



**Generali Asset Management S.p.A.
Società di Gestione del Risparmio**

**SUSTAINABILITY
POLICY**

Versioning

Version	Date of issuance	Reason for and Extent of Changes
1 (202401)	2024-01-01	<i>First version of the regulation following the 2024 reorganization project</i>

Annexes

- Annex 1 – Coal and Unconventional Oil & Gas Sector Exclusion
- Annex 2 – Controversial Weapons & Controversies Exclusion

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1 Glossary and Definitions

Acronym/ Term	Explanation/ 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
ESAS	European Supervisory Authorities
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
GENAM OR COMPANY	Generali Asset Management S.p.A. Società di Gestione del Risparmio
KPI	Key Performance Indicators
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
SUSTAINABLE INVESTMENT	An investment in an economic activity that contributes to (i) an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or (ii) an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or (iii) an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance
ENVIRONMENTAL OBJECTIVES	(a) climate change mitigation; (b) climate change adaptation; (c) the sustainable use and protection of water and marine resources; (d) the transition to a circular economy; (e) pollution prevention and control;

¹ <https://sciencebasedtargets.org/how-it-works>

	(f) the protection and restoration of biodiversity and ecosystems
PRIVATE ASSETS FUNDS	Funds (or CIS) investing in private debt, private equity and other illiquid asset classes.
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
SFDR	Sustainable Finance Disclosure Regulation – Regulation(EU) 2019/2088 on sustainability-related disclosures in the financial services sector
SUSTAINABILITY DUE DILIGENCE	Process conducted to assess and evaluate the environmental, social, and governance (ESG) risks and opportunities associated with a particular business, investment, or project. The goal is to identify and understand the potential sustainability-related impacts and considerations that may affect the long-term viability and performance of the subject of the due diligence.
SUSTAINABILITY DUE DILIGENCE QUESTIONNAIRE	Dedicated questions submitted during the investment decision-making process within the Due Diligence package.
SUSTAINABILITY OPINION	Produced by the ESG Private Assets Function with the auxiliary support of external advisers for the Investment Function, would contribute to the final investment decision for both direct and indirect investments. It is compiled with all the information and documentation provided during the completion of the Sustainability Due Diligence Questionnaire together with any dedicated meetings with the Counterparty or underlying fund.
INVESTMENT MEMORANDUM	document prepared by a business or financial institution to provide potential investors with detailed information about a specific investment opportunity.
CONTROL FUNCTION	Internal Audit, Compliance, Risk Management and Anti-Financial Crime Functions
COUNTERPARTY	the other party or entity with whom a financial transaction is conducted.
THE POSITIVE OR BEST-IN-CLASS SCREENING	A screening aimed at mitigating sustainability risks

GOOD GOVERNANCE PRACTICE ASSESSMENT

Governance factors are intended as decision-making practices, rules and procedures from sovereigns' policymaking to the distribution of rights and responsibilities among different participants in corporations, including the board of directors, managers, shareholders and stakeholders.

The assessment of good governance practices at GenAM has four layers of screening:

- The proprietary Credit Research opinions.
- Exclusions
- Engagement

LIQUID ASSET CLASSES

A liquid asset class refers to a category of financial assets that can be quickly and easily bought or sold in the market without significantly affecting its price

2 Introduction

2.1 OBJECTIVES

The objectives of the Sustainability Policy in accordance with Article 3 of the Sustainable Finance Disclosure Regulation (SFDR) is to ensure transparent and comprehensive disclosure about how sustainability risks are integrated in the investment decision-making process and in the investment advice. The policy aims to articulate a clear framework for explaining how GenAM integrates sustainability factors into our investment decision-making and in advisory processes, emphasizing the Sustainability Risk assessment and mitigation, in addition to GenAM Sustainability Strategies.

2.2 APPROVAL AND REVIEW

The document was approved by the Board of Directors of the Company.

It shall be promptly reviewed, at least on an annual basis, to include developments in legislation, market and/or best practices, group and company strategy and organization. the content of this regulation shall be updated accordingly by the accountable function if deemed necessary, and in any case at least every 3 years.

2.3 EFFECTIVE DATE AND IMPLEMENTATION DEADLINE

The Effective Date of the document is 1st January 2024.

2.4 SCOPE OF APPLICATION

The document applies to:

- the Company, including its branches.

2.5 IMPLEMENTATION, MONITORING AND INFORMATION FLOWS

The Accountable function and the Senior Management are responsible for managing the implementation of this Policy within the perimeter of their respective responsibilities.

The Accountable function is responsible for guaranteeing a due information flow on the implementation status to the CEO and the BoD and where the contents of this Policy need to be updated within the perimeter of its responsibility.

Any relevant organizational unit within the Company shall promptly inform the Accountable Function of any facts and/or circumstances connected with this Policy which may be relevant for the performance of their duties.

3 Roles and Responsibilities

Role	Responsibilities
BOARD OF DIRECTORS/BOD	GenAM Board of Directors is in charge for the approval and review of the Sustainability Policy. The Board approves the Policy upon proposal of GenAM CEO.
CHIEF EXECUTIVE OFFICER/CEO	The CEO is involved in presenting to the BoD the Sustainability Policy to be approved.
ESG FUNCTION	<ul style="list-style-type: none"> • ESG Function performs sector and thematic analyses with the aim of identifying sustainability risks that could potentially alter short and long-term sector-specific performances. ESG supports and collaborates with Investment and Research Functions providing inputs on thematic and corporate sector relevant ESG as well as climate related topics in order to integrate sustainability risk and sustainability opportunities into the investment decision-making process with updated quantitative and qualitative information. • is also in charge of updating the lists of Restricted investments according to the exclusion principles as set by GenAM's own policies and/or the clients in their Responsible Investment Guidelines, including analysis of controversies. • interacts directly with the issuers and / or ESG data providers to obtain additional information. • Performs the Norm-based screening to the identify issuers involved in controversies. • detects these issues via an in-house assessment, with the support of data from external ESG data and controversy scores providers, which aims to evaluate the compliance of the issuers with the screening criteria. • Performs climate risk identification. <p>Within ESG Function, Active Ownership is supported in performing its activities of exercising of voting rights and engagement execution.</p>
ESG PRIVATE ASSETS	<ul style="list-style-type: none"> • For Private Assets funds classified as Article 8 or Article 9 of SDFR, performs the sustainability assessment both at sector and investment levels carried out with the auxiliary support of external advisers through a Sustainability Due Diligence process and Sustainability Due Diligence Questionnaire. • For the Private Assets funds classified as Article 8 or Article 9 of SDFR, performs the assessment of good governance practices. • For the Private Assets funds classified as Article 8 or Article 9 of SDFR, is responsible for the engagement practices for both direct and indirect investments.
ESG FUND ANALYSIS & BENCHMARKING	<ul style="list-style-type: none"> • For Target CIS performs a Due Diligence on third party asset managers and funds which includes appropriateness of sustainability risks management, ratings assigned by external ESG data provider, as well as the classification of the fund for SFDR purposes and a qualitative assessment of ESG characteristics.
INVESTMENT COMMITTEE	<ul style="list-style-type: none"> • in its Plenary session, aims to define the investment landscape where of GenAM is expected to operate, to provide high level investment guidelines, to gather an overview of the activity, positioning and possible major issues related to its sub-sessions and to provide the relevant inputs about them. While detailed analysis and actions decisions are deferred to the local sub-sessions, the Plenary IC

	<p>must be involved for those situations that are deemed important to be shared and commented at Plenary level by the relevant managers.</p> <ul style="list-style-type: none"> • defines the Tactical Asset Allocation both in its plenary meeting and its dedicated session, as appropriate. Further information is included under the “Investment Process” Policy.
<p>INVESTMENT FUNCTION</p>	<ul style="list-style-type: none"> • collaborates with ESG Function 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. • ensures the first level of control in monitoring the exposure towards issuers included in the Restricted lists throughout FO portfolio management platform Simcorp (both GenAM and Client’s own Exclusion list). • Can identifies ESG risks associated to a specific issuer.
<p>RISK MANAGEMENT FUNCTION</p>	<ul style="list-style-type: none"> • based on the ESG criteria defined by ESG Function 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. • ensures the second level of control in monitoring the exposure towards issuers included in the Restricted lists (both GenAM and Client’s own Exclusion list).
<p>RESEARCH FUNCTION</p>	<ul style="list-style-type: none"> • interacts directly with the issuers and / or ESG data providers to obtain additional information. • can identifies ESG risks associated to a specific issuer. • Credit Research integrates ESG factors into corporate single-name analyses, as defined by sectorial materiality matrices elaborated with the ESG Function. 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. • the Macro & Market Research integrates ESG external ratings into its proprietary Sovereign Rating Monitor (proprietary algorithm), which is made available to all the Investment Function. • Credit Research analysts comment on the governance practices of corporate issuers, including the potential impact these might have had on current and future credit rating, to complement the proprietary Credit Research opinions with a section “ESG considerations”.

4 Forewords

The Generali Group, which Generali Asset Management S.p.A. SGR (“GenAM”) is part of, is committed to Responsible Investments since 2007.

GenAM results from the merger of Generali Investments Partners SGR S.p.A. and Generali Insurance Asset Management SGR S.p.A., which became a signatory to the Principles for Responsible Investment (PRI) in 2021. Along the same line, GenAM believes that the proactive integration of Environmental, Social and Governance factors (“ESG factors” - see table below) into the investment and advisory processes, across asset classes, will support it to achieve both financial returns and social value.

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.

Furthermore, Bank of Italy issued on 8th April 2022 its “Supervisory expectations on climatic and environmental risks”.

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 and the Commission Delegated Regulation (EU) 2022/1288 that provides regulatory technical standards specifying the details of the content and presentation of the information on precontractual documents, on websites and in periodic reports (SFDR RTS).

In light of the above, GenAM, in particular pursuant to art.3 of the SFDR, adopts the present **“Policy on the integration of sustainability risks in the investment decision-making and in the investment advice service”**.

5 Integration of sustainability risks in the investment decision-making and in advisory processes

Sustainability risk is defined by SFDR as 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.

More in detail, sustainability risks are intended as ESG factors that can mainly imply, for a given issuer, loss of revenue or franchise, increased capital expenditures, extraordinary expenses, contingent liabilities and provisions, pension and other liabilities, ultimately leading to a loss of the value of the investment.

The impact that ESG factors may have on the long-term returns of asset classes is of utmost importance. It is therefore essential to consider how these factors affect long-term investment returns and take advantages on anticipating the risks characteristics of individual asset class analysis.

The table below provides guidance examples of ESG factors²:

ESG Factor	Description
E-ENVIRONMENTAL	Aspects related to the quality and to the functioning of the environment and natural systems, including: greenhouse effect and climate change; the availability of natural resources, including: energy and water; changes in the use of soil and urbanization; quality of the air, water and soil; the production and management of waste; the protection of natural habitats and biodiversity.
S-SOCIAL	Aspects related to the rights, well-being and legitimate interests of people and local communities, including: human rights, diversity and promotion of equal opportunities; demographical changes; occupation and the right to decent working conditions, including child and forced labor, as well as occupational health and safety; the distribution of wealth and inequalities within and among countries; migrations; education and human capital development; digital transformation, artificial intelligence, internet of things and robotics; health and access to social assistance and healthcare; consumer safety; power diffusion and the crisis of traditional elites.
G-GOVERNANCE	Aspects related to government of the companies and organizations, including: transparency; ethics and integrity in business practices and compliance with laws; corruption; tax responsibility; board structure, independence and diversity; mechanisms to incentivize the management; stakeholders and stakeholders rights, protection/distortion of competition.

5.1 SUSTAINABILITY RISK ASSESSMENT

5.1.1 Sustainability risk identification, measurement and strategies

The sustainability risk identification process aims at guaranteeing that all material risks to which GenAM is exposed to are properly identified, assessed and considered based on their likelihood of occurrence and severity, and mitigating actions are identified and properly implemented.

ESG Function performs sector and thematic analyses with the aim of identifying sustainability risks that could potentially alter short and long-term sector-specific performances. The findings of such activity are made available to, and will feed, the Research Function and the Investment Function to integrate sustainability risks and sustainability opportunities into the investment decision-making process and the investment advice.

² In accordance with Sustainability Group Policy.

In addition, sustainability risk identification also leverages on external ESG data providers, monitoring of ESG-related news, sell side research and issuers' public disclosure. When available data are not deemed sufficient to correctly identify sustainability risks the ESG Function or the Research Function interacts directly with the issuers and / or ESG data providers to obtain additional information.

The Company has set out specific exclusion measures, in relation to sectors potentially exposed to high sustainability risk. Those measures are detailed in the Annexes of this Policy.

For Private Assets funds classified as Article 8 or Article 9 of SFDR, the ESG Private Assets Function performs the sustainability assessment both at sector and investment levels, in particular at Counterparty level for direct investments and at Underlying Fund for indirect investments. The analysis is carried out with the auxiliary support of external advisers through a Sustainability Due Diligence process modelled on the nature of the investment, including, but not limited to, a Sustainability Due Diligence Questionnaire, dedicated meetings with the Counterparty or underlying fund and other relevant documentation provided by the Counterparty or underlying fund. The outcome of this analysis results in a Sustainability Opinion that will feed into the due diligence package of the Investment function.

The investment specific sustainability issues are directly investigated by the ESG Private Assets Function through the Sustainability Due Diligence process and, in particular, the Sustainability Due Diligence Questionnaire which identifies the ESG issues that could expose the Counterparty or underlying fund. The investment execution can be subject to the definition of mitigating actions that the ESG Private Assets Function performs through engagement activities. The evidence of this analysis integrates the Investment Memorandum in the form of a Sustainability Opinion, which will be shared with the Control Functions and that represent an input for the final investment decision. The ESG issues analysis is reviewed on an annual basis.

The sustainability issues identification analysis for Private Assets funds classified as Article 6 of SFDR is carried out internally and directly by the Private Assets' Function through dedicated questions submitted during the investment decision making process within the Due Diligence package.

5.1.2 Climate risk identification

GenAM climate risk identification is performed by the ESG Function, through the use of its proprietary transition risk model. The model assigns a "transition score" to each entity, enabling the identification and ranking of companies from the worst to the best positioned in the decarbonization journey. The framework includes past, current and forward-looking carbon metrics. This model is asset-class neutral, meaning that it works at issuer rather than security level. Therefore, it is applicable to equity and corporate securities. Sovereign securities are not yet included. The model sources data from primary ESG and carbon data providers. The analyst can complement information from Annual and Sustainability Report of the assessed company.

The ranking model feeds:

- the Research Function with the goal of highlighting prospect climate risk which can translate into financial pressure and, ultimately, credit rating migration;
- the Investment Function with the goal of supporting securities selection coherently with each client/product's decarbonization target.

5.1.3 ESG Integration

GenAM aims at building a holistic and harmonized sustainability identification and measurement process, albeit nuances exist based on the type of asset class:

For Corporate Bond: the ESG Function and the Credit Research have identified sector materiality matrices to map ESG factors which can translate into sustainability risks and ultimately have an impact on the credit rating migration of a given issuer. Credit Research opinions, if relevant, are complemented with main ESG metrics and qualitative ESG comments with the support and technical knowledge of the ESG Function, overall feeding the investment decisions and investment advice. Sustainability risks Integration is performed through Exclusion Lists, based on such analysis, for direct investments. For managed portfolios classified as article 8 or 9 products under SFDR, sustainability risks integration is performed also through ESG scoring and indicators on quarterly basis according to the relevant individual portfolio mandate or CIS Rules/Prospectus. This applies to all products managed by GenAM, except for Private Assets.

For Listed Equity: Equity portfolio managers, from both Liability-Driven Investing and Active Management, use publicly available ESG information and external ESG data providers to identify major sustainability risks.

In addition, only for LDI Portfolios, the ESG risks may be reflected in financial forecasts and may ultimately result in a premium / discount of the valuation depending on the ESG scores assigned to the issuer.

For Sovereign: The Macro & Market Research integrates ESG external ratings into its proprietary Sovereign Rating Monitor (proprietary algorithm), which is made available to all the Investment Function.

For Target CIS (Funds other than Private Assets funds): ESG Fund Analysis & Benchmarking performs a Due Diligence on third party asset managers and funds which includes appropriateness of sustainability risks management, ratings assigned by external ESG data provider, as well as the classification of the fund for SFDR purposes and a qualitative assessment of ESG characteristics. LDI, Active Management and Fund Selection Platform benefit from this activity.

For Private Assets: for the Private Assets funds classified as Article 8 or Article 9 of SFDR, the ESG Integration activity is performed by the ESG Private Assets Function through a Positive or Best-in-class screening strategy.

The Positive or Best-in-class screening is aimed at mitigating sustainability risks. The exclusion decision is assessed for each investment opportunity through the Sustainability Due Diligence Questionnaire, varying according to direct, indirect and multi asset (i.e., direct and indirect) investments. In details:

- For the direct investments (securities), the Counterparty is required to directly fulfil the Sustainability Due Diligence questionnaire that investigates, for instance, the Corporate Social Responsibility (CSR) and corporate governance, Diversity & Inclusion, Cybersecurity, Supply Chain, Workforce conditions and litigations, and approach to environmental issues. Moreover, when relevant, it would be required for the Counterparty to track and report on Principal Adverse Impact indicators and to comply with the Regulation;
- For the indirect investment (target funds), the Sustainability Due Diligence questionnaire is a two-section fill-in form covering both the Assessment of the Asset Manager and the Assessment of the underlying fund. Regarding the former, it assesses the Asset Manager's aspects of corporate social responsibility and incorporation of ESG factors into the investment process (e.g., responsible investment policy, sustainability reporting, integration of ESG KPIs implementation of thematic ESG strategies, investment stewardship). In the second section, it examines the specific Underlying Fund by assessing product related ESG KPIs.
- For private multi asset (mix of direct and indirect investments) the ESG product investment policy of the financial product must
 - include at least one of the ESG positive screening approaches as for "ANNEX I – AWM BU SFDR CLASSIFICATION FRAMEWORK" to be applied to at least 70% of the portfolio AUM;
 - ensure that all the companies in which the investments of the financial product are made follow good governance practices, in line with SFDR Regulation provisions.

For both direct and indirect investments, all the information and documentation provided during the completion of the Sustainability Due Diligence Questionnaire together with any dedicated meetings with the Counterparty or underlying fund contribute to the compilation of a Sustainability Opinion, produced by the ESG Private Assets Function with the auxiliary support of external advisers, for the Investment Function. The investment opportunity's Sustainability Opinion would contribute to the final investment decision. The evidence is annually reviewed as a consequence of the monitoring activity performed by the ESG Private Assets Function and included in the periodic reporting documentation.

5.2 SUSTAINABILITY RISK STRATEGIES

In addition to ESG Integration as described above, GenAM implements a range of ESG strategies aimed at mitigating sustainability risks:

- Negative / exclusionary screening aimed at limiting investments in corporate bonds and equity, sovereign, or sectors based on specific ESG criteria;
- Norms-based screening to identify issuers not meeting minimum international standards of industry or government practice;
- Best-in-class / Best-in-Universe / Selectivity or Rating Upgrade approach or equivalent
- Green / Social / Sustainability-linked bonds filter
- Voting and Engagement

5.2.1 Negative / Exclusionary screening

GenAM Exclusion Lists: The list of issuers excluded from the investment universe is defined by the ESG Function on the base of the involvement in specific sectors or activities.

Scope: The exclusions are applied to direct investments carried by GenAM on all liquid asset classes, covering all the products issued by GenAM and those where GEnM is the investment manager, including CIS delegated to GenAM.

GenAM has issued the Annex 1 – Coal and Unconventional Oil & Gas Sector Exclusion applied to all portfolios managed to respond to growing climate-related concerns, as triggered by increasing regulatory and societal pressures, as well as their impact on issuers. GenAM Coal and Unconventional Oil & Gas Sector Exclusion supports decarbonization strategies by integrating actual and forward-looking carbon emissions metrics in the assessment of the portfolios. In addition, this exclusion policy is instrumental to the identification and prioritization of principal adverse impacts on sustainability factors, as detailed in the “Principal Adverse Impact Statement” available on GenENAM website. In addition, this exclusion policy is instrumental to the identification and prioritization of the following principal adverse impacts on sustainability factors, as detailed in the “Principal Adverse Impact Statement”³ available on GenAM website:

Tab	Num	Adverse sustainability indicator
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
2	4	Investments in companies without carbon emission reduction initiatives

According to the exclusion criteria defined above, issuers not fulfilling filter requirements are excluded from the investment universe and therefore put in the Restricted List and subject to specific action as follows:

- For **Mark to Market CIS:** Obligation to sell existing positions during the next 3 months, unless the term of 3 months is too strict, considering the features of the relevant CIS, to ensure that the interests of the CIS and its investors are adequately protected. In any event, the opportunistic sale must be executed as soon as practicable. In all cases, no new positions allowed.
- For **Individual mandates:** Opportunistic sale, no new positions allowed.

For Private Assets classified as Article 8 an Exclusionary screening strategy is performed by the ESG Private Assets Function while for SFDR art.6 funds the Exclusionary screening is carried out internally and directly by the Private Assets Function.

Clients’ own exclusion lists: In the context of the individual portfolio management service and collective asset management under a delegation agreement, GenAM can agree with its clients / delegating management company to apply additional exclusions, each time Clients/Delegating management company require GenAM to apply their own exclusion policies and such policies are more restrictive than GenAM’s ones. Conversely, in case Clients’ exclusion policies are less restrictive than

⁴ According to the MSCI scale and methodology (for more details see [here](#)). However, the ESG Function can analyse specific controversies cases and, based on the results obtained, downgrade/upgrade the degree of severity.

GenAM ones, GenAM evaluates on a case by case basis and reserves itself the right of not accepting any such less restrictive policies by motivating the reasons behind accepting, when this is the case, less restrictive restrictions.

Application: The ESG Function extracts exclusion-related data by using external data set of primary ESG data providers in order to identify the issuers not compliant with the screening criteria.

The list of issuers not meeting the ESG requirement disseminated to relevant internal stakeholders and it is incorporated into GenAM's main investment tool for prompt communication to the Investment Function, including blocking alerts. The lists are applied to all portfolios / funds regardless of their classification as article 6, 8 or 9 products, depending on the mandate or CIS funds' rules/prospectus.

5.2.2 Norms-based screening

Environmental, social, and governance (ESG) controversies can be costly, and even highly regarded issuers are subject to reputational risk. Controversies assessment is a key component of GenAM's ESG integration framework. That is because companies often face litigations, class action suits, regulatory fines and fines resulting from controversies that can impact current financial valuation and/or future performances but that are not reflected into the ESG ratings in real time.

Norm-based screening is performed by ESG Function and corresponds to the identification of issuers involved in controversies, for example, in:

- i) Breach of the Treaty on the Non-Proliferation of Nuclear Weapons;
- ii) Breach of the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction;
- iii) Breach of the Ottawa Treaty;
- iv) Breach of the Convention on Cluster Munitions (CCM);
- v) Breach of the UN Global Compact;
- vi) Breach of human rights principles;
- vii) Severe⁴ environmental damages;
- viii) Gross corruption cases.

ESG Function detects these issues via an in-house assessment, with the support of data from external ESG data and controversy scores providers, which aims to evaluate the compliance of the issuers with the screening criteria listed above. The output is a list of issuers identified as not being compliant with the screening criteria and excluded from the investment universe. The Restricted list is disseminated to relevant internal stakeholders and incorporated in the main investment tool, including with blocking alerts, unless in the case of clients' policies less restrictive than GenAM's ones and which have been accepted by GenAM. For financial instruments, already purchased for managed portfolios, subsequently resulting issued by those companies identified as restricted and subject to specific action as follows:

- For **Mark to Market CIS**: Obligation to sell existing positions during the next 3 months, unless the term of 3 months is too strict, considering the features of the relevant CIS, to ensure that the interests of the CIS and its investors are adequately protected. In any event, the opportunistic sale must be executed as soon as practicable. In all cases, no new positions allowed.
- For **Individual mandates**: Opportunistic sale, no new positions allowed.

GenAM has issued the Annex 2 – “Controversial Weapons and Controversies Exclusion” which introduces binding exclusionary limits for issuers breaching the screening criteria listed above (controversies and controversial weapons), including CIS delegated. In addition, this exclusion policy is instrumental to the identification and prioritization of principal adverse impacts on sustainability factors, as detailed in the “Principal Adverse Impact Statement” available on the Company's website. In addition, this exclusion policy is instrumental to the identification and prioritization of the following principal adverse impacts on sustainability factors, as detailed in the “Principal Adverse Impact Statement”⁵ available on the Company's website:

⁴ According to the MSCI scale and methodology (for more details see [here](#)). However, the ESG Function can analyse specific controversies cases and, based on the results obtained, downgrade/upgrade the degree of severity.

Tab	Num	Adverse sustainability indicator
1	10	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
1	14	Exposure to controversial weapons (anti- personnel mines, cluster munitions, chemical weapons and biological weapons)

5.2.3 Positive screening

For products classified as Art. 8 under the scope of SFDR classification, GenAM can adopt a Best in class or Minimum ESG rating / Scoring approach, according to the relevant individual management agreement or CIS rules / prospectus:

Best-in-class / Best-in-Universe / Selectivity or Rating Upgrade approach or equivalent: selection of issuers with an ESG performance (e.g., ESG rating) exceeding that of a benchmark. Alternatively, the overall ESG performance of the portfolio must be higher than the benchmark or investable universe's (equivalent approaches are allowed: e.g., "rating upgrade approach" for developed markets' sovereign bonds, investment in sustainable/ESG index, etc.).

Minimum ESG Rating / Scoring: setting a minimum ESG rating / ESG scoring threshold at the issuer/counterparty or at the portfolio level for securities selection purposes.

The ESG rating / scoring threshold must be set in such a way to allow for the promotion of the environmental and/or social characteristics promoted by the product. Based on their external ratings and scores, issuers are classified in different categories of ESG performance and ranked. A minimum threshold determines the investment eligibility into the investment universe. If the score is within or above this average category, the issuers can be accepted in the investment universe. In case the issuer score is below that threshold, ESG analysts can assess if the ESG material issues can be resolved through engagement with the issuer itself.

The above list of issuers is communicated to the Investment Function and then applied by the latter depending on the mandate or CIS' rules/prospectus.

For products classified as Art. 6 under the scope of SFDR classification, external ESG scores are visible to both Research and Investment Functions in the main investment tools

5.2.4 Green / Social / Sustainability-linked Bonds Filter

GenAM developed a proprietary green, social, sustainable, and sustainability-linked bond (hereafter, "ESG bonds") assessment framework in order to identify bonds that will deliver a meaningful impact, applied to clients and products unless otherwise specified within appropriate Governance.

GenAM assessment is an additional voluntary and stricter form of screening that is added to the EU best practices and the legal and regulatory requirements (ICMA) to which the financial products of GenAM clients are subjected.

The framework is split into four layers of analysis – sustainability policy compliance (e.g., negative screening), issuer ESG score, bond framework assessment and asset level analysis (traceability, transparency and reporting), which are interwoven into the whole assessment process.

Each layer is assessed individually, using both proprietary research and data from external third parties. In line with its broader climate strategy, the bottom-up approach to ESG bond selection is key to GENAM in generating a positive impact for clients by preventing greenwashing and unfaithful communication. This assessment complements the traditional financial considerations, such as on yield curve and risk factors, to reconcile the creation of long-term financial returns while also having a positive impact on society.

5.2.5 Voting and Engagement

In case a material ESG risks associated to a specific issuer is identified (by Research Function, Investment Function or ESG Function itself), the information is shared with the Active Ownership Function, within ESG Function, to evaluate the opportunity of engagement actions. The Active Ownership Function aims at understanding in depth the positioning, process and behavior of the company vis-à-vis the sustainability risk, identifying the specific improvements that could be implemented and supporting the company in the transition advocated. The voting activity is a tool which can be used to further influence the issuer towards the suggested improvements.

For the Private Assets funds classified as Article 8 or Article 9 of SDFR, the ESG Private Assets Function with the auxiliary support of external advisers is responsible for the engagement practices for both direct and indirect investments. The engagement activity extends throughout the entire investment process.

5.2.6 Good Governance Practice Assessment

For products classified as Art. 8 or Art. 9 under the scope of SFDR classification, GenAM adopts the following Good Governance Practice Assessment.

Governance factors are intended as decision-making practices, rules and procedures from sovereigns' policymaking to the distribution of rights and responsibilities among different participants in corporations, including the board of directors, managers, shareholders and stakeholders. An issuer's purpose, the role and makeup of boards of directors, shareholder rights and how corporate performance is measured are core elements of GenAM assessments.

The assessment of good governance practices at GenAM has three layers of screening:

- **The proprietary Credit Research opinions** are complemented by a section "ESG considerations" in which Credit Research analysts comment on the governance practices of corporate issuers, including the potential impact these might have had on current and future credit rating.
- **Exclusions:** GenAM excludes issuers involved in severe controversies through screening of external controversies scores and internal proprietary analyses.
- **Engagement:** the activities of the Active Ownership Function as described in the Engagement Policy (including dialogue linked to voting activity) act as a third layer of scrutiny of good governance assessment. Additional information arising from such activity may complement external data on governance and / or the ESG analyst's proprietary assessment, ultimately feeding the Investment Functions.

For the Private Assets funds classified as Article 8 or Article 9 of SDFR, the assessment of good governance practices is performed by the ESG Private Assets Function through the Positive or Best-in-class screening procedure as defined in the paragraph "Sustainability risk strategies for Private Assets funds". The analysis especially focuses on the Corporate Social Responsibility (CSR) and corporate governance practices of the Counterparty for direct investments or underlying fund for indirect investments.

5.3 PROCESS GOVERNANCE

5.3.1 Governance of ESG Risk Assessment and Integration process

The Board of Directors is in charge of the approval and review of the Sustainability Policy. The Board approves the Policy upon proposal of the CEO, which is also in charge of the implementation of the Policy.

Sustainability targets, KPIs and guidelines to be achieved and implemented, such as decarbonisation target or sectors to be excluded from portfolios are those defined in the individual portfolio mandate and in the Collective Investment Schemes documentation (CIS' rules/prospectuses).

ESG Function, under the direction of the CEO to which it reports and following the path traced by clients or CIS' rules/prospectus, is in charge of defining the sustainability risk assessment and the management of the ESG ratings and climate metrics and parameters.

The ESG Function sources ESG ratings from external ESG rating providers. The ESG Function, however, collaborates with Investment and Research Functions when explanation on external providers' methodologies, outcomes or outlooks is deemed relevant, in order to ensure that the investment decision-making process and investment advice service are made on the basis of updated quantitative and qualitative information.

Periodically the Investment (first level of control) and Risk Management (second level of control) Function, based on the ESG criteria defined by ESG and on the reports available, monitors the exposure towards the Issuers subject to Restrictions.

5.3.2 Reporting of the process

GenAM publishes on its website the updated version of the present Policy every year, if any relevant change occurs.

Internally, the Board of Directors is informed annually, by ESG, of the implementation of the Policy in order to assess and review the underlying methodology and the outcomes.

Periodically, internal reports might be requested by the Investment Function in order to enable it to fulfil its oversight roles on investments. In addition, other internal stakeholders are updated and involved based on process's needs.