Generali Investments Partners S.p.A. SGR

ADVERSE SUSTAINABILITY IMPACT STATEMENT

Implementation of Regulation (EU) 2019/2088 Art. 4

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Document summary

Title	Adverse Sustainability Impact Statement
Classification	Policy
Approved by	Board of Directors of Generali Investments Partners SGR S.p.A.
Approval date	
GIAM Owner	Investments area as OBR

Versioning and Ownership

Version	Date of issuance	Reason for and Extent of Changes	Owner
1		N/A	Investments area as OBR

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Glossary and Definitions

Term	Definition
BOD	Board of Directors of the Company
CEO	Chief Executive Officer of the Company
CIS	Collective Investments Scheme
CLIENTS	Individual portfolios and investment advice services Clients
ESG FACTORS	Environmental, Social and Governance factors have to be intended as a specification of Sustainability Factors (as defined below) and are selected to assess issuers' behavior in relation to the environment (e.g. Carbon emissions, waste generated), social (e.g. relationships with employees, suppliers, customers, and the communities where it operates) and corporate governance (e.g. remuneration practices, audits, and shareholder rights) matters.
GIP OR COMPANY	Generali Investments Partners SGR S.p.A.
SBT	Science-based targets provide a clearly-defined pathway for companies to reduce greenhouse gas (GHG) emissions, helping prevent the worst impacts of climate change and future-proof business growth[1].
SUSTAINABILITY FACTORS	Sustainability factors mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.
SUSTAINABILITY RISK	An environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.
TCFD	Task Force on Climate-related Financial Disclosures is a framework established in 2015 by the Financial Stability Board to improve and increase reporting of climate-related financial information.

[1] https://sciencebasedtargets.org/how-it-works

Roles and Responsibilities

Corporate Function	Roles and Responsibilities
BOARD OF DIRECTORS/BOD	GIP Board of Directors is in charge for the approval and review of the Sustainability Policy. The Board approves the Policy upon proposal of GIP CEO.
CHIEF EXECUTIVE OFFICER/CEO	The CEO is involved in presenting to the BoD the Sustainability Policy to be approved.
GIAM ESG INTEGRATION AND SOLUTIONS (ESG I&S)	**ESG Integration and Solutions ESG I&S** is in charge for defining the sustainability risk assessment methodology and the management of the ESG ratings and scores, including climate metrics. ESG I&S supports and collaborates with Investments and Research Functions providing inputs on thematic and corporate sector relevant ESG as well as climate related topics in order to inform the investment decision-making process with updated quantitative and qualitative information. ESG I&S is also in charge of updating the lists of Restricted investments according to the exclusion principles as set by the clients in their Responsible Investment Guidelines, including analysis of controversies. ESG I&S liaises with GIAM Active ownership to identify and support Active Ownership activities (voting and engagement).
INVESTMENTS FUNCTION	**Investments Function** collaborates with ESG I&S team in order to ensure that the investment decision-making process integrates sustainability risks and takes also into account quantitative and qualitative information with regard to ESG opinions, views and research on relevant ESG and climate topics. It ensures the first level of control in monitoring the exposure towards issuers included in the Restricted lists (both GIP and Client's own Exclusion list).
RISK MANAGEMENT FUNCTION	**Risk Management function**, based on the ESG criteria defined by ESG I&S and on the reports available, periodically monitors the exposure towards the Issuers included in the ESG lists and verifies the respect of the ESG investment limits in order to monitor the sustainability risks on investment decisions. It ensures the second level of control in monitoring the exposure towards issuers included in the Restricted lists (both GIP and Client's own Exclusion list).
GIAM ACTIVE OWNERSHIP	**Active Ownership function** is In charge for the exercise of voting rights and based engagement execution activities.
RESEARCH	**Research function** **Corporate Fixed-Income Credit** Research integrates ESG factors into corporate single-name analyses, as defined by sectorial materiality matrices elaborated with the ESG I&S function. Corporate credit opinions are complemented with "ESG considerations" i.e. a dedicated section explaining, when relevant, if any ESG factor has had an impact on the Credit Rating. **Sovereign:** Research function takes into consideration external ESG ratings when assessing the creditworthiness of Sovereigns, as per its proprietary quantitative model. **Thematic:** Research and ESG I&S cooperates to the production of ESG thematic Research to ultimately feed Investments with forward looking thematic inputs on ESG risks and opportunities.

1 Introduction

Generali Investments Partners S.p.A. SGR ("GIP"), part of the Generali Group, is committed to Sustainable Investments since 2007.

GIP believes that the proactive integration of Environmental, Social and Governance factors into the investment process, across asset classes, will support it to achieve both financial returns and social value. Furthermore, GIP seeks to have an influence on issuers' behaviours, through engagement and voting activities according to GIP internal policies and procedures.

European Regulators have developed a framework to enhance the adoption of economic, environmental and social factors in investment and finance activities in order to achieve long-term sustainable development. In this framework, financial market participants and financial advisors are required to implement an appropriate governance structure and to provide accurate information about the sustainability risks.

In this regard, on the 27 November 2019 the European Parliament and the Council adopted Regulation (EU) 2019/2088 "Sustainable Finance Disclosure Regulation" or "SFDR" which entered into force on the 29 December 2019.

The Regulation aims at providing homogeneous information to end-investors about sustainability risks and at the promotion of ESG factors in financial investment activities. This Regulation was enhanced by the Regulation (EU) 2020/852 (Sustainable Finance Taxonomy) that provides the criteria for determining whether an activity can be considered environmentally sustainable.

GIP, fulfilling the requirements laid down by the European Regulations[2], adopts the present "Adverse Sustainability Impact statement".

Considering the activities regulated in this Policy, also for their potential implications, the document is relevant also for the purposes of the Legislative Decree no. 231/2001 with regard to the provisions of the Organization and Management Model as its integral part.

Whoever becomes aware of potential violations of the provisions contained within this Policy must report immediately to the Surveillance Body established in accordance with the Legislative Decree no. 231/2001.

[2] Please consider that RTS Final Report on draft Regulatory Technical Standards issued by European Commission on 6 April 2022, have still to be published in Official Journal of European Union and, if confirmed, will be applicable, starting from 1 January 2023.

2 Adverse Sustainability Impact Statement

Complying with art. 4 paragraph 1, letter a) of the SFDR, the Statement on due diligence policies with respect to the principal adverse impacts of investment decisions on sustainability factors, hereinafter also referred to as the "Principal Adverse Impacts (PAI) Statement" or the "Statement", aims to provide information about the due diligence policies with respect to those impacts, taking due account of their size, the nature and scale of their activities and the types of financial products made available and including policy on the identification and prioritisation of principal adverse sustainability impacts and indicators; a description of the principal adverse sustainability impacts and of any actions in relation thereto taken or, where relevant, planned; taking due account of the GIP size, the nature and scale of GIP activities and the types of financial products it makes available.

The Statement also provides a brief summary of GIP engagement policy and a reference to their adherence to responsible business conduct codes and internationally recognised standards for due diligence and reporting and, where relevant, the degree of their alignment with the objectives of the Paris Agreement.

We consider this Statement to be a real breakthrough on the road to disclosing GIP best-practices on sustainability, while building standards on reliable methodologies and figures to be disclosed in the future.

As one of the leading European asset managers, GIP is eager to promote progress on global environmental and social challenges. We believe the material impact that GIP can have on global sustainability factors is of the greatest importance, ranging from pursuing investment actions to accelerate the transition to a low-carbon/net-zero emission economy to reducing the probability of events such as abrupt social disruptions (e.g. coming refugee crises due to displaced people because of extreme weather conditions). On the other hand, it is GIP belief that negative externalities that companies accumulate overtime, build up as negative implications on their balance sheets, cascading negatively on investors' performance. For this reason, GIP implements mitigation actions (e.g. using screening, exclusion, vote and engagement) to eliminate/reduce the negative impact of sustainability adverse factors on its financial returns and those of its clients.

The approach presented in this document applies to equities and corporate fixed income and is limited to the availability of information from the main ESG data providers used by GIP.

2.1 IDENTIFICATION AND PRIORITISATION OF PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

Misguided investment choices can have a potential adverse impact on stakeholders, environment and society.

GIP, as part of Generali Group, considers the Group sustainability materiality matrix, available on Generali public website, as an important reference in order to identify and prioritize external adverse impacts.

Generali Group, which GIP belongs to, is among the signatories of the United Nations Global Compact (2007), Principles for Responsible Investments (2011), Paris Agreement (2015), TCFD (2017) and Net Zero Asset Owner Alliance (2020).

GIP, due to the afore-mentioned adherence to clime initiatives by Generali Group, believes that the climate change is one of the most relevant topics in regard to the impacts of its activities. GIP can have an important impact on the environment through its investment choices. As an asset manager, GIP can influence the investee issuers, by reducing the investments in polluting companies and providing more financing to cleaner and more environmentally friendly activity. Furthermore, in regard to Social and Governance factors, GIP deems business involvement and behavior of the investee companies to be of the utmost importance. These factors could impact negatively the broader society and the corporate governance, hence the long-term performance, of the investee companies.

Based on the above, GIP has decided[3] to assess its impacts on sustainability factors through three different criteria, deemed to have the same priority among them, a climate change-related one and two linked to the business involvement of investees:

- **Greenhouse gas emissions ("GHG")**: through investment choices, GIP can invest companies and activity that have a higher or lower level of carbon emissions (expressed in CO_2e). A transparent view of the carbon footprint of our portfolios and investments shows how well our investments are promoting a cleaner and less polluting world. To this

[3] This decision refers to calculation of Principal Adverse Impacts for FY 2021. Starting from January 2023 GIP will follow, for the reference period FY 2022, the PAIs and formulas as detailed in the SFDR RTS.

aim, GIP supports its clients in the commitment to align their investment to net zero carbon economy by 2050, including if they adhere to Net Zero Alliance Initiative, to reduce the carbon footprint of their portfolios.

METHODOLOGY: Currently, our emissions metrics consider direct GHG emissions (Scope 1 and 2). GIP is assessing how to integrate Scope 3 emissions in the future. The three criteria in the table below are all relevant to be reported. When measuring climate risk GIP focuses on carbon footprint which is the metric that best enables to represent the adverse impact portfolios may have on climate:

- Carbon footprint: measures the total annualized absolute greenhouse gas emissions of a portfolio per EUR million invested and allows comparison with benchmark, investment universe and other portfolios of emissions for which they are responsible for;
- Carbon emissions: measures the total annualized absolute greenhouse gas emissions of a portfolio and enables to identify largest contributors to carbon footprint through decomposition / attribution
- Greenhouse gases intensity: measures exposure to carbon intensive companies and allows comparison with benchmark and other portfolios of exposure to potential climate change-related risks

Carbon Intensity (also called: Weighted Average Carbon Intensity - WACI)	*This metric measures portfolio's exposure to carbon intensive companies. It is a proxy for a portfolio's exposure to potential climate change-related risks*	$\sum_{n}^{i}\left(\frac{\text{current value of investment}_i}{\text{current portfolio value}} * \frac{\text{issuer's Scope 1 and Scope 2 GHG emissions}_i}{\text{issuer's \$M revenue}_i}\right)$
Carbon footprint	*It expresses the impact on the environment and represents the carbon emission that a portfolio is responsible per million EUR invested*	$\sum_{i}^{I}\left(\frac{Current\ Value\ of\ investment_i * issuers'Scope\ 12\ GHG\ emissions_i}{Investee\ Company's\ Enterprise\ Value_i}\right)$
Carbon Emissions	*Enables to identify contribution to the carbon footprint*	$\sum_{i}^{I}\left(\frac{Current\ Value\ of\ investment_i * issuers'Scope\ 12\ GHG\ emissions_i}{Investee\ Company's\ Enterprise\ Value_i}\right)$

- **Exposure to Companies involved in violations of UN Global Compact and OECD Guidelines**: Violations of UNGC principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.

  METHODOLOGY: We analyze noteworthy controversies related to company's violation of UNGC principles and Organisation for Economic Cooperation and Development (OECD) Guidelines.

  The formula applied for the calculation is the asset under management of issuers involved divided by NAV.

- **Exposure to controversial weapons:** according to mandates / CIS sustainability strategies as reflected in the Individual Investment Management Agreement and in the CIS' rules/prospectus respectively, GIP does not invest in companies directly involved in armament and weapons that violate fundamental humanitarian principles through their normal use (cluster bombs, antipersonnel landmines, nuclear weapons, biological and chemical weapons).

  METHODOLOGY: the methodology to identify "controversial weapons" follows the relevant international treaties and conventions, such as the Treaty on the Non-Proliferation (NPT) on nuclear weapons, Convention on Cluster munitions, the Anti-Personnel Mine Ban Convention and the Biological and Toxin Weapons Convention. Consequently, the assessment criteria are the breach of the Non-Proliferation Treaty and direct involvement of issuers which use, develop, produce, acquire, stockpile or trade controversial weapons or key components/services of controversial weapons, including cluster bombs, antipersonnel landmines, biological and chemical weapons.

2.2 ACTIONS TO ADDRESS PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

GIP is involved in initiatives that aim at limiting/eliminating the potential adverse impact of investments.

Specifically referring to the impacts disclosed above[4], GIP implements mitigation strategies in line with the agreement with its clients or the CIS' prospectus:

1. **application of exclusion criteria** through the definition of a restricted list that includes companies matching the criteria as set by (i) GIP Coal and Tar Sand Exclusion Policy and future exclusion policies, (ii) Generali Group investment guidelines, with reference to the individual portfolios of Generali Group Clients, (iii) non-Group clients' responsible investment guidelines, with reference to the individual portfolios of third party Clients.

   Where exclusion criteria are implemented, issuers classified in the restricted list are excluded from the investment universe and no new investment shall be carried in any asset class. For existing exposure (if any), opportunistic sales should be envisaged.

   This list of restricted issuers is based on several ESG data providers input and is analyzed by the GIAM ESG I&S team, with a particular focus on the issuers identified as in violation of the United Nations Global Compact Principle, which require a clear understanding of the severity of the controversies. This analysis is carried out twice a year by GIAM ESG I&S and the resulting updated list is communicated to all the investments structures. In order to monitor investments in these issuers and set up investment restrictions, the list is integrated in our investment management system.

2. **Transition to a low-carbon economy**
   GIP voluntarily pledges the reduction of portfolios' emissions and - more broadly, the low-carbon transition. GIP looks at forward-looking carbon emissions data as provided by external ESG data providers and investees, among which carbon footprint forecasts and companies' SBTs commitments. GIP's Coal and Tar Sands policy also contribute to the decarbonization of the portfolio through the exclusion of companies significantly involved in coal mining, power generation relying on coal-fired power plant and tar sands extraction and transportation.

[4] See paragraph 2.1

2.3 ENGAGEMENT POLICIES

GIP activity to mitigate its negative impacts is not only driven by the investment decisions, investment or divestment, but also by engagement with companies leveraging on dialogue and vote to foster a positive change. Reducing impacts on sustainability factors though the reduction of issuers' impacts is a positive solution for investors, investees and sustainability.

The GIP Engagement Policy, available online, defines the principles, active ownership activities, and responsibilities leading the role of GIP as an asset manager. In this role, GIP has a fiduciary duty and takes action accordingly by (i) monitoring investee issuer companies, (ii) engaging them on financial and non-financial topics including ESG issues, and (iii) voting at general meetings for the dissemination of best practices in terms of governance, professional ethics, social cohesion, environmental protection, and digitalization.

The GIP Engagement Policy has been drawn up in compliance with the obligations introduced by the Shareholder Rights Directive II into the Decreto Legislativo 24 febbraio 1998, n. 58 - Testo Unico della Finanza (TUF) as regards the engagement policy of institutional investors (Art. 3g of Directive (EU) 2017/828 amending Directive 2007/36/EC) and duly takes into account best practices from international standards.

Engagement approach
In general, Engagement is considered by GIP as a constructive dialogue with different goals: to reinforce the understanding of the invested companies, to share the GIP concerns on ESG and finally making actionable suggestions aimed to resolve potential ESG issues. The goal of the meetings with the company executives and directors is to share a long-term orientation, with a constructive and results-oriented approach. It is aimed at understanding how companies have transformed their operating model to embed ESG principles across their organization. In addition, when relevant, the cooperation with other investors who share the same concerns could take place in order to maximize the impact on the company engaged.

Briefly, the engagement process is structured as follows

i) **Definition of Engagement priority list** – The first step is the definition of "Priority Engagement lists" (list of issuers), defined within "Engagement Committees" and driven by an evaluation of the ESG risks of our holdings. The Engagement Priority List is reviewed during each Engagement Committee, also taking into consideration principal adverse impacts connected to each specific issuer;
ii) **Engagement Case** – Each Engagement Case presented to the Engagement Committee is composed of different elements: risk identified, questions, suggestions, task force, strategy;
iii) **Engagement Execution** – GIAM Active Ownership is in charge for the engagement execution activities. During the execution, GIAM Active Ownership reports to the Engagement Committee the ongoing actions and informs it about the external elements that could impact the Engagement Cases;
iv) **Engagement Monitoring** – The Engagement Committee evaluates the status of each Engagement Case presented depending on the initial goals defined. Based on this evaluation the Head of GIAM Active Ownership can decide to: continue the engagement activity, escalate the intensity of the engagement, or close the Engagement Case;
v) **Engagement Impacts** – All Engagement Cases identify specific metrics as indicators to be improved over time, as a result of the engagement. They can be, for example:
    - Carbon emissions, carbon intensity, reduction in coal capacity for climate related engagements,
    - Independence of the board, diversity ratio, pay ratio for governance related engagements,
    - Human rights, corruption controversies for social related engagements.

An extensive description of other activities performed by GIP through engagement and voting could be found in the GIP Active Ownership Report, available online.