

Generali Investments Partners S.p.A. SGR



CONTROVERSIAL WEAPONS EXCLUSION

ANNEX 2 of Sustainability Policy

For internal purposes only

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Glossary and Definitions

Term	Definition
CEO	Chief Executive Officer
CIS	Collective Investment Schemes
GIPGIP	Generali Investments Partners S.p.A. SGR
GIAM	Generali Insurance Asset Management S.p.A. SGR

Roles and Responsibilities

Corporate Function	Roles and Responsibilities
BOARD OF DIRECTORS	Approves the Policy upon proposal of GIP CEO
CEO	Ensures the implementation of the Policy
GIAM ESG INTEGRATION AND SOLUTIONS	<ul style="list-style-type: none"> ▪ Defines the list of issuers excluded on the base of the involvement in specific business activities/controversies; ▪ periodically updates the above-mentioned list, at least once a year or where necessary, on the basis of the applicable regulatory requirements; ▪ annually informs the Board of Directors of the implementation of the Policy to assess and review the underlying methodology and the outcomes; ▪ can analyze particularly controversial cases and conclude that they disagree with external ratings; ▪ promptly brings to the attention of the Investments area and integrated into GIAM's investment tools the performed assessment.
ESG PRIVATE ASSETS	<p>The ESG Private Assets Department for managed Private Capital Portfolios:</p> <ul style="list-style-type: none"> ▪ In case of direct investments (securities), investigates the counterparty total exposures in Controversial Weapons sector. ▪ In case of indirect investments (target funds), verifies the integration of Exclusion criteria with the Controversial Weapons criteria by the relevant Asset Managers (This analysis for Private Capital Funds classified as Article 6 under SFDR is carried out directly by the Private Assets Investment Teams).
INVESTMENTS	Ensures the first level of control in monitoring the exposure towards issuers included in the Restricted lists in Investments' tool (both GIP and Client's own Exclusion lists)
RISK MANAGEMENT	As second level of control, monitors the respect of the relevant limits

1. Introduction

Generali Investments Partners S.p.A. SGR (“GIP”), part of the Generali Group, is committed to Responsible Investments since 2007. GIP applies targeted exclusion policies across its portfolios to exclude issuers involved in some societal, environmental or more general ethical issues that could be inconsistent with GIP sustainability goals, brand and reputation.

These exclusion strategies, also called “Negative / Exclusionary screening” result in the GIP exclusion list, with the role to limit investments in sovereign, companies or entire sectors, based on a specific set of criteria. The Exclusion detailed through this Policy are part of the broader integration of sustainability risks in the investment decision-making process approach as described in the GIP *Sustainability Policy*.

The only exception regards managed Private Capital Funds classified as Article 8 or 9 Products which would apply the exclusion strategies through a Sustainability Due Diligence directly managed by GIP during the investment decision making process (see paragraph 3.1 below). This analysis for managed Private Capital Funds classified as Article 6 under SFDR is carried out by the Private Assets Investment Teams through dedicated questions in the Due Diligence package.

1.1 SCOPE OF APPLICATION OF THE EXCLUSION POLICY

The GIP Exclusion Policy applies to direct investment transactions concerning listed and unlisted equity and debt instruments issued by the corporate entities meeting the exclusion criteria, performed by GIP in the provision of both the individual portfolio management service as well as the collective asset management of the Collective Investment Schemes (CIS).

In terms of asset classes, bank deposits (i.e., time and cash deposits) and derivatives transactions are excluded from the scope of application of this Policy.

In the context of the individual portfolio management service and collective asset management under a delegation agreement, GIAM implements the exclusions unless otherwise requested by the clients. In the case of portfolios where exclusion requirements are set directly by the client or delegating management company (rather than GIP), the custom policy must carry more stringent restrictions. Conversely, in the case where clients’ exclusion policies are less restrictive than GIP’s one, GIP reserves itself the right of assessing and eventually declining on a case-by-case basis.

1.2 APPROVAL AND REVIEW

GIP Board of Directors has approved this Policy upon proposal of GIP CEO, who is also in charge for ensuring the implementation of the Policy.

Based on the outsourcing agreement between GIP and GIAM, the list of issuers excluded is defined by GIAM ESG Integration and Solutions on the base of the involvement in specific business activities/controversies. The list is updated periodically, at least once a year or where necessary on the basis of the applicable regulatory requirements¹.

Internally, the Board of Directors is informed annually, by GIAM ESG Integration and Solutions team, of the implementation of the Policy to assess and review the underlying methodology and the outcomes.

For managed Private Capital Funds the exclusion criteria are directly applied to each investment opportunity in the Due Diligence process through a questionnaire. The questionnaire is updated periodically, at least once a year on the basis of the applicable regulatory requirements.

Periodically GIP reviews the present policy, and it publishes on its website any updated version in case changes occurred.

¹ Reference is made to the Italian Law no. 220/2021 of 9th December 2021 “Ban on any form of financing of companies producing anti-personnel mines, cluster ammunition and submunitions”.

2. Controversial Weapons

Since July 2022, GIP does not invest in companies that develop or produce cluster bombs, antipersonnel landmines, nuclear weapons, depleted uranium or biological and chemical weapons, or key components/services of such weapons. In addition, GIP does not invest in companies that offer supplemental services for nuclear weapons, such as nuclear weapon repair and maintenance, stockpiling and stewardship, research and development (R&D), testing, and simulations, among other things.

In addition, the Italian Law n. 220/2021 has introduced a total ban on *“financing of companies in any established legal form, having their headquarters in Italy or abroad, which, directly or through subsidiary or associated companies, pursuant to article 2359 of the civil code, carry out construction, production, development, assembly activities, repair, preservation, use, storage, possession, promotion, sale, distribution, import, export, transfer or transport of antipersonnel mines, ammunition and cluster submunitions, of any nature or composition, or parts thereof. It is also forbidden to carry out technological research, manufacture, sale and transfer, for any reason, export, import and possession of ammunition and cluster submunitions, of any nature or composition, or parts thereof”*.

In compliance with L. 220/2021, GIP periodically, and at least once a year, consults ESG data providers and relevant publicly available lists in order to identify, to the greatest extent possible on the best effort basis, the companies that fall under the scope of L. 220/2021. No new purchase is allowed regarding companies that fall under the scope of the Law. In case these companies are already in GIP portfolios, opportunistic sales will be performed. Opt-out option is not allowed to client for this specific exclusion.

In the context of managed Private Capital Funds the underlying investments exposure in Controversial Weapons sector is assessed in the Due Diligence process. In case of article 8 or 9 under SFDR funds the analysis is carried out by the ESG Private Assets department, otherwise the assessment is performed by the Private Assets Investment Teams during the investment decision making process. Please refer to paragraph 3.1 for more details.

3. Process

ESG data providers enable to identify the issuers not compliant with the screening criteria. GIAM identifies MSCI as the reference data provider. For issuers or sub-set of information not completely covered by MSCI, data can be complemented by other publicly available ESG data sources and/or investee companies' public disclosure or information shared through the engagement relationship.

The list is then integrated into GIP's investment tools, as outsourced to Generali Investments Holding, used by portfolio managers in order to be flagged by blocking alerts.

Investments Function ensures the first level of control in monitoring the exposure towards issuers included in the Restricted lists (both GIP and Client's own Exclusion lists) and periodically the Risk Management function, as second level of control, monitors the respect of the such limits.

For financial instruments, already purchased for managed portfolios, subsequently resulting issued by those companies identified as restricted the following actions apply:

- (i) hold to maturity
- (ii) perform opportunistic sales, depending on the individual case and considering potential constraints.

3.1 PRIVATE CAPITAL FUNDS PROCESS

The exclusion decision is assessed by the ESG Private Assets Department, for art. 8 or 9 managed funds under SFDR, through a Sustainability Due Diligence to each investment opportunity on the basis of the criteria indicated in the paragraphs above.

The Sustainability Due Diligence is carried out through a Sustainability Questionnaire differentiated between direct and indirect investments, in details:

- For the direct investments (securities), the questionnaire investigates the total counterparty exposure to the Controversial Weapons sector. The investment is excluded in case of exposure in the aforementioned sector. In case the exposure is detected during the investment life, the investment team defines a remedy/ mitigation plan also taking into consideration the actual market conditions and the illiquid nature of the underlying investments
- For the indirect investment (target funds), the questionnaire assesses the Exclusion policy applied by the Asset Manager in order to identify the presence of the Controversial Weapons criteria. The lack of the screening criteria above results in the exclusion of the investment opportunity unless the Asset Manager commits to integrate it in its Exclusion policy. In case, the Asset Manager do not respect the commitment during the investment life, the investment team defines a remedy/ mitigation plan also taking into consideration the actual market conditions and the illiquid nature of the underlying investments

This analysis for managed Private Capital Funds classified as Article 6 under SFDR is carried out by the Private Assets Investment Teams through dedicated questions in the Due Diligence package.