

Generali Insurance Asset Management S.p.A. SGR

**PRINCIPAL ADVERSE SUSTAINABILITY
IMPACT STATEMENT**

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



generali-invest.com

Statement on principal adverse impacts of investment decisions on sustainability factors

1. SUMMARY

Generali Insurance Asset Management S.p.A. SGR (“GIAM”), LEI: 549300LKCLUOHU2BK025, considers principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of Generali Insurance Asset Management S.p.A. SGR.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2022 to 31 December 2022.

A summary of the principal adverse indicators considered by GIAM is presented in the table below.

| Indicators applicable to | Table | Number | Adverse sustainability indicator |
|-------------------------------|-------|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Investee Companies | 1 | 1 | GHG emissions |
| | 1 | 2 | Carbon footprint |
| | 1 | 3 | GHG intensity of investee companies |
| | 1 | 4 | Exposure to companies active in the fossil fuel sector |
| | 1 | 5 | Share of non-renewable energy consumption and production |
| | 1 | 6 | Energy consumption intensity per high impact climate sector |
| | 1 | 7 | Activities negatively affecting biodiversity-sensitive areas |
| | 1 | 8 | Emissions to water |
| | 1 | 9 | Hazardous waste and radioactive waste ratio |
| | 1 | 10 | Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises |
| | 1 | 11 | Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises |
| | 1 | 12 | Unadjusted gender pay gap |
| | 1 | 13 | Board gender diversity |
| | 1 | 14 | Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) |
| Sovereigns and supranationals | 2 | 4 | Investments in companies without carbon emission reduction initiatives |
| | 1 | 15 | GHG intensity of investee countries |
| | 1 | 16 | Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law |
| | 3 | 22 | Non-cooperative tax jurisdictions |

As one of the leading European asset managers, GIAM is eager to promote progress on global environmental and social challenges. We believe the material impact that GIAM 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 GIAM 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, GIAM 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.

2. DESCRIPTION OF THE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

Table 1

| Indicators applicable to investments in INVESTEE COMPANIES | | | | | | |
|------------------------------------------------------------|-------------------------------------------------------------------------------------------|--------------------------------------------------------------------|-------------------|-------------------|----------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Adverse sustainability indicator | Metric | Impact 2022 | Impact [year n-1] | Explanation | Actions taken, and actions planned and targets set for the next reference period | |
| CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS | | | | | | |
| Greenhouse gas emissions | 1.GHG emissions | Scope 1 GHG emissions | 9168457.98 | | Expressed in (tCO2e) Coverage : 72.69% | <p>GIAM commits to reducing to zero the exposure to coal of all business lines by 2030 in European and OECD countries, and by 2040 in the rest of the world.</p> <p>GIAM has implemented a proprietary Green / Social / Sustainability-linked bonds filter which goes beyond ICMA definition and screens each bond framework.</p> <p>Negative screening: GIAM commits to strengthening the exclusion criteria and thresholds regularly to end all support to companies active in the coal sector by the above-mentioned dates. GIAM exclusion criteria and thresholds on Coal are detailed in the Annex I “Coal and Unconventional Oil & Gas Sector Exclusion” of the GIAM Sustainability Policy. In this document are detailed also exclusion criteria and threshold for Fossil fuels from Tar Sands, Oil and Gas extracted by Fracking or from Artic Circle.</p> <p>Active Ownership: GIAM assesses, according to the GIAM Engagement Policy, the AGM (Annual General Meeting) resolutions expecting issuers to carefully assess risks related to material ESG factors and - in line with international reporting standards - disclose the results of this assessment, the management measures in place and the results achieved in mitigating material risks related to environmental aspects with particular regard to climate change mitigation and adaptation (such as carbon footprint and vulnerability to climate-related physical and transition risks). GIAM executes engagement activities according to the GIAM Engagement Policy.</p> <p>GIAM is sharing details on Active Ownership activities on climate performed in 2022 in its Engagement and Voting Highlights accessible online: engagement case studies on page 19, and 21, other climate engagements on page 28 and 29, voting activities on Say on Climate on page 44 to 48.</p> <p>Effective from 2023, GIAM improved its voting principles on climate change mitigation and adaptation, by introducing specific principles to evaluate climate plans of companies (say on climate)</p> |
| | | Scope 2 GHG emissions | 1677067.88 | | Expressed in (tCO2e) Coverage : 72.69% | |
| | | Scope 3 GHG emissions | 60129008.33 | | Expressed in (tCO2e) Coverage : 72.41% | |
| | | Total GHG emissions | 71014134.19 | | Expressed in (tCO2e) Coverage : 72.41% | |
| | 2. Carbon footprint | Carbon footprint | 572.05 | | Expressed in (tCO2e / €M invested) Coverage : 72.41% | |
| | 3. GHG intensity of investee companies | GHG intensity of investee companies | 844.57 | | Expressed in (tCO2e / €M revenue) Coverage : 91.85% | |
| | 4. Exposure to companies active in the fossil fuel sector | Share of investments in companies active in the fossil fuel sector | 11.48% | | Coverage : 94.44% | |
| 5. Share of non-renewable energy consumption and | Share of non-renewable energy consumption and non-renewable energy production of investee | 70.71% | | Coverage : 85.55% | | |

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| | production | companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources | | | | |
| | 6. Energy consumption intensity per high impact climate sector | Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector: | | | | |
| | | NACE Code A (Agriculture, Forestry and Fishing) | 0.32 | | | Expressed in (GWh / €M revenue) Coverage : 85.66% |
| | | NACE Code B (Mining and Quarrying) | 1.59 | | | Expressed in (GWh / €M revenue) Coverage : 85.66% |
| | | NACE Code C (Manufacturing) | 0.51 | | | Expressed in (GWh / €M revenue) Coverage : 85.66% |
| | | NACE Code D (Electricity, Gas, Steam and Air Conditioning Supply) | 4.64 | | | Expressed in (GWh / €M revenue) Coverage : 85.66% |
| | | NACE Code E (Water Supply; Sewerage, Waste Management and Remediation Activities) | 3.88 | | | Expressed in (GWh / €M revenue) Coverage : 85.66% |
| | | NACE Code F (Construction) | 0.22 | | | Expressed in (GWh / €M revenue) Coverage : 85.66% |
| | | NACE Code G (Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles) | 1.01 | | | Expressed in (GWh / €M revenue) Coverage : 85.66% |
| | | NACE Code H (Transportation and Storage) | 0.39 | | | Expressed in (GWh / €M revenue) |
| | | | | | | Active Ownership: GIAM assesses, according to the GIAM Engagement Policy, the AGM resolutions expecting issuers to carefully assess risks related to material ESG factors and - in line with international reporting standards - disclose the results of this assessment, the management measures in place and the results achieved in mitigating material risks related to environmental aspects with particular regard to climate change mitigation and adaptation (such as carbon footprint and vulnerability to climate-related physical and transition risks). GIAM executes engagement activities according to the GIAM Engagement Policy. |

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| | | | | | Coverage : 85.66% | |
| Biodiversity | 7.Activities negatively affecting biodiversity-sensitive areas | Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas | 0.22% | | Coverage : 94.57% | <p>Negative screening: According to Annex I “Coal and Unconventional Oil & Gas Sector Exclusion” and Annex II “Controversial Weapons & Controversies Exclusion” of the GIAM Sustainability Policy, GIAM excludes investments in companies involved in severe environmental damages, which include instances where the company’s activities negatively impact the biodiversity of sensitive areas, or more in general any company whose activity produced severe and extensive impact on biodiversity (eg tar sands extraction).</p> <p>Active Ownership: GIAM assesses, according to the GIAM Engagement Policy, the AGM resolutions expecting issuers to carefully assess risks related to material ESG factors and - in line with international reporting standards - disclose the results of this assessment, the management measures in place and the results achieved in mitigating material risks related to protection and restoration of biodiversity and ecosystems. GIAM executes engagement activities according to the GIAM Engagement Policy.</p> <p>GIAM is sharing details on Active Ownership activities on biodiversity performed in 2022 in its Engagement and Voting Highlights accessible online: engagement case studies on page 20.</p> <p>Effective from 2023, GIAM improved voting principles with content of Environmental objectives of EU Taxonomy Regulation 2020/852 and use votes to hold companies accountable when they are negatively affecting biodiversity-sensitive areas.</p> |
| Water | 8.Emissions to water | Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average | 0.18 | | Expressed in (Tons / €M invested) Coverage : 0.49% | <p>Negative screening: According to Annex II “Controversial Weapons & Controversies Exclusion” of the GIAM Sustainability Policy, companies involved in very severe controversies related to water emissions may be excluded from GIAM investments. Particular attention is raised on controversies related to toxic emissions, including spills and water releases resulting in severe impact on the environment and the local communities.</p> <p>Active Ownership: GIAM assesses, according to the GIAM Engagement Policy, the AGM resolutions expecting issuers to carefully assess risks related to material ESG factors and - in line with international reporting standards - disclose the results of this assessment, the management measures in place and the results achieved in mitigating material risks related to sustainable use and protection of water and marine resources. GIAM executes engagement activities according to the GIAM Engagement Policy.</p> |
| Waste | 9.Hazardous waste and radioactive waste ratio | Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average | 13.92 | | Expressed in (Tons / €M invested) Coverage : 30.92% | <p>Negative screening: According to Annex II “Controversial Weapons & Controversies Exclusion” of the GIAM Sustainability Policy, companies involved in very severe controversies related to waste may be excluded from GIAM investments.</p> <p>Active Ownership: GIAM assesses, according to the GIAM Engagement Policy, the AGM resolutions expecting issuers to carefully assess risks related to material ESG factors and - in line with international reporting standards - disclose the results of this assessment, the management measures in place and the results achieved in mitigating material risks related to transition to a circular economy. GIAM executes engagement activities according to the GIAM Engagement Policy.</p> |
| INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS | | | | | | |
| Social and employee matters | 10.Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development | Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 1.15% | | Coverage : 70.18% | <p>Negative screening: According to Annex II “Controversial Weapons & Controversies Exclusion” of the GIAM Sustainability Policy, GIAM avoids investing in companies responsible of ethical violations (e.g. breach of the principles of UN Global Compact), namely: i) companies involved in systematic human rights and/or labor rights violations; ii) companies involved in severe environmental damages; iii) companies implicated in cases of corruption and bribery.</p> |

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| (OECD) Guidelines for Multinational Enterprise | | | | | <p>Active Ownership: GIAM assesses, according to the GIAM Engagement Policy, the AGM resolutions expecting issuers to carefully assess risks related to material ESG factors and - in line with international reporting standards - disclose the results of this assessment, the management measures in place and the results achieved in mitigating material risks related to adverse impacts or breach of international standards promoting responsible business conduct such as the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises. GIAM executes engagement activities according to the GIAM Engagement Policy.</p> <p>GIAM is sharing details on Active Ownership activities on human rights performed in 2022 in its Engagement and Voting Highlights accessible online: see engagements details on page 31.</p> <p>Effective from 2023, GIAM improved its voting principles on social and employee matters, by introducing specific principles effective from 2023, to request companies to carefully assess risks related to material social factors (as well as to disclose the results of such assessment, the management measures in place and the results achieved) and to hold responsible their directors in situations of severe or systematic violations or lack of processes and compliance mechanisms.</p> |
| 11.Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises | Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 30.58% | | Coverage : 94.43% | <p>Active Ownership: GIAM assesses, according to the GIAM Engagement Policy, the AGM resolutions expecting issuers to carefully assess risks related to material ESG factors and - in line with international reporting standards - disclose the results of this assessment, the management measures in place and the results achieved in mitigating material risks related to adverse impacts or breach of international standards promoting responsible business conduct such as the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises. GIAM executes engagement activities according to the GIAM Engagement Policy.</p> <p>GIAM is sharing details on Active Ownership activities on human rights performed in 2022 in its Engagement and Voting Highlights accessible online: see engagements details on page 31.</p> <p>Effective from 2023, GIAM improved its voting principles on social and employee matters, by introducing specific principles effective from 2023, to request companies to carefully assessing risks related to material social factors (as well as to disclose the results of such assessment, the management measures in place and the results achieved) and to hold responsible their directors in situations of severe or systematic violations or lack of processes and compliance mechanisms.</p> |
| 12.Unadjusted gender pay gap | Average unadjusted gender pay gap of investee companies | 14.66% | | Coverage : 32.38% | <p>Active Ownership: GIAM assesses, according to the GIAM Engagement Policy, the AGM resolutions expecting issuers to leverage diversity to create long-term value, to be innovative and sustainable for all stakeholders. GIAM promotes diversity at corporate bodies level (i.e. in terms of gender, age, seniority of office, educational and professional background, ethnicity and nationality), also encouraging wider gender diversity, with at least 1/3 of the board composed of the less represented gender. In case of lower representation, GIAM will in principle support the candidate to non-executive directorship belonging to the less represented gender, subject however to an assessment on the candidate's profile (e.g. absence of concerns on candidate's experience, independence of the board, time commitment). GIAM executes engagement activities according to the GIAM Engagement Policy.</p> <p>GIAM is sharing details on Active Ownership activities on diversity performed in 2022 in its Engagement and Voting Highlights accessible online: see engagements details on page 31.</p> <p>Effective from 2023, GIAM improved its voting principles on diversity, equity and inclusion, by introducing specific principles effective from 2023 to foresee that, in situations of poor employment, work and pay practices, especially where company practices are below local best standards and there is no evidence that the company has made or is willing to make progress in this area, GIAM may not support the re-election of the responsible directors.</p> |
| 13.Board gender diversity | Average ratio of female to male board members in investee companies, expressed as a percentage of all board members | 38.07% | | Coverage : 87.93% | <p>Active Ownership: GIAM assesses, according to the GIAM Engagement Policy, the AGM resolutions expecting issuers to leverage diversity to create long-term value, to be innovative and sustainable for all stakeholders. GIAM promotes diversity at corporate bodies level (i.e. in terms of gender, age, seniority of office, educational and professional background, ethnicity and nationality), also encouraging wider gender diversity, with at least 1/3 of the board composed of the less represented gender. In case of lower representation, GIAM will in principle support the candidate</p> |

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| | | | | | | <p>to non-executive directorship belonging to the less represented gender, subject however to an assessment on the candidate's profile (e.g. absence of concerns on candidate's experience, independence of the board, time commitment). GIAM executes engagement activities according to the GIAM Engagement Policy.</p> <p>GIAM is sharing details on Active Ownership activities on diversity performed in 2022 in its Engagement and Voting Highlights accessible online: see engagements details on page 31.</p> <p>Effective from 2023, GIAM improved its voting principles on diversity, equity and inclusion, by introducing specific principles effective from 2023 that will encourage wider gender diversity, with at least 40% of the underrepresented sex among non-executive directors or 33% among all directors, provided that in case of lower representation, GIAM will support and promote the local best practices. In case of lower representation, GIAM will in principle support the candidate belonging to the less represented gender, subject however to an assessment on the candidate's profile.</p> |
| | 14.Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) | Share of investments in investee companies involved in the manufacture or selling of controversial weapons | 0.00% | | Coverage : 70.01% | <p>Negative screening: As part of Annex II "Controversial Weapons & Controversies Exclusion" of the GIAM Sustainability Policy, GIAM avoids investing 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, GIAM 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.</p> |

Indicators applicable to investments in SOVEREIGNS AND SUPRANATIONALS

| Adverse sustainability indicator | | Metric | Impact 2022 | Impact [year n-1] | Explanation | Actions taken, and actions planned and targets set for the next reference period |
|----------------------------------|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------------|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Environmental | 15.GHG intensity | GHG intensity of investee countries | 266.69 | | Expressed in (tCO2e / €M GDP) Coverage : 90.89% | No relevant actions taken currently. However, GIAM is exploring the possibility to implement new actions regarding this indicator. |
| Social | 16.Investee countries subject to social violations | Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law | 0.00% | | Coverage : 90.89% | No relevant actions taken currently. However, GIAM plans to publish by end 2023 a Sovereign Exclusion Policy which will take into account, among other indicators, countries subject to social violations. |

Indicators applicable to investments in REAL ESTATE ASSETS

| Adverse sustainability indicator | | Metric | Impact 2022 | Impact [year n-1] | Explanation | Actions taken, and actions planned and targets set for the next reference period |
|----------------------------------|--------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-------------|-------------------|-----------------|----------------------------------------------------------------------------------|
| Fossil fuels | 17.Exposure to fossil fuels through real estate assets | Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels | n.a. | | Coverage : n.a. | n.a. |
| Energy | 18.Exposure to | Share of investments in energy- | n.a. | | Coverage : n.a. | n.a. |

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| efficiency | energy-inefficient real estate assets | inefficient real estate assets | | | | |
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Table 2 - Additional climate and other environment-related indicators

| Indicators applicable to investments in INVESTEE COMPANIES | | | | | | |
|------------------------------------------------------------|---------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------------|-------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS | | | | | | |
| Adverse sustainability indicator | | Metric | Impact 2022 | Impact [year n-1] | Explanation | Actions taken, and actions planned and targets set for the next reference period |
| Emissions | 4. Investments in companies without carbon emission reduction initiatives | Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement | 27.40% | | Coverage : 91.78% | GIAM voluntarily pledges the reduction of portfolios' emissions and more broadly, the low-carbon transition. GIAM looks at forward-looking carbon emissions data as provided by external ESG data providers and investees, among which carbon emission forecasts and companies' SBTs commitments. Active Ownership: GIAM assesses, according to the GIAM Engagement Policy, the AGM resolutions expecting issuers to carefully assess risks related to material ESG factors and - in line with international reporting standards - disclose the results of this assessment, the management measures in place and the results achieved in mitigating material risks related to environmental aspects with particular regard to climate change mitigation and adaptation (such as carbon footprint and vulnerability to climate-related physical and transition risks). GIAM executes engagement activities according to the GIAM Engagement Policy. |

Table 3 - Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

| Indicators applicable to investments in SOVEREIGNS AND SUPRANATIONALS | | | | | | |
|--------------------------------------------------------------------------------------------------------|---------------------------------------|-----------------------------------------------------------------------------------------------|-------|--|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS | | | | | | |
| Governance | 22. Non-cooperative tax jurisdictions | Investments in jurisdictions on the EU list of non-cooperative jurisdictions for tax purposes | 0.02% | | Coverage : 90.89% | No relevant actions taken currently. However, GIAM plans to publish by end 2023 a Sovereign Exclusion Policy which will take into account, among other indicators, the EU list of non-cooperative jurisdictions for tax purposes. |

3. DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITISE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

Policies to identify and prioritize principal adverse impacts on sustainability factors

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

GIAM, 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.

GIAM, due to the adherence to climate initiatives by Generali Group¹, believes that the climate change is one of the most relevant topics in regard to the impacts of its activities. GIAM can have an important impact on the environment through its investment choices. As an asset manager, GIAM can influence the investee issuers, by reducing the investments in polluting companies and providing more financing to cleaner and more environmentally friendly activity. In regard to Social and Governance factors, GIAM 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.

Also in light of the above, GIAM identifies and prioritizes principal adverse impacts listed in the following table in connection with each of which the relevant internal policies transposing the different exclusions in the investments process are also indicated.

| Applicable to | Tab | Num | Adverse sustainability indicator | Internal Policies | Approval | Responsible Function |
|--------------------|-----|-----|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|-----------------------|----------------------------------|
| Investee Companies | 1 | 1 | GHG emissions | Coal and Unconventional Oil & Gas Sector Exclusion - Annex 1 of Sustainability Policy | GIAM BOD – 2023-01-25 | GIAM ESG Integration & Solutions |
| | 1 | 2 | Carbon footprint | | | |
| | 1 | 3 | GHG intensity of investee companies | | | |
| | 1 | 4 | Exposure to companies active in the fossil fuel sector | | | |
| | 2 | 4 | Investments in companies without carbon emission reduction initiatives | | | |
| | 1 | 10 | Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises | Controversial Weapons & Controversies Exclusion - Annex 2 of Sustainability Policy | GIAM BOD - 2022-07-28 | GIAM ESG Integration & Solutions |
| | 1 | 14 | Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) | | | |

In addition, GIAM identified among additional PAIs from Table 3, the number 22 as GIAM plans to publish by end 2023 a Sovereign Exclusion Policy which will take into account, among other indicators, the EU list of non-cooperative jurisdictions for tax purposes.

The last version of the Sustainability Policy has been approved by the GIAM Board of Directors upon proposal of GIAM CEO on 2023/01/25. Below the main roles and responsibilities resulting from this policy:

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| <p>ESG INTEGRATION AND SOLUTIONS (ESG I&S)</p> | <p>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 GIAM's own policies and/or the clients in their Responsible Investment Guidelines, including analysis of controversies.</p> <p>ESG I&S liaises with Active Ownership function to identify and support Active Ownership activities (voting and engagement).</p> |
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¹ Paragraph 5 below on References to international standards

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| INVESTMENTS FUNCTION | <p>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.</p> <p>It ensures the first level of control in monitoring the exposure towards issuers included in the Restricted lists (both GIAM and Client's own Exclusion list).</p> |
| RISK MANAGEMENT FUNCTION | <p>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.</p> <p>It ensures the second level of control in monitoring the exposure towards issuers included in the Restricted lists (both GIAM and Client's own Exclusion list).</p> |
| RESEARCH | <p>Research function</p> <p>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.</p> <p>Sovereign: Research function takes into consideration external ESG ratings when assessing the creditworthiness of Sovereigns, as per its proprietary quantitative model.</p> <p>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.</p> |
| ACTIVE OWNERSHIP | <p>Active Ownership function is in charge for the exercise of voting rights and engagement execution activities.</p> |

This Principal Adverse Sustainability Impact Statement has been approved by the Board of Directors of Generali Insurance Asset Management S.p.A. SGR on 2023-06-28.

Additional principal adverse impact indicators

For what concerns the two additional principal adverse impact indicators required by the Regulation, GIAM selected those indicators most aligned with the sustainability factors relevant and material for our investments also taking into consideration data availability.

As output of this assessment, GIAM selected the two following indicators:

- Table 2 - Additional climate and other environment-related indicators (indicators applicable to investments in investee companies): N.4. Investments in companies without carbon emission reduction initiatives
- Table 3 - Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters (indicators applicable to investments in sovereigns and supranationals): N. 22. Non-cooperative tax jurisdictions.

Overall limitations for the principal adverse impact figures disclosed

For the purpose of this disclosure, and in particular for the calculation of the PAI figures, GIAM has adopted its best efforts to complete the values for each indicator. As GIAM, we set up a PAI reporting solution that fulfills to the best of our understanding the requirements currently expressed of the regulations, taking into account the limitations encountered such as data availability and regulatory interpretation topics (such as the methodologies to take into account the probability of occurrence and the severity of the principal adverse impacts), as well the reliance on external providers both in terms of data and reporting solutions. During 2023 and going forward we plan to improve the reporting, liaising also with data providers to increase coverage and further develop our methodology, consistently with the instructions of the regulation to provide a best effort view of our portfolio's exposure to adverse impacts.

Data sources

GIAM leverages mainly on external data providers for the calculation of the PAIs disclosed in this report. Specifically, for PAIs on corporate and sovereign investments: GIAM relies on MSCI both in terms of data and reporting solution for all PAIs, except for PAIs where there is a precise link with the negative screening approach (PAI 10 – 14 – 16) where an additional step of internal assessment is applied to fully reflect the approach to the management and prioritization of PAIs. GIAM regularly engage with external providers and other stakeholders to further our understanding of the regulatory requirements and suggest improvements in the approach, but it relied on the regulatory interpretation of the external provider when it comes to technical details such as the application of the formulas for PAI calculation and the use of estimations in the data set.

Scope

The PAI figures hereby presented include only the direct investments. GIAM is currently working on setting up a reporting solution that includes also indirect investments, while also engaging with data providers to improve the coverage and data quality for funds. GIAM policies already provide with expectations for integrating sustainability in the indirect investment decisions. The perimeter of the calculation includes the Collective Investment Schemes (CIS) set-up by GIAM and the existing individual portfolio management arrangements (IMAs) between GIAM and its clients, but excludes the products that are managed by GIAM under a delegation arrangement.

4. ENGAGEMENT POLICIES

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

The GIAM Engagement Policy, available online, defines the principles, active ownership activities, and responsibilities leading the role of GIAM as an asset manager. In this role, GIAM has a fiduciary duty and takes action accordingly by (i) monitoring investee issuer companies, (ii) engaging them on 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 GIAM 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. The Engagement Policy is publicly available on GIAM website.

Engagement approach

In general, Engagement is considered by GIAM as a constructive dialogue with different goals: to reinforce the understanding of the invested companies, to share the GIAM 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 “GIAM Engagement Committee” and driven by inputs from ESG integration & Solutions function, Investments and Research functions. 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 (non-exhaustive and non-constraining list);
- iii) **Engagement Execution** – Active Ownership is in charge for the engagement execution activities. During the execution, 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 Active Ownership can decide to: continue the engagement activity, escalate the intensity of the engagement, or close the Engagement Case;
- v) **Engagement outcome** – The engagement activities uses specific metrics as indicators to be improved over time, as a result of the engagement. They can be, for example:
 - Carbon emissions (PAI 1), carbon intensity (PAI 3), reduction in coal capacity for climate related engagements (PAI 5),
 - Independence of the board, diversity ratio (PAI 13), pay ratio for governance related engagements (PAI 12),
 - Human rights (PAI 10), corruption controversies (PAI 10) for social related engagements.

In case there is no reduction of the principal adverse impacts over more than one period reported, GIAM will evaluate how to adapt its Engagement Policy depending on the reasons why a specific PAI indicators did not decrease. In any case, the engagement policy is reviewed yearly.

5. REFERENCES TO INTERNATIONAL STANDARDS

Assicurazioni Generali, which is the ultimate parent company of the Generali Group legal entities, is among the signatories of the United Nations Global Compact (2007), Principles for Responsible Investments (2011), Paris Agreement (2015), Task Force on Climate-Related Financial Disclosures (2017) and Net Zero Asset Owner Alliance (2020). In line with those adherences, Assicurazioni Generali cascades the principles defined within these international standards, which are linked to all the considered PAIs in this document, to all Generali Group Legal entities.

GIAM itself is also a signatory of the Principles for Responsible Investments (2021). In this regard, the nature of this international initiative allows it to be linked to all the considered PAIs in this document. GIAM is not currently using a forward-looking climate scenario, but it is working to implement it, in the future, in its investment process.

6. HISTORICAL COMPARISON

Historical comparison will be provided by June 2024, when will be issued the statement on principal adverse impact indicators with the figures for both 2022 and 2023 reference periods.