

## Sustainability Risk Policy and Principal Adverse Impact Statement

Sustainability risks can be defined as any environmental, social or governance (ESG) events or conditions occurring, that could impact actually or potentially in a negative manner the investment's value.

This document has been drafted in accordance with the provisions of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (hereinafter referred to as "SFDR").

### 1. Sustainability Risk Policy (Article 3 – SFDR)

#### 1.1. Purpose and scope of the Sustainability Risk Policy

The purpose of the Sustainability Risk Policy is to summarize the activities performed by Generali Investments Luxembourg S.A. ("GIL") in relation to the handling and monitoring of sustainability risks which may arise during the investment decision-making process.

Since the sustainability risks can impact the performance of the funds under management, GIL, as Management Company subject to Chapter 15 of the law of 17 December 2010 and AIFM subject to the Law of July 12, 2013, consequently applies the approach described in this Policy in order to strengthen its fiduciary duties towards the investors of its funds and to comply with the requirements set by the SFDR.

The Sustainability Risk Policy is subject to a yearly review and update if applicable, and on an ad hoc basis in case of key changes to (i) the organizational structure of GIL, (ii) the regulatory framework governing the Policy or (iii) if otherwise deemed necessary. The Policy is acknowledged by the Board of Directors of GIL on a yearly basis and in case of material changes.

#### 1.2 Organizational set-up of the Portfolio Management Function

GIL can either assume the Portfolio Management function or delegate it to third party portfolio managers (hereinafter "Delegated Investment Managers"):

- a) If GIL assumes the Portfolio Management function, it may involve investment advisers to support the investment decision-making process. Consequently, GIL will integrate the sustainability risks as deemed relevant in the investment advisory process requirements, *i.e.* the proposal provided by the advisor as well as the assessment of this proposal in the final decision-making process by GIL;
- b) If GIL delegates the Portfolio Management function to Delegated Investment Managers, then the latter are in charge of the investment decision-making process and pre-trade assessments. Anyhow, GIL is responsible for the ongoing monitoring of the quality of services rendered by the Delegated Investment Managers.

To this purpose, firstly GIL will integrate the sustainability risks as deemed relevant in the initial and on-going due diligence assessment of the Delegated Investment Managers; secondly, GIL has in place a robust post-trade assessment to verify that the investment decisions taken by the Delegated Investment Managers are in line with regulatory and legal requirements.

#### 1.3 Sustainability factors considered in the investment decision-making process

The sustainability factors considered may vary as they depend on the specific investment strategy followed by the fund/ sub-fund. To give a few examples on ESG factors:

- Environmental aspects may include climate mitigation, as well as all the climate change-related matters, including physical climate events or conditions such as heat waves, storms, rising sea levels and global warming;
- Social aspects may include the consideration of internationally recognized labor law requirements or the abolition of a gender pay gap;
- Governance aspects may include the consideration of employee's rights and data protection.

Such sustainability factors are monitored throughout the investment lifecycle and may therefore lead to reduction in the position of certain investments given an increase of the sustainability risk level of a specific investment or the fund/ sub-fund portfolio.

#### **1.4 Sustainability risk approach**

GIL has set up a sustainability risks monitoring framework by integrating them into the risk profiles of the funds managed. The risk profile reflects the level of the identified relevant risks that arise from the investment strategy, as well as the interaction and concentration at portfolio level for each fund managed by GIL.

GIL has defined internal risk limits as for each fund managed in order to take into account the maximum risk a fund is exposed to a certain risk type.

In addition to the control framework defined above, GIL has also decided to cooperate with an external vendor to calculate and monitor, through the analysis of external data sources, the overall sustainability (risk) exposure of a fund portfolio based on the defined sustainability factors. The results of the assessment are analyzed and constantly monitored by the internal Risk Management function against the limits set in the fund/ sub-fund risk profile.

In case the overall sustainability risk exposure of the fund is above the limits defined for a sustainability factor of an investment, it will be directly reported to GIL's Management. Moreover, the internal Risk Management function will define mitigation actions and escalate the issue to the responsible Delegated Investment Manager.

## **2. Principal Adverse Impact Statement (*Article 4 – SFDR*)**

### **2.1 Purpose and scope of the Principal Adverse Impact Statement**

In line with the Article 4 of the SFDR, this Principal Adverse Impact Statement aims to describe the due diligence policies with respect to the principal adverse impact of investment decisions on sustainability risk factors, taking in due account the size, nature and scale of GIL activities and the types of financial products it makes available.

GIL, as management company and alternative investment fund manager (“financial market participant” as per SFDR definitions), believes that its investments can have an important impact on the sustainability factors as provided for by the SFDR, that will be better defined with the full entry into force of the EU Taxonomy.

Furthermore, GIL is part of Generali Group, which considers the Group sustainability materiality matrix, available online, as an important reference in order to identify and prioritize external adverse impacts.

Indeed, the Generali Group, which GIL 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).

### **2.2 Operating model of the Portfolio Management function and consideration of the sustainability factors**

As described in the above paragraph 1.2, GIL can either assume the Portfolio Management function or externalize it to Delegated Investment Managers. Therefore, the usual operating model is based on the delegation to external Investment Managers and following to the below assumptions:

- The investment decision-making process is carried out by the Delegated Investment Manager, as such each Delegated Investment Manager may consider the sustainability factors it deems relevant for the investment strategy implemented;
- As a result, the sustainability factors considered may vary among the Delegated Investment Managers appointed by GIL for the management of its funds;
- Regardless of the strategy implemented, GIL ensures – through the initial and ongoing due diligence assessment, as well as through further ongoing monitoring activities – that the Delegated Investment Managers comply with the provisions stated by the Article 4 of the SFDR in relation to the principal adverse impacts.

### **2.3 Monitoring of the principal adverse impacts of investment decisions on sustainability factors**

Based on the above, GIL has decided to assess its impacts on sustainability factors through several monitoring activities on its Delegated Investment Managers. More in detail, GIL:

- Evaluates the internal arrangements in place for each Delegated Investment Manager with regard to the capabilities to manage ESG products and to specifically consider principal adverse impacts;
- Assesses whether the Delegated Investment Managers consider the adverse impacts of their investment decisions. If so, GIL ensures the Delegated Investment Managers have appropriate policies in this regard; if not, GIL ensures the Delegated Investment Managers clearly explain the reason why they do not consider principal adverse impacts of their investment decisions;
- Controls the effectiveness of the processes, systems and procedures in place to consider and report on principal adverse impacts;
- Ensures that appropriate disclosures are published on the pre-contractual documentation of the products and on the website of the Delegated Investment Managers;
- Ensures that appropriate information is disclosed to the investors within the periodic reports of the funds where principal adverse impacts are considered.

In the event that GIL will assume the Portfolio Management function, it will ensure that all the above activities are conducted by GIL itself in an equivalent manner to the standards required to its Delegated Investment Managers.

### **2.4 Review and update of the Principal Adverse Impact Statement**

This statement is reviewed at least on an annual basis by GIL in order to ensure its alignment with the Regulation and market standards from time to time.

Where no update is required, the statement will be applied consistently over time.