manage a progressively larger share of AUM in line with the goal of achieving net zero emissions by 2050 or sooner.

As set out in the 2018 IPCC 1.5 degrees scenarios and the 2021 IEA Net Zero scenario, achieving net zero by 2050 will require a rapid reduction in emissions from fossil fuel combustion and phase out of investment in fossil fuels. The pathway laid out in the IEA report requires that no new unabated coal plants, no new oil and gas fields, and no new coal mines or mine extensions be approved from 2021 on. In its guidance for the financial sector, the Science Based Target Initiative (**SBTi**) also recommends that financial institutions seeking to align with the Paris Agreement transparently address the role of fossil fuels in their investment portfolio. The SBTi recommended phaseout of thermal coal investments and more thorough disclosure on financial institutions' fossil fuel investments and related activities.

Algebris subscribe to these recommendations and applies strict limits to investment in fossil fuels (Table 6).

Table 6 – Climate Exclusion – Revenue Thresholds

	Article 8 Non Net Zero	**Article 8** Net Zero	**Article 9** Net Zero GTF	**Article 9** Net Zero SWF
Coal – Mining	5%	0%	0%	0%
Coal – Power	10%	0%	0%	0%
Arctic Oil	5%	0%	0%	0%
Tar Sands	10%	0%	0%	0%
Oil & Gas – Production		40%	0%	0%
Oil & Gas – Power Generation			40%	40%

Note: Article 8 Non Net Zero Funds include Algebris Global Credit Opportunities and Algebris Core Italy Fund; Article 8 Net Zero Funds include all Algebris financial funds (Financial Credit; Financial Credit IG; Financial Income; Financial Equity; Financial Bond); Article 9 Net Zero Funds include Algebris Green Transition Fund (GTF) and Algebris Sustainable World Fund (SWF).

Algebris' Net Zero Article 8 funds and Article 9 funds are prevented from investing in companies deriving any revenue from coal, and companies pursuing significant coal power or coal mining expansion plans (regardless of the share of revenues they derive from coal). All other strategies are also subject to strict limits.

Algebris also restricts investment in any company having a significant ownership in the entities excluded under this rule[1], and screens investment in banks and other financial institutions playing a significant role in global coal finance. In particular, Algebris will not invest in debt or equity issued by the top-5 global coal shareholders and bondholders, nor in debt or equity issued by Agricultural Bank of China, Bank of China, China Construction Bank, Industrial Bank, China CITIC Bank and ICBC – which accounted for 50% of lending to the 30 top coal mining and coal power companies between 2016 and 2020[2]. Complementary to this exclusion, we monitor fossil fuel policies of global banks and aim to select names exhibiting relatively stronger policies and lower fossil fuel funding for our financial portfolios.

Besides coal, we also place strict revenues thresholds on investment in companies operating in the production of unconventional oil and gas. Algebris' Net Zero aligned Article 8 funds and Article 9 funds are prevented from investing in companies deriving any revenues from exploration/extraction of either Tar Sands or Arctic Oil. Algebris will also not invest in any company having a significant ownership in the companies excluded under this rule.

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[1] Significant ownership data are sourced from ESG data provider Sustainalytics. Significant ownership is typically defined as an ownership stake of 10% or above.

[2] Based on the data collected by the BankTrack and 5 other NGOs in the report "Banking on Climate Chaos – Fossil Fuel Report 2021"

The IEA 2050 Net Zero report recommends that no new oil and gas levels fields be approved for development starting from 2021, and the war in Ukraine makes it clear that an excessive and undifferentiated reliance on fossil fuels in countries' energy mix can become a source of systemic risk. While conventional oil and gas are likely to remain a bridge fuel in the transition towards full decarbonization (at least in the short term and especially following the recent decision by the EU Commission to include gas in the EU Taxonomy of sustainable economic activities), we are convinced that new investment in this area needs to be limited. We furthermore see a risk that oil and gas assets may become stranded in the medium term, similarly to what is already happening to coal assets. For all Algebris' Net Zero aligned Article 8 funds we restrict investment in companies that derive more than 40% of revenues from the production of conventional oil and gas. Our Article 9 funds are subject to stricter limits, barring all investment in the production of the oil and gas.

More details on these climate-related exclusions are available in our **Fossil Fuel Policy** and in our **Net Zero methodological documents** available on our website.

4.2.4 Sovereign Investment

Algebris Article 9 funds are prevented from investing in sovereign debt issued by countries on the High-Risk List and/or the Increased Monitoring List of jurisdictions compiled by the Financial Action Task Force (FATF). For Article 9 funds, sovereign debt investment is also subject to an assessment of the sovereign issuer's respect for human rights and fundamental freedoms (e.g.as exemplified by the involvement in proven social violations as referred to in international treaties and conventions, UN principles and, where applicable, national law). The GHG intensity and the environmental policies of the sovereign issuer will also be evaluated, as well as environmental controversies. All restrictions deriving from the implementation of international sanctions also apply.

4.2.5 Other Instruments

More information and details on how our ESG exclusion policy applies to derivative instruments, baskets, and indices is available in the dedicated ESG exclusion policy document available on our website.

4.2.6 Implementation and Exemptions

Practical implementations and grounds for exemptions to these rules are discussed in details in the dedicated ESG exclusion policy document available on our website.

4.3 ESG Screening and Best-in-Class

On top of the negative screening performed through ESG exclusions, Algebris applies an ESG positive screening across its Article 8 funds. This screening is applied differently across different strategies, to account for their different sector, instrument, and geographic focus.

For all our strategies we monitor several climate-related metrics, in connection with our commitment to the Net Zero Asset Managers Initiative. Under our Net Zero AUM target, Algebris commits to drive adoption of Science-Based Targets (SBT) by the investee companies in our Net Zero-aligned portfolios. For investees to have enough time to implement their targets and ultimately achieve an economy-wide transition to net zero by 2050, they will need to have had their SBTs approved by 2040. For this reason, Algebris has set a target to reach 100% SBT coverage of the portfolios within our Net Zero AUM perimeter by 2040.

We closely monitor the evolution of **SBT portfolio coverage** across all our strategies. More details about our NZAM commitment are available in on our website. For all our strategies, we also calculate **Weighted Average Carbon Intensity (WACI) at portfolios level**, measuring the CO_2e per million of euro invested, for both equity and fixed income instruments. These metrics will soon be reported in the monthly investor factsheet as well as in Algebris 2022 Climate Report. For our financial strategies we also run a **temperature**

rating analysis at portfolio level in line with CDP's methodology. This exercise measures the value chain global warming path of companies by translating their emissions targets into temperatures paths – a metric that allows investors to better understand and manage climate transition risks at the portfolio level.

Additional strategy-specific ESG provisions are listed below.

4.3.1 *Algebris Financial Strategies*

All our financial funds (representing a vast majority of Algebris' AUM) are subject to an **ESG Best-in-Class** screening of investee companies, which requires a minimum ESG performance for Algebris funds to invest. This assessment is based on data from third-party ESG data providers as well internal research when third-party data is not available.

The ESG best-in-class screening restricts investment in companies that are identified to be in the bottom 15% of the distribution of the sector's global ESG score, with a formal outright exclusion for the bottom 10% and a watchlist system for the companies falling in the 10-15% bracket. For our flagship Financial Credit and Financial Credit Investment Grade strategies the thresholds for investment restriction and watch-listing are stricter, raised to 15% and 20% respectively. Companies are watch-listed also if they score in the bottom 15% on any of the E, S, or G sub-dimensions. Practical implementations and grounds for exemptions to this rule follows those outlined above for exclusion policies, and are discussed in details in the dedicated ESG exclusion policy document available on our website.

Complementary to this exclusionary angle, we also aim at achieving an aggregate ESG score for our financial portfolios above the average for the sectors represented in the portfolios.

Lastly, for our financial strategies portfolios we monitor exposure of investee banks to fossil fuels through their lending to the fossil fuel industry. Data on this important component of banks' environmental footprint is still partial and non-systematic – we rely on research run by the Rainforest Action Network (RAN) and other NGOs in a flagship annual report, which covers the 60 largest banks globally[3]. While this this data is still too partial, in our view, to serve as the basis for an investment/diverstment rule, it is nonetheless informative on the exposure of investee companies to climate risk through their lending to fossil fuel companies. We therefore use it to monitor the average growth rate of annual financing from banks in our financial portfolios *versus* banks not in our portfolios, to four fossil fuel industry segments:

- all fossil fuels, i.e. over 2,300 companies active across the fossil fuel life cycle;
- fossil fuel expansion, i.e. the 100 top companies expanding fossil fuels
- coal, i.e. the 30 top companies in coal mining and 30 top in coal power
- unconventional oil & gas, i.e. top players in tar sands, fracking and arctic oil

4.3.2 *Algebris Italian Equity Strategies*

The Algebris Italian Securities Strategy invests primarily in equity securities of Italian companies, focusing on the small and mid-capitalization segment of the market, and can also invest in credit. The Italian Securities Strategy is subject to all our firm-level exclusion policies covering UNGC, as well as direct involvement in controversial activities and the funding of such activities.

Due to the skew of the portfolio towards small caps, third party ESG coverage of the names that are typically in the portfolio tends to have significant gaps. The lack of third-party ESG data on small caps is a well known problem common across the ESG rating industry - and Algebris has voiced concerns about this in a letter we have sent to EU and national authorities.

In light of this specificity, a two-pillars ESG screening is applied to our Algebris Italian Equity strategy:

- For companies that are covered by the third-party ESG data services used by Algebris: a screening based on the ESG scores and KPIs from third party ESG data providers, including an assessment of

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[3] See e.g. the 2021 Banking on Climate Chaos RAN report

compliance with the 10 principles of the UN Global Compact and a screening of controverises based on data from the same providers as well as our proprietary ESG controversy monitoring tool.

- For companies not covered by the third-party ESG data services used by Algebris: an ESG due diligence is performed by the investment team by engaging with the investee companies including through the use of a proprietary ESG questionnaire. The investment team also monitors closely the insurgence of any ESG and/or UNGC controversies on the names that are not covered by third-party data providers.

4.3.3 *Algebris Global Credit Opportunities Strategies*

The Algebris Global Credit Strategy invests across sovereign, bank and corporate debt globally, hedging macro risks and optimising diversification and liquidity. The strategy adopts a multi-strategy, flexible approach, including with the ability to take long and short positions. Like all Algebris strategies, it is subject to our firm-level exclusion policies covering both direct involvement in controversial activities and the funding of such activities, as well as to our UNGC screening.

The investment team integrates ESG considerations within the investment process, with a focus on quantifying and monitoring ESG-related risks as part of the investment framework. ESG rating and ESG issues of concern are discussed by the investment team, focusing on due diligence process conducted and on any concerns identified. Material and repeated ESG issues could warrant short position as adverse developments are expected.

4.3.4 *Algebris Green Transition Fund*

The Algebris Green Transition Fund (GTF) is a private equity strategy pursuing three investment themes closely connected with the gren energy transition (**Energy Transition**, **Circular Economy**, **Smart Cities and Agriculture**), classifed as Article 9 according to the EU Sustainable Finance Disclosure Regulation (SFDR). The sustainable investment objective of the fund is that of furthering the transition towards climate-neutral, green, competitive, and inclusive economy through direct or indirect investments in Portfolio Companies that contribute to one or more of the following UN Sustainable Development Goals (SDGs):

- Clean Water and Sanitation (SDG 6)
- Affordable and Clean Energy (SDG 7)
- Industry, Innovation and Infrastructure (SDG 9)
- Sustainable Cities and Communities (SDG 11)
- Responsible Consumption and Production (SDG 12)
- Climate Action (SDG 13)

The investment universe for Algebris GTF encompasses companies that are active in sectors connected to either Energy Transition, Circular Economy, or Smart Cities and Agriculture, that contribute positively towards one or more of the target SDGs listed above while not significantly harming any other environmental or social objective and displaying adherence to good governance practices. To ensure these criteria are met, the fund is subject to a rigorous ESG due diligence framework that has been set up by Algebris ESG research team, working in connection with the investment team.

The GTF ESG due diligence process is articulated in 4 steps, ranging from a basic assessment of whether the perspective investment falls within the three investment themes highlighted above to a detailed analysis of both the perspective Portfolio Company's ESG credentials and the alignment of the investment with the Fund's target SDGs as well as with the funds' ESG exclusion policies, with Algebris Net Zero AUM policy, and with the requirement laid out in the EU Taxonomy Regulation. The ESG due diligence is based on quantitative and/or qualitative evidence provided by third party providers and/or gathered directly from the perspective portfolio companies through an information request list. An external third party has been appointed to support the investments team and the ESG team in the due diligence process.

Whenever a decision is taken to invest, the ESG team and the investment team will closely monitor the evolution of the ESG credentials of the Portfolio Companies and the continued alignment of their product/ services with the relevant SDGs. More details can be found in the Algebris GTF's ESG Investment Policy.

4.3.5 *Algebris Sustainable World Fund*

The Algebris Sustainable World Fund is a global equity fund classified as Article 9 under the EU Sustainable Finance Disclosure Regulation (SFDR). The sustainable investment objective of the Fund is to make a positive impact on worldwide environmental sustainability and social standards through investing in global listed companies which make a positive impact on the world (as measured by a positive contribution to one or more of the UN Sustainable Development Goals) while at the same time having a low environmental footprint and operating within the environmental boundaries that support sustainable planetary thriving

The investment universe is comprised of sectors and companies that are deemed central to achieving the shift to a more sustainable model of economic activity, compatible with increasingly binding scarcity constraint, by providing solutions to the trade-off between planetary boundaries and minimum social needs. The investment team has identified a set of themes and associated sectors that offer sustainable solutions to these challenges:

- **Theme 1 – Clean Energy and Energy Efficiency:** focus on companies offering products or services that are instrumental to the green energy transitions. This theme is closely connected to the UN Sustainable Development Goal of Affordable and Clean Energy (SDG 7)
- **Theme 2 – Clean Water Tech and Sanitation:** focus on companies offering products or services that enable more efficient use, consumption, or treatment of water. This theme is closely connected to the UN Sustainable Development Goal of Affordable and Clean Water and Sanitation (SDG 6).
- **Theme 3 – Protection of Biodiversity and Marine Resources:** focus on companies offering products or services with the potential to reduce the threat of biodiversity loss. This theme is closely connected to the UN Sustainable Development Goals of Life on Land (SDG 15) and Life Below Water (SDG 14).
- **Theme 4 – Sustainable Agriculture and Food:** focus on companies offering products or services with the potential to increase the productivity and reduce the environmental impact of agriculture. This theme is closely connected to the UN Sustainable Development Goal of Zero Hunger (SDG 2).
- **Theme 5 – Waste Disposal and Circular Economy:** focus on companies offering products or services that contribute to the transition to a circular economy by enabling increased recycling and reducing the environmental impact of waste. This theme is closely connected to the UN Sustainable Development Goal of Responsible Consumption and Production (SDG 12).
- **Theme 6 – Health and Wellbeing:** focus on companies offering products or services that can contribute to enhance efficiency, delivery, and personalization or precision of healthcare services. This theme is closely connected to the UN Sustainable Development Goal of Good Health and Wellbeing (SDG 3).
- **Theme 7 – Skills and Education:** focus on companies engaging in activities that have the potential to increase availability and affordability of quality education. This theme is closely connected to the UN Sustainable Development Goal of Quality Education (SDG 4).
- **Theme 8 – Industry, Innovation and Digitalization:** focus on companies offering digital solutions and technologies instrumental to the themes described above. This theme is closely connected to the UN Sustainable Development Goals of Industry, Innovation and Infrastructure (SDG 9) and Sustainable Cities and Communities (SDG 11).

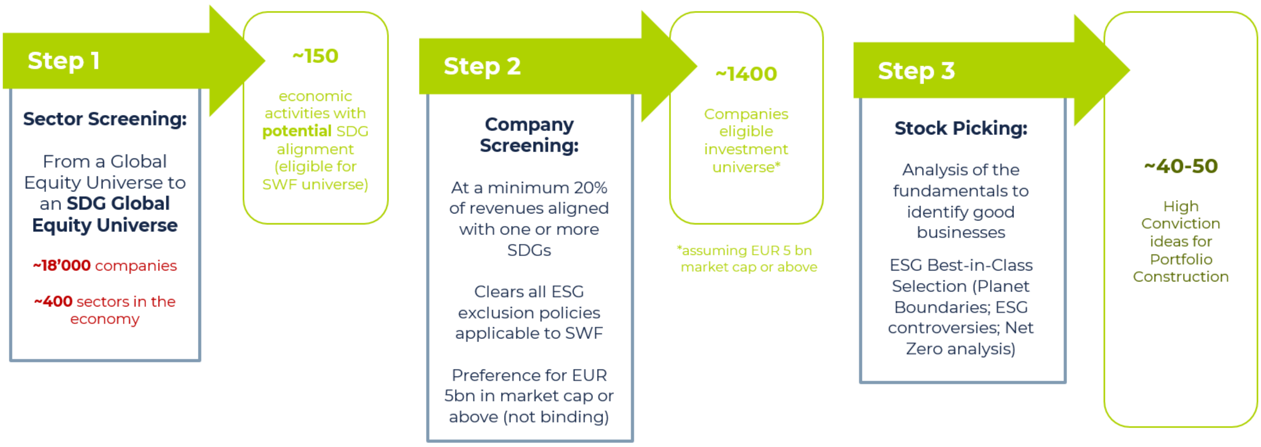
The Sustainable World Fund commits to investing only in companies that derive at least 20% of the enterprise value (or revenues, EBIT or EBITDA) from activities that contribute positively towards one or more SDGs. The eligible investment universe for SWF is therefore a sub-set of the broader global equity universe that is screened for SDG potential.

Using third party data combined with proprietary internal research, the Algebris SWF team constructs an SDG Global Equity Universe by identifying companies that perform economic activities potentially aligned with one or more SDGs. This SDG Global Equity Universe is then narrowed down to an Eligible SDG Global Equity Universe, by filtering only companies that have at least 20% of their revenues aligned to one or more of the UN Sustainable Development Goals and that clear all ESG exclusion policies and restrictions applicable to SWF.

The final stock picking process combines a top-down evaluation of ESG macro trends and investment themes offering the best opportunities at a given time, and a rigorous analysis of fundamentals for the companies aligned with these themes, and an ESG Best-in-Class assessment to identify companies with a superior ESG profile and environmentally sustainable company operations. The investment team performs a broader ESG due diligence to establish the degree to which ESG factors are integrated in the prospective investees' operations, managerial practices, and organizational developments. For each sector that it invests in, the Sustainable World team aims at keeping the average ESG score of companies selected as part of the portfolio above the respective average score of the sectors where the investees operate. Companies whose global ESG score falls in the bottom 15% of the relative sector's ESG scores distribution will be excluded from the investment universe (ESG Best-in-Class).

From this eligible universe, Algebris SWF team selects ~40-50 high-conviction ideas for portfolio construction.

Figure 1 – Algebris Sustainabel World Fund Investment Process- example



Source: Algebris Investments based on data from S&P RobecoSAM and internal research. As at end-July 2022. Numbers can vary based on revision in external ESG data as well as different market capitalization thresholds being imposed as a minimum.

4.3.6 <u>Algebris Non-Performing Loans (NPL) Strategies</u>

The Algebris NPL Strategy aims to invest primarily in Non-Performing Loans (NPLs) in Italy, with a focus on first lien mortgage NPL portfolios secured by Real Estate assets. While all our NPL funds are classified as Article 6 under EU SFDR, our NPL Fund III vehicle does have a tailored ESG risk mitigation policy – catering for ESG issues that are most material to the illiquid market.

One of the most material ESG issues for the Algebris NPL Strategy is the potential social implications of investing in distressed debt, which could also carry reputational risk. To mitigate these risks, the investment team applies minimum social standards and safeguards to the Algebris NPL Strategy[4]:

- **Settlement process:** the team seeks for an extra-judicial arrangement with the debtor to renegotiate the terms and avoid a bankruptcy declaration. This approach has proven very effective: to date, extrajudicial strategies accounted for ~26% of the closed positions of Algebris NPL Partnership I, ~77% of closed positions in Algebris NPL Partnership II and 9.4% of closed positions in Algebris NPL Partnership III in terms of purchase price.
- **Loan type:** loans presenting the highest social risk are loans that: (i) have been given to individuals; (ii) are secured by residential assets towards which we pursue a judicial strategy; (iii) have GBV lower than €200k (a €200k mortgage is the typical "middle class" mortgage), and (iv) are secured by an asset which has not been sold in auction yet.
    - The Algebris NPL team's investment policy is to limit as much as possible exposure to loans of this nature. The loans with these characteristics in Fund I are 6 (~0.41% of total portfolio

[4] All data reported in this section is as of 31/12/2020

in terms of outstanding gross collections). The loans with these characteristics in Fund II are 66 (~1.05% of total portfolio in terms of outstanding gross collections). The loans with these characteristics in Fund III are 0.

- The team focuses on the high-end residential market (primary locations, quality of collateral) and hotel or commercial properties, mainly originated by legal entities as borrowers (rather than individuals).
- For the Algebris NPL Partnership I, 56% of the portfolio is invested in loans with a gross book value >5m and 92% of the portfolio in loans with a gross book value >€1m; 93% of the borrowers is represented by corporates.
- For the Algebris NPL Partnership II, 69% of the portfolio is invested in loans with a gross book value >5m and 91% of the portfolio in loans with a gross book value >€1m; 95% of the borrowers is represented by corporates.
- For the Algebris NPL Partnership III, 97% of the portfolio in terms of outstanding gross cash-flows is invested in loans with a gross book value >5m or direct real estate transactions and 100% of the portfolio in loans with a gross book value >€1m or direct real estate transactions; 100% of the borrowers is represented by corporates or direct real estate deals.

The NPL team is considering the opportunity to add an environmental angle to our NPL Strategy, broadening the scope to encompass assets with a clear green energy focus – such as solar plants and photovoltaic installations. A strengthened focus on adding value to the underlying real estate assets through intervention aimed at increasing their energy efficiency will also be considered.

4.4 ESG Stewardship and Engagement

Algebris uses a combination of bottom-up fundamental research informed by top-down understanding of the macro context in order to evaluate investment opportunities. In many cases, Algebris seeks to build long-term relationships with the companies we invest in and is able to maintain a dialogue with senior management that is critical within the investment process. Algebris' investment selections undergo exhaustive due diligence, communication with company executives, and a highly disciplined approach to risk control.

The Firm's portfolio managers engage in Active Ownership, with a view to reducing the risk of particular positions falling outside of risk appetite/limits. We also aim to use our role as investors to achieve positive change, and hence place a high importance on actively engaging with investee companies on sustainability.

Our stewardship policy is grounded on 3 pillars: *ad hoc* engagement, collective engagement, and voting. We maintain our commitment to effective stewardship of investee companies throughout the lifecycle of the investment, through ongoing monitoring of ESG credentials and progress. This is primarily achieved via regular contact with the investee companies and on-going review of ESG metrics, shareholder communications and publicly available information.

Figure 2 - Algebris ESG Stewardship and Engagement

4.4.1 Ad hoc Engagement

The goal of our *ad hoc* ESG engagement is to positively influence the behaviour of investee companies to improve the long-term sustainability of their business models. To this end, Algebris investment professionals hold ongoing dialogue with investee companies, which includes discussions of relevant ESG developments.

ESG forms part of the regular discussion between Algebris investment professionals and investee companies, complementing the ongoing assessment of investees' fundamentals. The Algebris ESG Research team is often involved in those conversations. Engagement with issuers on climate-related issues is key to our Net Zero commitment: starting in 2022 Algebris will focus engagement specifically on driving investees' adoption of Science Based Target by all investees in our Net Zero-aligned portfolios.

Ad hoc engagement is also a central part of both our UNGC and ESG best-in-class screenings, as well as our monitoring of ESG controversies. If an investee company is flagged by our UNGC screening or our ESG Best-in-class screening, the ESG team and the investment team need to assess if the investment becomes unacceptable. To establish that, the team will engage with the company to establish whether reassurance can be obtained that the identified issue or breach will be rectified or improved upon.

We typically allow for an engagement window of up to 6 months – although in selected cases the window could be extended, subject to close monitoring of the expected progress. If engagement appears to be unsuccessful, the end point will be divestment and exclusion until the identified issues are resolved.

Ad hoc engagement can finally take the form of engagement with regulators and other relevant bodies on a range of matters that are important to the firm, investors and to the sustainability cause. For example, we addressed a letter to EU authorities sharing our concerns that the unregulated nature of the ESG ratings industry might undermine EU efforts at fostering transparency on the sustainability credentials of investment products, creating a risk of green-washing, capital mis-allocation and product mis-selling. Our policy letters are available on our website.

4.4.2 Collective Engagement

Algebris is a member of the UN PRI and keen to deploy efforts to push for better environmental disclosures globally. We recognises that engagement is most powerful when undertaken at firm level and collectively with third parties. Our collective engagement efforts are currently anchored around participation to multiple public and transnational ESG initiatives.

Net Zero Asset Managers Initiative (NZAM): NZAM is promoted by the Institutional Investors Group on Climate Change, and and it brings together Asset Managers around the goal of aligning investments with net zero emissions by 2050 or sooner. Algebris disclosed its NZAM target in March 2022, committing to initially align 57% of our total AuM (79% excluding mandates) with the net zero objective by 2050 or sooner. As part of our NZAM membership, Algebris implemented a science-based fossil fuel investment policy that sets strict exclusions on thermal coal (mining, power generation and expansion) as well as on unconventional oil and gas. Engagement with issuers on climate-related issues is key to our Net Zero commitment, and will revolve in particular around driving investees' adoption of a Science Based Target.

Say on Climate Initiative: An initiative supported by the Children's Investment Fund Foundation, CDP, and ShareAction aiming to push companies to publish climate transition action plans. Algebris joined in November 2020, and as members of the initiative we commit to encourage investee companies to submit a Climate Transition Action Plan at their AGM for a shareholder vote. This commitment translates into a requirement – embedded in our voting policy – for Algebris to promote and/or support AGM resolutions requiring such votes, whenever our investment comes with voting rights.

Carbon Disclosure Project (CDP): A global non-profit organisation working to make environmental disclosure mainstream, CDP is the largest solicitor of direct, reported, primary environmental information worldwide and it holds the largest collection of primary carbon, water and deforestation information. Algebris became an investor signatory in late 2020, and actively participates in CDP's annual Non-disclosure Campaign requesting that investee companies respond to climate change, forests and water security questionnaires developed and managed by CDP. From 2022, we will also participate to CDP's Science Based Target campaign.

Task Force on Climate-realted Disclosures (TCFD): An industry-led task force promoting climate-related financial disclosures. Algebris joined in late 2020, and will publish its first TCFD report in 2022.

5. ESG in Company Operations

5.1 Reducing our Footprint

As a financial services firm, the direct environmental impact from our operations is inherently limited, but sustainability and energy efficiency are guiding principles of our business operations – starting from the choice and management of our offices.

Algebris' headquarters in **London** and flagship office in **Milan** were chosen and are run in full consideration to energy and resource efficiency, water usage minimization, and waste management. In London, we have roof solar panels and water recycling from sinks and showers, and across both locations air conditioning is restricted to working-day hours. At present, renewable energy accounts for approximately ~35% our total energy consumption, but we are looking into the feasibility to increase the renewable or low impact energy share.

Food is delivered by a company that uses electric vehicles, and to which we return any shopping plastic bag. We also use a fruit delivery company that reuses the baskets and uses biodegradable wrapping for deliveries and all Algebris staff members are provided with stainless steel reusable water bottles, while we only buy reusable glass water bottles for all our meeting rooms. Across all our locations we maintain separate bins for food, plastic, paper, and glass and implement a strict recycling policy on all batteries and cartridges, while also using recycling paper or electronic receipts where possible. Our recycling rate at firm level is currently estimated to be ~85%.

In September 2021, we also introduced a pilot project to reduce emissions from the commuting of employees to our office in Milan. All Milan-based employees have been offered a bicycle provided by Algebris, to use for the daily commute. As of October 2021, 80% of the eligible employees had opted into the scheme and 19 had already received their bicycle. Of those who had received it, 58% stated that the Algebris bicycle had come to substitute an alternative mean of transportation they were previously using to commute (train, public transport, car, or other means of transportation).

We estimate this program to have already contributed to reduce emissions from commuting of our employees in Milan by 5% on an annual basis. When fully phased in, we expect the program to produce an overall reduction in emissions from commuting by 17%, and we are considering similar schemes for our other offices globally. In 2022, we also plan to collect more systematic data on emissions from commuting of our workforce, fine tuning our Firm-level carbon footprint.

5.2 Offsetting our emissions

Starting in 2019, Algebris' ESG Research Team has been performing a carbon footprint analysis of the Firm's activities – calculating our CO_2 emission since inception based on energy consumption, buildings cooling and heating, flights and travel, paper usage and waste disposal. These estimated CO2 emissions are then converted into a number of trees-equivalent – i.e. a number of trees to be planted in order to absorb the CO2 we emitted since our business started operating.

Forestation is today perhaps the most effective way to rapidly address land degradation and at the same time create new carbon sinks. This has been recognised for example in the July 2021 G20 communiqué, in which global leaders expressed their aspiration to collectively plant 1 trillion trees by 2030, with the involvement of the private sector and civil society[5]. Trees are natural carbon sinks, and a conservative estimate suggests that on average, a tree can absorb around 30 kg of CO2 per year over a 10-year horizon[6].

[5] See full text at: https://www.g20.org/wp-content/uploads/2021/10/G20-ROME-LEADERS-DECLARATION.pdf

[6] The conversion was based on estimates of the potential CO_2 absorption during the life cycle of different types of trees which we retrieved from the website of Treedom – a company specialised in offering tree-planting services with a positive environmental footprint. We averaged the estimates absorption capacity for the types of trees that we planted in our project – which range between 10 and 50 kg per year.

Offsetting Algebris CO_2 emissions since inception requires – in our estimates – the planting of approximately 23,000 trees. Based on these numbers, we set up an in-house project of forestation ('AlgeTREES'). The tree-planting is carried out by our partner Hakuna Matata[7] - a UK charity founded by Algebris' CEO, to which Algebris has a formal standing commitment to donate 1% of the Firm's annual earnings and to match all third-party donations. The AlgeTREES project has been devised with the objective to not only offset the environmental impact of our business operations, but also generate significant economic and social value for the local communities involved – in line with the principles of the UN Sustainable Development Goals (UN SDGs).

As of December 2021, approximately 82,000 trees had been already planted under the AlgeTREES project, and Algebris has committed to plan 1 million trees over the next decade. To ensure our objective of carbon offsetting is achieved, we closely monitor the trees' survival and annually review the estimates of both our carbon footprint and the planted trees' absorption capacity.

Figure 2 – SDG contribution of Algebris' AlgeTREES Project

The planting and caring of trees in the AlgeTREES project creates economic opportunities for local communities, with the possibility to sell the fruits or the extraction of resins.

Through the planting of fruit trees (avocado, orange, cedar, papaya, mango), the project contributes to create a cycle of sustainable local agriculture and enhances food security for the community.

Farmers receive training to tend to the different species of trees planted in the context of the project, in cooperation with the Mamre Agricultural College that Hakuna Matata supports.

AlgeTREES naturally contributes to fight climate change, through an operation of forestation that over the trees' life cycle should more than compensate for our environmental impact since inception. By planting trees and caring for them in a sustainable way, the project contributes to reduce the risks of desertification and biodiversity loss in an area at risk of experiencing them

[7] More information about Hakuna Matata is available at: https://www.hakunamatata-charity.org/

6. Corporate Social Responsibility

At Algebris, we strongly believe in a culture of giving back to society, and this commitment is evidenced in the support that the firm provides to many social and education initiatives, well-aligned with the UN Sustainable Development Goals (UN SDGs).

CHARITABLE GIVING

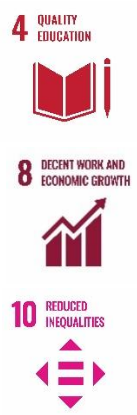
Algebris has a formal commitment to donate **1% of the Firm's annual earnings** and match all third party donations to our partner charity Hakuna Matata, a registered UK charity primarily focused on helping orphaned children in Tanzania through education, employment and healthcare programmes It is also our partner for Algebris' carbon offsetting project.

In March 2022, Algebris partnered with CARITAS, ASCS (Agenzia Scalabriniana per la Cooperazione allo Sviluppo) and BES GROUP to assist the civilian population affected by the war in Ukraine by offering board and lodging to up to 100 Ukrainian refugees to Italy for the whole of 2022 in the Antico Borgo La Muratella hotel located in the province of Bergamo.

SUPPORTING OUR COMMUNITES

In 2020, during the early stages of the Covid-19 pandemic, Algebris donated EUR 500,000 to two hospitals in Milan (Luigi Sacco and Policlinico) to help with purchase of technical equipment and increase the capacity to treat patients. The firm also donated 5,000 FFP2 masks to the two hospitals and to the municipalities of Milan and Bergamo – at a time when Italy was experiencing a severe shortage of PPEs.

EMPOWERING TALENT



We believe that quality education is the most effective way to overcome economic barriers. In 2018 and 2019 Algebris donated the firm's used IT equipment (monitors and PCs) to Camara Education, an international not-for-profit whose mission is to use technology to improve education in low-income communities.

Since 2017, Algebris has committed to a Scholarship Programme with Bocconi University in Milan, to support 60 students over 10 years. The Program awards 2 scholarships annually for students in Masters' degrees and 4 partial fee exemptions to students in the Bachelors' programme. In 2019, Bocconi and Algebris launched the Algebris Chair in Long-Term Investment and Absolute Return – a five-year education programme aiming at creating a future generation of fund managers focused on long-term investment and conscious of wider societal impact.