GENERALI INVESTMENTS

SR-highlight

Climate change

February 2018

Introduction

The 2015 Paris climate change agreement cannot be called into question as the issue of climate change is a reality we must address, for the sake of our children's future.
In this context and to deal with the climate change challenges, only common sense should prevail. Energy transition goes indeed beyond politics or ideology. Supporting the Paris agreement? We have a moral duty to do so. Climate change impacts people's livelihood and this could become more dramatic over the coming years.

Today, alongside governments and civil society representatives, businesses are taking a leadership role in this race against time, to try to limit past, present and future damages caused to our planet.

As part of a major insurance group, we are in a position to act. Our customers, shareholders and employees – as well as the civil society – support us in this task.

Last year, we worked on measuring the carbon footprint of our investment portfolios and we are currently developing a strategy to reduce our impact going forward. The decision made by the US government to withdraw from the Agreement has created a sense of bewilderment in the international community, but also of hope as it reinforces the position, motivation and sense of unity of its supporters, whether it is in China, in EU countries and in France, currently at the forefront of international efforts to implement the agreement.

Generali Group supported the COP 21 agreement and will continue to do so going forward, for everyone's benefit."

Paris climate agreement: where do we currently stand after 2 years?

Two years after the Paris Climate Summit and agreement struck in December 2015, the activity surrounding climate change issues and in particular sustainable finance is stronger than ever, and for obvious reasons: time is running out!

Indeed, during the international One Planet Summit held in Paris (December 2017), French President Emmanuel Macron rang the alarm bell, stressing that the international community was further than ever from the 2 degrees Celsius trajectory agreed back in 2015.

In this context, asset owners and asset managers face a major challenge in determining how they can monitor, report and improve the carbon footprint of their portfolios - and how fast they can do it - while preserving their initial mandate intact: generating performance over time.

This shift in fiduciary responsibility and its potential impact on the fabric of the world economy should not be underestimated. The shift of huge amounts of assets from high carbon emitting sectors and companies - oil & gas for instance - to lesser emitting sectors could indeed provoke major issues throughout the financial system and the real economy, with negative impacts on employees, on indirect jobs, on taxes and therefore on State revenues and spending.

While there is a real willingness to make an impact on carbon emissions, the transition to an emission free economy is complex and will take some time - will it be another case of too little, too late?

Next steps: much more to come

Several key initiatives are currently providing recommendations that will frame the future of how large investors - asset owners and asset managers - will report, monitor and reshape their investment portfolios, in order to meet climate transition objectives.

3 key initiatives are worth highlighting in terms of their potential importance in the years to come:

The Task Force on Climate related Financial Disclosures (“TCFD”):

This international working group was established by the G20 through the Financial Stability Board (FSB) to “promote more informed investment, credit, and insurance underwriting decisions” and, in turn, “would enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system’s exposures to climate-related risks.”
It produced its final recommendations and report during the summer 2017, focusing on climate-related financial disclosures / reporting, while proposing a standardised framework based on “Governance, Strategy, Risk Management, Metrics & Targets”. The latter segment deals with the crucial topic of disclosure of Scope 1 (direct), 2 (indirect) and 3 (other indirect) greenhouse gas (GHG) emissions and their related risks, while also describing targets used by asset owners to manage climate related risks.

The final report of the High Level Expert Group on Sustainable finance

The High Level Expert Group on Sustainable finance, set-up in December 2016 by the EU Commission, is expected to publish its final report to the EU Commission in Q1 2018. Its interim report in July 2017 notably indicated that: “improving the assessment and management of long-term material risks and intangible factors of value creation, including those related to environmental, social and governance (ESG) issues” was required, while there was also a need to “improve the contribution of the financial sector to sustainable and inclusive growth, notably by financing long-term needs such as innovation and infrastructure, and accelerating the shift to a low carbon and resource-efficient economy.”[1]

The EU Commission’s Consultation paper on Sustainable investment

The EU Commission’s Consultation paper on Sustainable investment (January 2018), aimed at asset owners and asset managers, will also provide European policymakers with valuable insight, to shape future guidelines and, potentially, legislation and regulation related to sustainable finance and reporting applicable across Europe.

In this dynamic and changing environment, key European stakeholders are moving from wondering what to do with their investment portfolios to the actual decision making and implementation stages, phasing out and/or reducing their holdings into carbon intensive sectors and companies (oil, gas, coal,…). Generali Investments is working with its institutional clients to address their specific issues relating to carbon footprint and portfolio decarbonisation.

Some of the French initiatives implemented over the past couple of years - especially on the back of the well-received “Article 173” reporting requirements - are likely to feature, in one shape or another, in any new pan-European initiative over the coming months.

France perceived as a pioneer

More recently, and on the private client side, the French insurers’ professional body indicated in early December 2017 - a few days before the One Planet Summit in Paris - that French insurance companies were committing themselves to include funds with an official SRI and/or Climate label in the selection of funds available in their popular long term life insurance policies.

Generali Investments has been proposing the **Generali Investments SICAV (GIS) SRI Ageing Population** fund to its clients across Europe for more than 2 years now, a fund that obtained the French state-sponsored “Label ISR” (for the period 2017-2020)[2].
This socially responsible fund is based on our proprietary Environmental, Social & Governance screening process and invests in European companies well positioned to benefit from the structural theme of the ageing population, in Europe and beyond.
By focusing on SRI (Socially Responsible Investments) compliant stocks and on 3 thematic investment pillars - Healthcare, Pensions & Savings and Consumers - the fund managers have managed to deliver a performance well beyond that of its indicative reference index, the MSCI Europe (NR) since the inception of the strategy. Furthermore, the fund does not invest in the oil, gas or coal mining sectors.
This is once more evidence that you can make sense of investing through our SRI expertise while still generating above market performances.

https://www.fsb-tcfd.org/publications/final-recommendations-report/

[1] HLEG on sustainable finance, interim report to advise the EU Commission, 13 July 2017

GIS SRI AGEING POPULATION

FUND MANAGERS' INTERVIEW

OLIVIER CASSÉ
GIULIA CULOT

How do you position this thematic investment offering within the equity space?

Generali Investments, historically managing the Generali Group's assets, started a few years ago to focus on managing external clients' portfolios. On the equity side, considering the already saturated markets in Euro, Europe and Global equities, we decided to differentiate ourselves and propose something different to our clients.

Playing on some of our core investment strengths - Socially Responsible Investing (SRI) and equity investing - we have developed different investment themes, including the Ageing of the population, a theme that resonates within an insurance group such as Generali.

Both teams - SRI & Equity thematic - interact on a regular basis to provide investors with mid to long term added value: an investment universe that we screen based on our proprietary Environment, Social and Governance (ESG) criteria and a robust financial analysis and stock selection (cash flow generation is key) and target prices that we determine through our in-house Discounted Cash Flow model.

To what type of investors' needs does the subfund cater for?

Two types of investors are typically interested in thematic funds: some investors for the SRI dimension and the "satellite" aspect of it, while some others invest in high conviction strategies such as SRI, while wanting to gain exposure to mega trends. The latter clearly believe in the long term added value of thematic investing, based on structural changes.

How do you define the investment universe? Do you have specific constraints in terms of revenues or earnings figures?

It is important to have a strict discipline so as to deliver performance in line with clients' expectations. Being rigorous when selecting stocks that will benefit from the theme is key. In the example of the ageing population, we have defined 3 investment pillars (Healthcare, Pensions & Savings, Consumers) and we are looking within those pillars for companies with a business activity directly benefitting from the demand from seniors.

In terms of SRI, our extra-financial analysts analyse and score European companies across sectors, based on Environmental, Social and Governance criteria. We exclude from our investments the companies with the lowest ESG score, only retaining circa 50% of the initial MSCI Europe universe.

FUND MANAGERS TEAM

Olivier Cassé, CFA,
Fund Manager

- Joined Generali Investments in 2016 and co-manages two SRI funds, namely GIS SRI European Equity and GIS SRI Ageing Population.
- Prior to this, worked for Société Générale between 2001 and 2004 as a portfolio manager in Private Banking department, before joining the Amundi Group where he was managing European equity funds from 2005 to 2016. Beforehand, he was a financial analyst.
- Industry experience: 17 years.
- Education: CFA Charterholder.

Giulia Culot, CEFA,
Fund Manager

- Joined Generali Investments April 2010 as Credit and Equity Analyst on the Industrial sector.
- Industry experience: 7 years.
- Education: Giulia has two Masters degree with merit in Accounting and Business Management (November 2011) and in Business Management (July 2009), both from the University of Trieste (Italy).

Generali Investments SRI key features

- **4 SRI specialists** responsible for the ESG analysis covering a universe of **550 companies** feeding the **S.A.R.A. proprietary database** with rating on each company.

- More than **€300bn** investment in equities and bonds in accordance with the Responsible Investment Guidelines.

  €38.9 bn managed based on **ESG criteria**[1].

- **GIS SRI European Equity** and **GIS SRI Ageing Population**[2] obtained the official "Label ISR" AFNOR Certification 2017-2020 from the French State.

- **GIS SRI Ageing Population** launched in October 2015. The fund was awarded the FNG Label[3] for 2017 & 2018 (2 Stars out of 3) by Novethic.

- **2018: MorningStar Sustainability rating:**

  GIS SRI European Equity: 5 Globes (out of 5 globes)
  GIS SRI Ageing Population: 5 Globes (out of 5 globes)

[1] Source: Generali Investments Europe S.p.A. Società di gestione del risparmio, as at December 2017
[2] GIS SRI Ageing Population and GIS SRI European Equity are subfunds of Generali Investments SICAV (an investment company qualifying as a "société d'investissement à capital variable" with multiple subfunds under the laws of the Grand Duchy of Luxembourg) managed by Generali Investments Europe S.p.A. Società di gestione del risparmio. Past performance provides no guarantee for the future. Before subscribing an offer of investment services, each potential client shall be given every document provided by the regulations in force from time to time, documents to be carefully read by the client before making any investment choice.
[3] The FNG label, created in 2015 following a strategic partnership between Novethic and the FNG, focuses on funds located in German-speaking countries.

GENERALI INVESTMENTS SICAV SRI OFFER

GIS SRI AGEING POPULATION

Key features

- Benefits from a thematic investment approach focusing on the “grey power” and companies exposed to this demographic shift, expected to generate above than average returns over the mid to long term
- Invests in a portfolio of European stocks with exposure to the theme in Europe but also globally
- A fully SRI compliant portfolio, through our dedicated specialist SRI team and process
- Takes advantage of the stock-picking skills and proprietary valuation models of our European equity team

General information

Launch date	12 October 2015
Base currency	Euro
Fund type	Subfund of SICAV domiciled in Luxembourg

Share classes details

	Institutional investors	Retail investors	
Share class	B	D	E
Launch date	16 Oct 2015	16 Oct 2015	19 Feb 2016
Aggregate fee	0.75%	1.50%	2.20%
ISIN	LU1234787205	LU1234787460	LU1234787544
Bloomberg	GLSRIBX LX	GLSRIDX LX	GLSRIEX LX

Risk and reward profile[1]:

Lower risk
Potentially lower rewards

Higher risk
Potentially higher reward

1	2	3	4	5	**6**	7

- Equity Risk
- Sector-based / concentrated Subfund’s Risk
- Derivatives Risk

GIS SRI EUROPEAN EQUITY

Key features

- A dedicated analysts’ team and a proprietary database that allow a flexible ESG criteria selection
- A new methodology integrating a series of non-financial variables that may have an impact on financial and economic corporate performance in the long term
- Stock-picking backed by bottom-up analysis that aims at generating performance with a strong knowledge of risk control
- Awarded with the Novethic SRI label in 2013, 2014 and 2015 as well as a special mention at the Italian Sustainable Finance Forum

General information

Launch date	02 April 2002
Base currency	Euro
Benchmark	MSCI Europe - Net Total Return Index
Fund type	Subfund of SICAV domiciled in Luxembourg

Share classes details

	Institutional investors		Retail investors	
Share class	B	C	D	E
Launch date	29 Aug 2008	29 Mar 2007	26 Nov 2003	26 Nov 2003
Aggregate fee	0.75%	1.00%	1.50%	2.20%
ISIN	LU0145455571	LU0145455811	LU0145456207	LU0169244745
Bloomberg	GENEDBX LX	GENEDCX LX	GENEDDX LX	GENEDEX LX

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1	2	3	4	5	**6**	7

- Equity Risk
- Derivatives Risk

[1] Please refer to the prospectus as the risks are better detailed. The risk category associated with the Fund is not guaranteed and may change over time.

For further information on Generali Investments please visit our website: www.generali-investments.com