

The report present FARAD Group's strategy, its progress throughout the years and what the future holds

This report sets out to shine light on what the concepts of sustainability, corporate social responsibility (CSR) and ESG mean to FARAD Group



FARAD
GROUP SINCE 2001



FARAD Group CSR Report

FARAD Group is an independent diversified financial services organization with a business-to-business (B2B) and business-to-business-to-consumer (B2B2C) approach.

www.FARAD-Group.com

Contents

Foreword

Sustainability, corporate social responsibility (CSR) and ESG are all concepts that are known in the business world, though the interpretations can vary among companies and their stakeholders.

This report sets out to shine light on what these concepts mean to FARAD Group and how they are implemented and integrated into the company culture. The report will present the Group’s strategy, its progress throughout the years and what the future holds.

- 1. A letter from our Chairman 4
- 2. Who are we? 6
- 3. Understanding sustainability 8
- 4. FARAD Group CSR strategy 10
 - 4.1 The SDGs 10
 - 4.2 The 3 pillars of FARAD Group: E S G 12
- 5. Roadblocks and challenges 14
- 6. What we’ve done so far 15
- 7. What we’re doing next 16
- 8. FARAD timeline 18
- 9. Appendix 20

1. A letter from our Chairman

■ At last, we have come to the point where mere economic achievement is no longer sufficient to convey the long-term sustainability of a company. While financial performance is still important to keep the business running, the impact of the company has come to stand front and center. It is fundamental to understand that the company is part of an ecosystem and that it must operate in harmony with it.



This ecosystem lives internally through employees and externally through society and the environment. Increasing positive impact on both should be a top priority for any company. This does not imply forgoing profit, much rather it means making use of that profit in a sustainable fashion. Earning money is not the problem, it is how and for what you use that money that makes the difference.

I have always worked with the belief that economic achievement is important only if it has been realized by delicately combining meritocracy and social inclusion. We must overcome the stark contrast between for-profit and not-for-profit and arrive at a point where financial success and social inclusion are inherently intertwined. Social inclusion cannot be achieved without the economic profitability; however you cannot build a company on the simple pretense of long-term financial profit without operating in a socially inclusive manner, taking into consideration both internal and external stakeholders. Only when you consider both aspects and you successfully marry them into one strategy can you become truly sustainable.

I started my entrepreneurial career with the vision that job creation and the redistribution of part of the result of my hard work were fundamental to be able to envision a future where my company would come to be

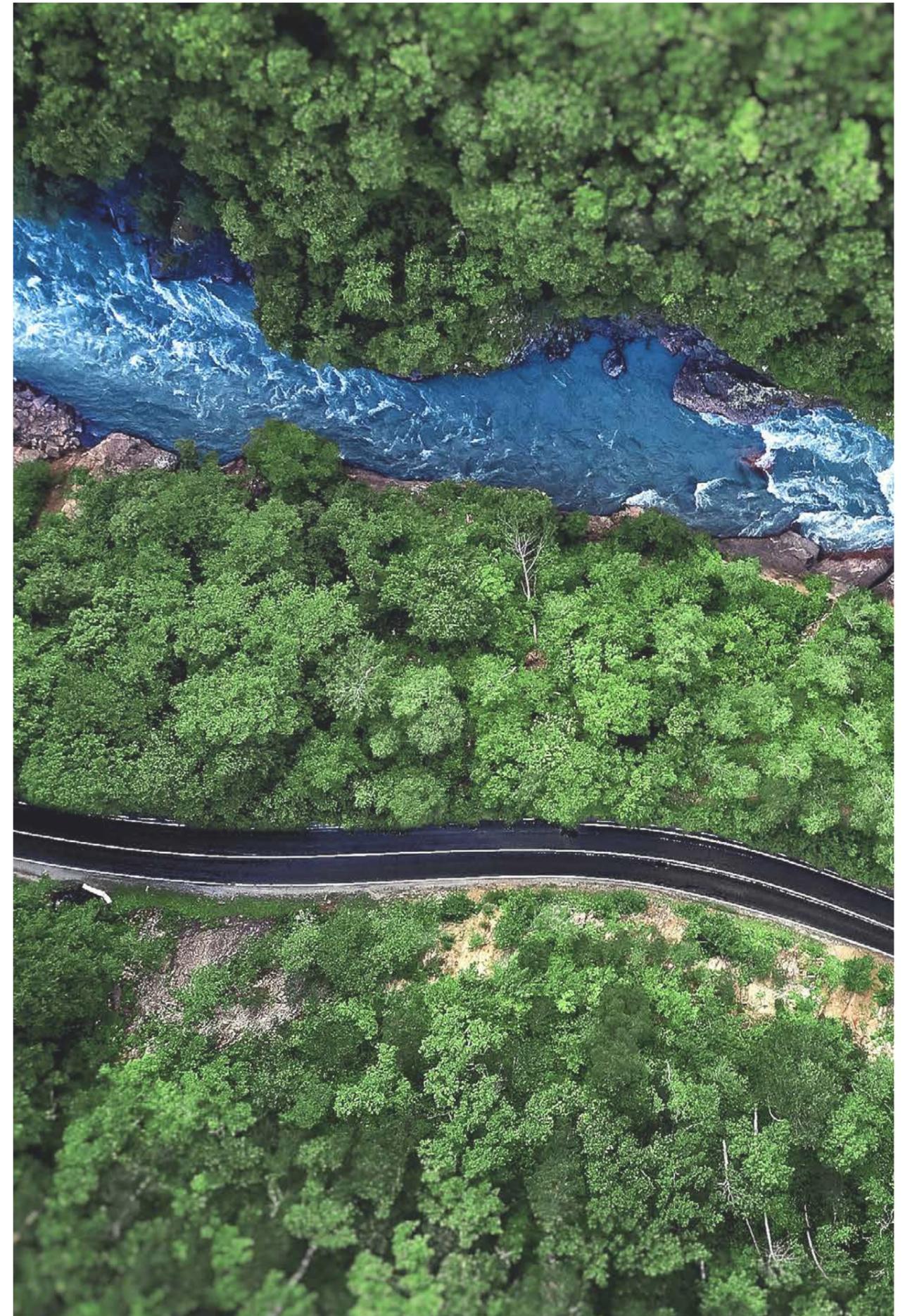
an international group. Being a B Corporation does not mean conducting business with a non-profit approach, quite the opposite, it means being able to follow strategic indications in a way that will allow the sustainable development of the company, where both financial sustainability as well as social and environmental sustainability are deliberated.

Over the last 20 years, I have refined this concept with the help of the B Corp certification but above all through the awareness of the gift of vision entrepreneurship gives and how this gift can and should be shared with others to help them find their way. This ability to ‘see’ encompasses an abundance of horizons, which should be explored with those who do not have this ability and rely on the entrepreneur to lead the way. This allows the entrepreneur to work for a purpose that must be for the benefit of both.

I would like to leave you with a quote by E.M. Dodd that appeared in the Harvard Law Review in 1932: *“Business activities are permitted and encouraged by law because they are a service to society rather than a (mere) source of profit for its owners”*.

Being a businessperson today means looking beyond the confines of shareholder profit to find a world of opportunities that allows both business, society and the planet to thrive.

“Economic achievement is important only if it has been realized by delicately combining meritocracy and social inclusion.”



2. Who are we?



FARAD Group was **founded** by Marco Caldana in **2001** and is an independent diversified financial services organization with a business-to-business (B2B) and business-to-business-to-consumer (B2B2C) approach. While FARAD Group is well-known on the Luxembourgish finance market due to the company’s financial expertise, the group also stands out as a frontrunner in the environment, social and governance (ESG) movement and achieved the internationally renowned **B Corp certification** in 2017, making it the second B-certified company in Luxembourg, after Innpect.

With this nature of B Corp and ESG integrated into the company culture, the goal of FARAD Group is to bring together the **for-profit market** and the **not-for-profit market** and above all work on inclusion in both markets.

“we proactively create opportunities”

The Group wants to share its philosophy with other people and companies and collectively have strong positive impacts on its surroundings, be it society or the environment. This path to being truly sustainable, on the inside as well as on the outside, is a journey of continuously improving how we think, act and do business.

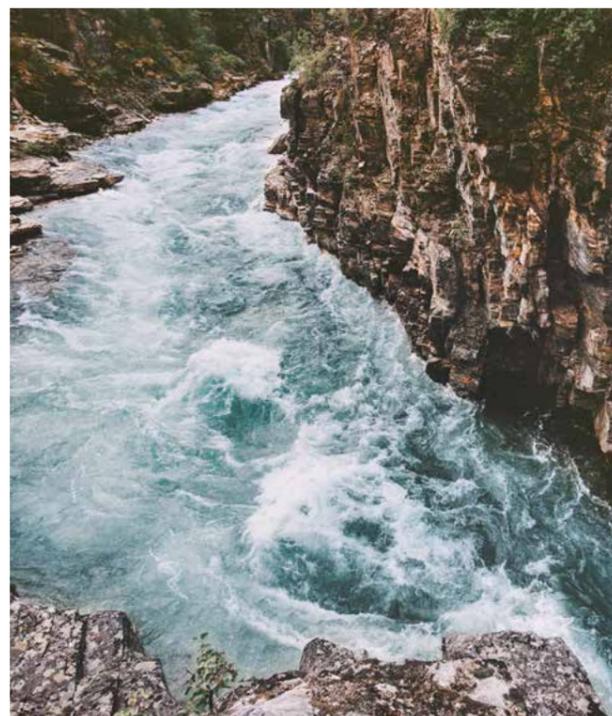
“We seek to ignite opportunities and to break the barriers between profit and social responsibility”

Today, after some structural change during the past years, the Group has two independent subsidiaries: Farad Investment Management (FARAD I.M.) and Farad Insurance Broker in Italy (FIBI).

FARAD I.M. is the asset management company within

FARAD Group, founded in 2005. FIBI was established in Milan in 2020 and is scialized in private life insurance. Furthermore, Green Ethica provides clients with specific expertise and knowledge in sustainability and sustainable finance and the integration of ESG criteria.

Doing good by being good



Green Ethica is the business unit of FARAD Group that is entirely **dedicated to sustainable and responsible finance and ESG criteria integration**. While sustainability runs deep through the veins of all of FARAD Group’s business units, the knowledge and expertise in sustainable finance of the various units is combined in Green Ethica.

Using business as a force for good

The focuses lies on creating and developing a wide range of financial solutions and instruments that ensure the support of a more responsible economy. Through projects such as the Green Ethica Social Impact Bond and Best of SRI fund, Green Ethica aims to connect the two Ps – people and planet – with the third P – profit – that makes the 3 pillars of sustainability. The aim of this platform is to create the maximum of positive impact through finance.

Being part of one of the most driving community of change makers of today’s business world (B Corp)

While FARAD Group is the holding company, each of the two subsidiaries is independent and has their own governance structures. However, the company culture is built by FARAD Group and trickles down to both sub-companies.

Since the beginning in 2001, it has been important to FARAD Group to make sure the holistic approach to sustainability is implemented and respected in all sub-companies. Whereas the commitment to sustainability and ESG comes from the top, it is inherently part of the subsidiaries as well. As such, it is the holding company that oversees the effective implementation of CSR committees and policies as well as the respect of the environment.



3. Understanding sustainability



In this modern world in which sustainability has come to be a major focus, it is sometimes difficult to make sense of the so-called “alphabet-soup” of letters and words. The difficulty, past the point of actually understanding the words, is to decipher the nuances that every country or even every company attributes to them. While one company may mean one thing by using “sustainable”, another may define it slightly differently. That is why we feel the need to clarify how terms such as sustainable development, impact and materiality, amongst others, are generally defined as well as what these terms mean for FARAD Group.

 <p>Sustainable development</p> <p>Brundtland report</p> <p>The Brundtland report in 1987 defines sustainable development as “development that meets the needs of the present without compromising the ability for future generations to meet their own needs”.¹</p>	 <p>UN SDGs</p> <p>United Nations Sustainable Development Goals</p> <p>Following the 8 Millennium Development Goals that were created in 2000 and had the ambitious objective of being achieved by 2015, the UN SDGs were brought to life in 2015 and embody a global call to action to end poverty, protect the planet and ensure all people on the planet can enjoy peace and prosperity by 2030. There are 17 SDGs that are interlinked showing that working on one aspect will have an impact on other aspects and underlines that the social, economic and environmental aspect must be balanced in order to ensure a sustainable development.²</p>	 <p>ESG</p> <p>Environmental, Social, Governance</p> <p>As the Green Ethica book explains, there is currently no standardized definition of ESG, a highly complex and intertwined term. However, the general understanding is that the term refers to 3 aspects, namely, environmental, social and governance which touch upon issues such as human rights, the protection of our planet and governance issues.³</p>	 <p>CSR</p> <p>Corporate Social Responsibility</p> <p>CSR is a strategic tool that allows companies to contribute positively to its economic, social and environmental circumstances and to sustainable development, while creating value for its stakeholders, society and themselves. CSR is about reducing negative impacts while maximizing positive ones.⁴</p>
--	---	---	---

 <p>Impact</p> <p>Impact</p> <p>According to the Global Reporting Initiative (GRI), impact is the effect of an organization’s business on the economy, the environment or on the people. This effect may be positive or negative and can serve as an indicator in determining how much and in what way the organization contributes to sustainable development.⁵</p>	 <p>Impact investment</p> <p>Responsible, sustainable and impact investment</p> <p>Although to some people these three terms may sound similar, there are distinct differences that set them apart. Responsible investing is based on decisions being made following screenings based on predefined lists and approaches, namely negative or exclusionary screening, norms-based screening and positive or best-in-class screening. In other words, responsible investing is based on an “avoid doing harm” approach.⁶ Sustainable investing goes one step further on the so-called Spectrum of Capital. It implies that ESG criteria is integrated into all aspects of the decision making process and the portfolio management process and looking to continuously maximize ESG opportunities.⁷ Impact investing is defined first and foremost by the intentionality to have positive and measurable impacts that contribute to the solution of a certain theme, such as malnutrition in Africa. A financial return is generated alongside generating this positive impact.⁸</p>	 <p>Materiality</p> <p>Sustainability Accounting Standards board (SASB)</p> <p>According to the Sustainability Accounting Standards board (SASB), material issues are those “that are reasonably likely to impact the financial condition or operating performance of a company and therefore are the most important to investors”.⁹ The GRI has its own definition of materiality: “those topics that have a direct or indirect impact on an organization’s ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders and society at large”.¹⁰</p>	 <p>Philanthropy</p> <p>Sustainability Accounting Standards board (SASB)</p> <p>Philanthropy is the last dimension of the Spectrum of Capital and covers only those investments that have no financial motive, in other words goodwill.¹¹</p>
--	--	---	---

4. FARAD Group CSR strategy



At FARAD Group, we believe in moving away from the classical shareholder approach, where solely the interest of the company shareholders is taken into account in decision-making processes, to a **more inclusive stakeholder approach**, where the company considers all stakeholders, both internal and external, that are impacted by and have an impact on company operations.

With this approach, FARAD Group takes into account the interest of shareholders as well as employees, clients, NGOs and associations, and society at large. Together with these stakeholders, FARAD Group shapes its perspectives and initiatives for the future.

On top of the previously mentioned common stakeholders, there are two more that are important to FARAD Group. The first is one that is often thought invisible or a tool to use as we please: the planet. However, the planet is a crucial stakeholder whose interests should be taken into consideration in all decision-making processes. Without a planet, there is no business.

At FARAD Group, the respect of the environment has been at center-stage since the beginning and no decisions are made that are potentially harmful to it. Hand-in-hand with the planet, the generations that will follow are also considered stakeholders by FARAD Group. For it is they that will take over the world in the future, so ultimately, it is in our best interest, and theirs, that they should be taken into account when making decisions today. In line with FARAD Group's mission of **creating opportunities, future and current generations** are always kept in the focus.

4.1 The SDGs

Contributing to a better today and tomorrow has been part of our DNA since day one. We strive to build an inclusive, diverse and sustainable future alongside ensuring success for our business. The 17 UN SDGs are at the core of our Corporate Social Responsibility strategy and serve as a guideline for our activities.



Figure 1 - 17 UN SDGs

While we believe that each and every one of the 17 goals carries a particular importance and value, we aim to focus on a couple of them, so we are able to give them our full attention. A key characteristics of the SDGs however is, that while you may start off focusing on a select few, they are all so intrinsically linked and interdepen-

dent, that you will most likely end up having an impact on others as well. At FARAD Group, we aim to take into account this interdependency, not only reflected in the SDGs but that can be found in the sustainability movement on a more universal scale, and work with it.



Figure 2 - SDGs 3, 8 & 13

In particular, numbers 3, 8 and 13 stand at center stage at FARAD Group. Especially with the rise of the Covid-19 pandemic, SDG 3 has gained new weight. For FARAD Group, the health and well-being of employees has been important since the beginning, promoting a healthy lifestyle and offering all employees fruit, water and coffee every day. Moreover, a high standard of cleanliness and safety was implemented during the pandemic, providing sanitary products such as facial masks and disinfectant from the start, free of charge, both to employees and external visitors. SDG 8 lies at the center of FARAD Group's activities. By thorough talent acquisition and offering traineeship opportunities to young professionals, the company seeks to promote job creation and employability. For FARAD Group, job creation and ensuring

equal opportunities for all, is of the utmost importance. SDG 13 is part of the company DNA. Using no single-use plastics, reducing paper usage and using 100% renewable energy is a given for FARAD Group, and has been since its foundation.

The **UN Principles for Responsible Investment (PRI)** were signed by FARAD I.M. in 2019, guiding the subsidiary in achieving sustainable objectives in line with the holding company vision, such as contributing to sustainable development as well as a more sustainable and inclusive financial world. Integrity, accountability and good governance are the guiding attributes in implementing the UN PRI.

<p>PRINCIPLE 1</p> <p>WE WILL INCORPORATE ESG ISSUES INTO INVESTMENT ANALYSIS AND DECISION-MAKING PROCESSES.</p>	<p>PRINCIPLE 2</p> <p>WE WILL BE ACTIVE OWNERS AND INCORPORATE ESG ISSUES INTO OUR OWNERSHIP POLICIES AND PRACTICES.</p>
<p>PRINCIPLE 3</p> <p>WE WILL SEEK APPROPRIATE DISCLOSURE ON ESG ISSUES BY THE ENTITIES IN WHICH WE INVEST.</p>	<p>PRINCIPLE 4</p> <p>WE WILL PROMOTE ACCEPTANCE AND IMPLEMENTATION OF THE PRINCIPLES WITHIN THE INVESTMENT INDUSTRY.</p>
<p>PRINCIPLE 5</p> <p>WE WILL WORK TOGETHER TO ENHANCE OUR EFFECTIVENESS IN IMPLEMENTING THE PRINCIPLES.</p>	<p>PRINCIPLE 6</p> <p>WE WILL EACH REPORT ON OUR ACTIVITIES AND PROGRESS TOWARDS IMPLEMENTING THE PRINCIPLES.</p>

Figure 3 - UN - PRI

4.2 The 3 pillars of FARAD Group: E S G

FARAD Group’s CSR strategy has **3 pillars** on which it stands: **E as in environmental, S as in social and G as in governance**. For us, it is important not only to focus on environmental concerns, although they are at the forefront of many political debates. As the founder and chair put it in an interview in the spring of 2021: “we reject the idea of describing ESG as a ‘no-plastic policy’”. Being sustainable reaches well beyond only the environmental pillar. We want to be socially just as well, both internally in our governance and externally in the communities we impact, as well as in society at large. Being **B Corp certified**, implies that ESG is at the company core. Being B Corp means valuing workers, customers, the environment and the community in parallel to profit and this is cemented into the structure of the company so it will remain in the focus regardless of potential changes in management and/or ownership.



E - environmental

Respecting the environment is a given for FARAD Group. Since the beginning, certain things have been clear, like no single-use plastic or other toxic materials will be used and only renewable energy will be used to power all offices of the Group. This commitment has been strengthened over the years and several actions are taken to reduce FARAD Group’s impact on the environment:

- Efficient use of water and energy
- Efficient use of other natural resources
- Recycling
- Minimizing waste
- Sustainable transport & no-car-policy
- Responsible purchasing/procurement
- Minimizing noise disturbance
- Use of non-toxic products (e.g. biodegradable cleaning products and VOC-free paints)
- Working with clients and suppliers to encourage high environmental standards
- Raising awareness and training employees on environmental issues



S – social

The social aspect of sustainability is incredibly important to FARAD Group. While the environmental

part is of utmost importance as well, it is social justice we put front and center. Philanthropy has been part of the FARAD Group culture since day 1. FARAD Group has a dual social objective: the **inside mission** and the **outside mission**. On the one hand, the company strives to be socially just internally by creating jobs and offering existing and potential employees the possibility to develop both personally and professionally. On the other hand, the Group exerts its social nature by supporting external organizations through long-term partnerships.

Since its foundation in 2001, **FARAD Group** has worked with and **donated to more than 35 charities** and associations, both in Luxembourg and abroad. However, we don’t define philanthropy by sending checks to charities each year upon which calling ourselves sustainable. It goes beyond donations for us. We want to actively collaborate with associations to create a real positive impact and long-lasting relationships, fruitful on both sides. While donations are made on a very regular basis, through charity events or to various organizations, the Group aims to diversify its social commitment. That’s why FARAD Group’s philanthropic activities span from donations to charitable causes, involvement in the professional development of students through a mentoring program at the university of Luxembourg, to helping start up a new subsidiary of EPPA Luxembourg, a non-profit organization, and more. The **Group’s dedication to the social cause** was cemented into the **bylaws in 2016**, stating that 5% of the annual benefits are put in a reserve to support philanthropic and impact projects. As shown in Figure 4, the Group’s philanthropic activities have been primarily distributed between 3 themes.

Health and wellbeing has been attributed the majority of funds, and organizations which the Group supports span from the Italian Fondazione Piero e Lucille Corti to Luxembourgish Caritas to Médecins du Monde and many more. Children have been supported for various causes, such as education and health, through organizations such as SOS Kannerduerf Letzebuerg and SOS Villages d’Enfants Monde as well as UNICEF Luxembourg. Lastly, education and inclusion is another underlying theme. Here philanthropies like Digital Inclusion, Handicap International and Unity Foundation support people with difficult circumstances with integration, inclusion and education.



G – governance

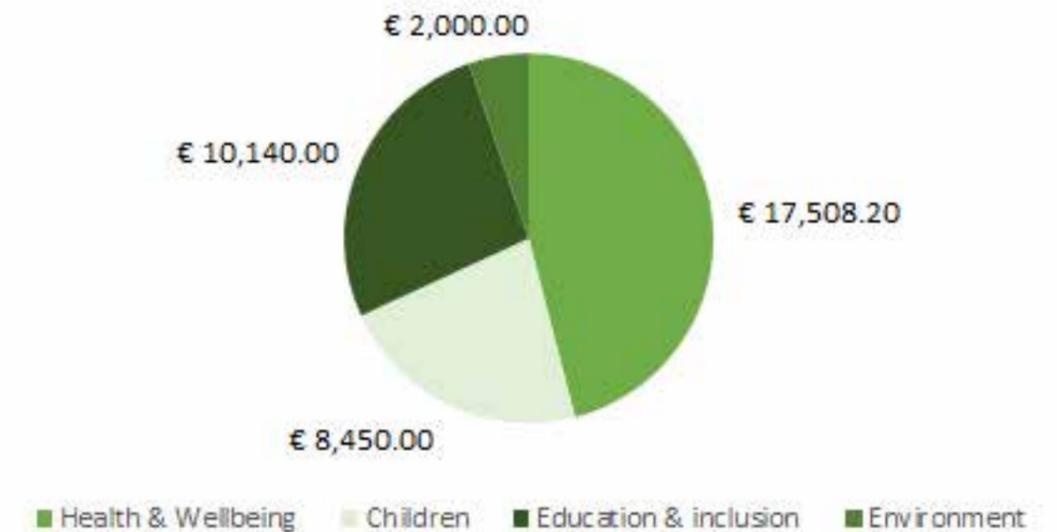
For FARAD Group, sustainability does not end with the environment, nor with society. **Corporate governance** is a **core component of ESG** and ultimately also of the Group. Diversity, inclusion and equality are the driving mottos of the Group’s, thus also the subsidiaries’, governance strategy. In the Group’s by-laws, it is stated that gender equality should be the target within the company as well as the board.

Creating jobs and opportunities is our mission statement and our raison-d’être. In line with **SDG 8** as well as **SDG 4**, individuals are offered trainings and support in developing their careers and helping them find their way in the professional world.

The various subsidiaries have their own independent governance structures. Nevertheless, the pertinent governance culture is introduced from the top, from the holding company. Giving every employee an on-boarding process allows newcomers to be well integrated into the company. The FARAD Code of Ethics is shared with everyone to make sure all employees are aware of the guidelines. During talent acquisition processes, every applicant is treated with respect, always with the notions of diversity and inclusion in the background.

The fact that we are a B Corp company binds us to the commitment of ensuring these values are part of the legal DNA of the company and cannot be disregarded through a change in management. The B Corp gene is inherently part of every corner of FARAD Group.

FARAD Philanthropy 2021



5. Roadblocks and challenges



■ During the past few years, FARAD Group has undergone some structural changes. By selling several of its subsidiaries, the Group has been downsizing, so as to focus more on its core and the sustainability aspect of the business. While this has not been a roadblock, it has meant organizational and structural change for all of FARAD Group.

Covid-19 has modified our life for 2 years now. It has imposed challenges on both personal and professional lives and presented us with unique situations. The **business world was disrupted as well and it had to re-think how things were done.** For FARAD Group, this had to be done quickly, as remote working had not been introduced before the pandemic.

As the holding company of several sub-companies, FARAD Group monitored each business unit and supported each of them in making this transition fast, fair and safe. It was ensured that all employees were safe and weekly chats to follow-up on both business and personal matters were introduced to maintain that “group” feeling. For the second phase, after a 100% remote-work period, a rotation system was put in place to ensure that employees remained safe when slowly returning to the office. Furthermore, facial masks and

other sanitary products were, and still are, provided by FARAD Group. In line with the company commitment of being sustainable and local, the facemasks that are distributed are produced in Luxembourg.

During the summer of 2021, the Group moved to a new building. This also presented a challenge, as the new office space is smaller and limited to 1 floor, whereas the old office was distributed across 4 floors. But a collective effort from employees and effective delegation and organization from HR resulted in a smooth move and a good transition. The new office is located in a pedestrian area, encouraging employees to make use of public transport to get to the office.

Transition
FARAD Group monitored and supported each business unit.

Moving
collective effort from employees and effective delegation from HR

Challenges
For 2 years now Covid 19 presented us with unique situations.

6. What we've done so far

■ In the 20 years of FARAD Group's existence, a lot has happened and much has been achieved. As has been mentioned, sustainability is a constant journey of improvement and with it, the Group has developed and grown and the company culture along with it.

The environment has always been held in high regard and has been respected, the communities in which we operate likewise and our employees have been treated fairly. However, our philanthropic and impact activities have been done without a clear strategy and aim. So, during the past 5 years, we have been focused on forming our CSR strategy and making it holistically part of the company culture. We want to continue to develop our social part of the business and go further beyond simple donations to charities. We want **to collaborate actively with philanthropies to achieve positive impact.**

In line with this culture, we made the commitment to become B Corp certified in 2017. While the B Corp culture has indirectly been part of FARAD culture, the certification in 2017 officially testified it. We believe that you don't get a B Corp, you are a B Corp. You **benefit your clients, your employees and your environment.** It is a culture that the company inherently believes in and wants to promote.

As mentioned, FARAD Group pursues a dual objective – financial and non-financial, profit and non-profit. Living up to the B Corp motto of “using business as a force for good”, the Group is constantly seeking the creation of opportunities and jobs, both inside the company and outside, by supporting start-up projects and other organizations. Jobs are ultimately what make society work, and FARAD Group works hard on finding and creating possibilities for people to be part of this. Starting its journey in 2001 with one employee, over the years this

number has multiplied. A couple of hundreds of people have worked at or with FARAD Group and have gotten the opportunity of furthering their professional careers through and/or with the Group.



7. What we're doing next



- Our main goal for the future is to work on **improving our B Corp nature**. Using the B Impact Assessment and its 200 questions, we want to **increase our actions that create impact** and continuously grow our score. The aim, of course, is to reach 200, but remaining realistic, we believe improving the score each year by 10 or 20 points is a good starting point.

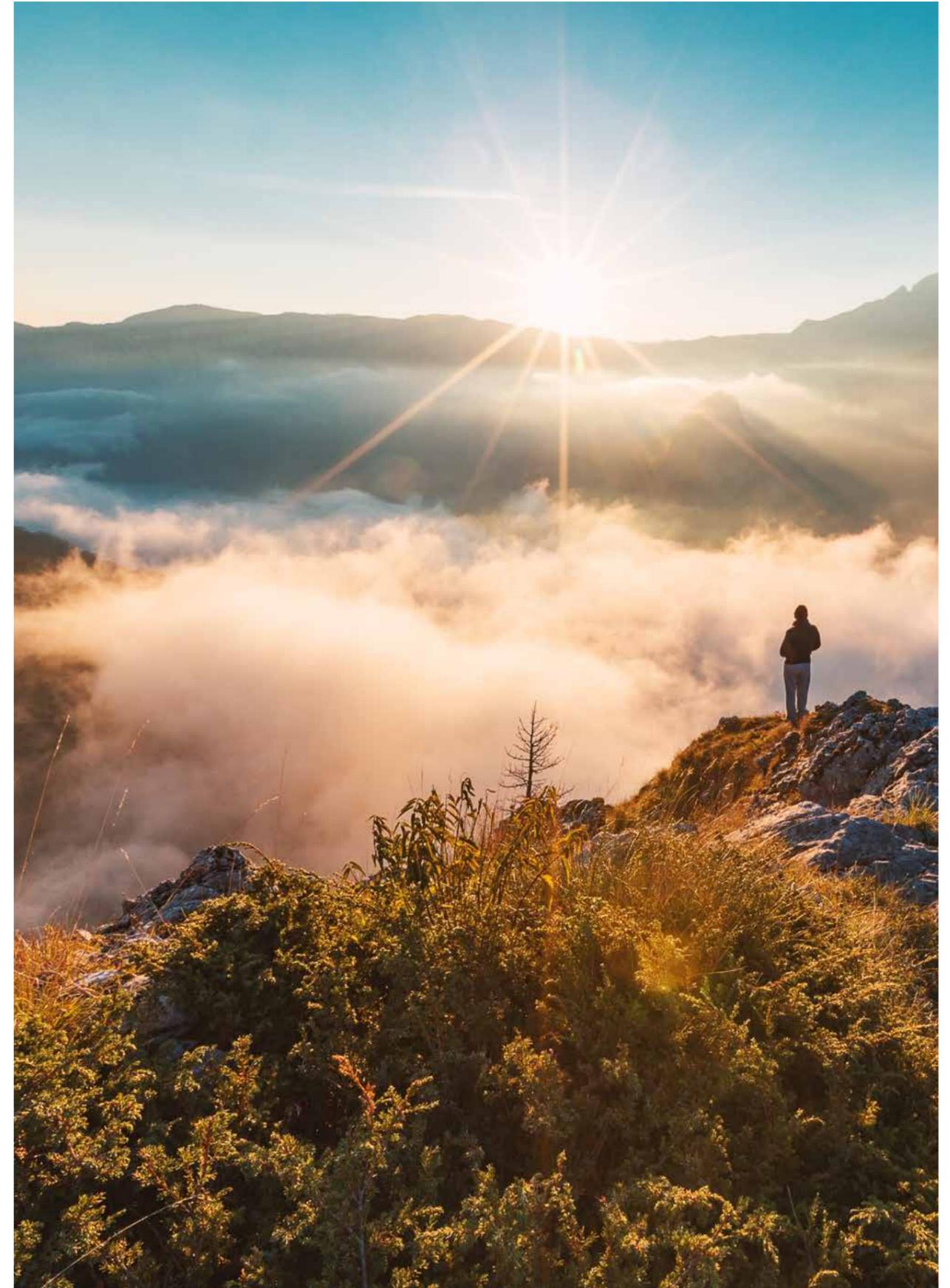
Furthermore, the FARAD I.M. CSR Committee will be further developed and fine-tuned, to have the most effective impact on the company's CSR strategy and consequently the Group's CSR strategy. The holding company aims to have a **holistic approach to CSR and oversee the successful implementation in each of its subsidiaries**. Additionally, the Group wants to communicate and train employees further on the various sustainable initiatives and concepts, to ensure that each employee is aware of what sustainability initiatives are being taken and can effectively implement them in their daily activities.

Increasing positive impact will be the guiding light in every one of the Group's activities. It is no longer about the "lesser evil" or minimizing negative impacts. From now on, FARAD Group wants to focus on maximizing its positive impacts, be it by its business activities or by philanthropic activities. That is why, in autumn 2021, a non-profit and impact project was launched, that aims to become SIS (société à impact societal) certified and to increase awareness and knowledge on the various topics of sustainability. This will not be limited to the financial sector, but will go beyond its borders, hoping

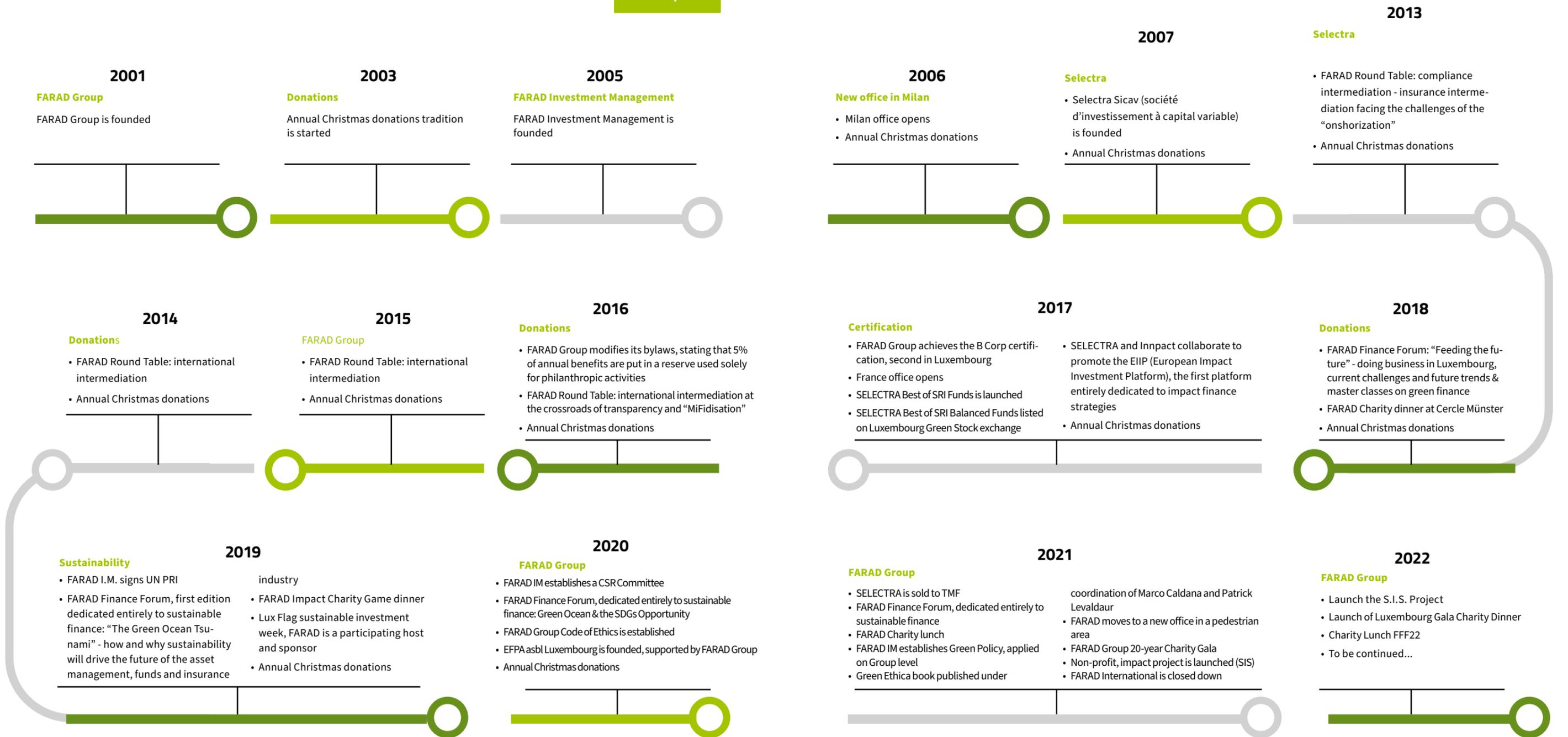
to touch companies across the business world in Luxembourg. The ultimate objective of the project is to support companies in transitioning to a truly sustainable business model and thus working towards achieving the 17 SDGs and contributing to UN's Decade of Action. With this impact project, FARAD Group seeks to develop its non-profit activities further.

In short, we want to continuously work on and improve everything we have already been doing for 20 years!

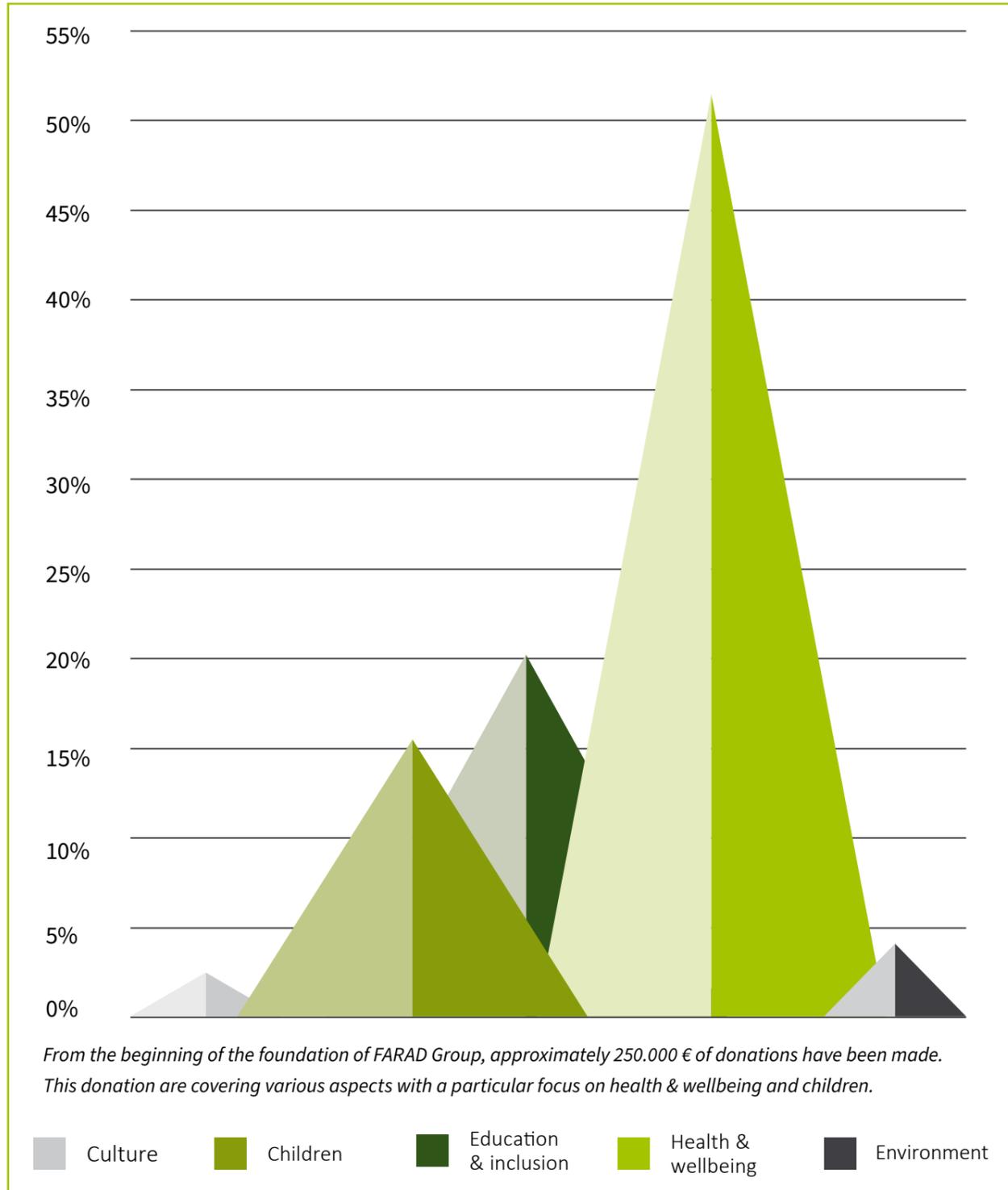
We want to continue to create job opportunities and a decent work environment. We want to continue to bring together two world's that have previously been so far apart: the for-profit and the not-for profit worlds. We want to **continue to cherish and protect the environment**. We want to continue to create impact by working with various philanthropies. We want to look forward to a future where job opportunities are equal to everyone and where the planet can flourish next to and with the business world. We want to continue this journey of becoming truly sustainable.



8. FARAD Group timeline



9. Appendix



Endnotes

- 1 Our Common Future: Report of the World Commission on Environment and Development, page 16.
- 2 UNDP website.
- 3 Green Ethica, page 18.
- 4 Green Ethica, page 23.
- 5 Consolidated Set of the GRI Standards 2021, page 30
- 6 Green Ethica, page 20.
- 7 Green Ethica, page 20.
- 8 Green Ethica, page 21.
- 9 Green Ethica, page 117.
- 10 Green Ethica, page 117.
- 11 Green Ethica, page 21

Improving our B Corp nature

Our main goal for the future is to work on improving our B Corp nature, we want to increase our actions that create impact.

FARAD Group _ CSR Report _ 03/2022

Maximizing positive impact

From now on, FARAD Group wants to focus on maximizing its positive impacts. This will not be limited to the financial sector, but will go beyond its borders, hoping to touch companies across the business world in Luxembourg.



Rue Beaumont, 11
L-1219 Luxembourg
Phone: 00 352 2620 2281
Fax: 00 352 2620 2384
E-mail: info@FARAD-Group.com