



**SUMMARY OF  
THE SUSTAINABILITY POLICY  
OF EURIZON CAPITAL SGR S.p.A.**

## REGULATION

APPROVING BODY/STRUCTURE	INTERVENTION TYPE	EFFECTIVE DATE
Board of Directors	Update	June 2025

## DOCUMENT OWNER

ESG & Strategic Activism

## RECIPIENTS

Eurizon Capital SGR S.p.A.

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## 1. INTRODUCTION

As a financial markets participant and financial advisor, Eurizon Capital SGR S.p.A. ("Eurizon Capital SGR", the "SGR" or the "Company") has a fiduciary duty with its Clients and Investors and, more in general, with stakeholders, that requires sustainability-related matters to be managed effectively, with particular reference to returns on financial products and to issuers that the Company invests on behalf of its managed assets. In keeping with its own "Engagement Policy", the Company believes that issuers adopting high standards at an environmental, social and corporate governance level, are capable of generating a sustainable performance in the long term.

This document represents the Policy relating to the integration of sustainability risks in the Investment Process of Eurizon Capital SGR pursuant to Article 3<sup>1</sup> of Regulation (EU) 2019/2088 of the European Parliament and of the Council on Sustainability Disclosure in the financial services sector (the "Sustainable Finance Disclosure Regulation" or "SFDR") and the related implementation rules.

The Policy describes the methodologies for selecting and monitoring financial instruments, adopted by the Company to include sustainability risks analysis and management in its own Investment Process regarding collective asset management and portfolio management services, as well as recommendations made as part of investment advisory service.

Above-mentioned methodologies provide for the application of specific financial instrument selection processes, appropriately calibrated according to the characteristics and objectives of the individual products managed; these processes take into account environmental, social and corporate governance (ESG) factors, and Sustainable and Responsible Investments (SRI) principles.

The criteria for selecting and monitoring issuers based on ESG and SRI profiles combine traditional financial analyses of the risk/return profiles of issuers which the Company considers when making its investment choices, in order to (i) avoid environmental, social and corporate governance conditions from having an actual or potential significant adverse impact on the value of investments of managed assets, and to (ii) lever the capabilities of issuers to benefit from sustainable growth opportunities.

This document also describes how Eurizon Capital SGR takes into account:

- the principal adverse impacts of investment decisions on sustainability factors, pursuant to Articles 4<sup>2</sup> and 7<sup>3</sup> of the SFDR Regulation and the related implementation rules;
- sustainability risks in its own Remuneration and Incentive Policy, pursuant to Article 5<sup>4</sup> of the SFDR Regulation.

The legal framework of reference also refers to the following provisions:

- Regulation (EU) 2020/852 ("Taxonomy Regulation") on the establishment of a framework to facilitate sustainable investments;
- Commission Delegated Regulation (EU) 2021/1253 on the integration of clients' sustainability preferences by investment firms;
- Commission Delegated Regulation (EU) 2021/1269 on the integration of sustainability factors into the product governance obligations;

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<sup>1</sup> Financial market participants shall publish on their websites information about their policies on integrating sustainability risks in their investment decision-making processes. Financial advisors shall publish on their websites information about their policies on integrating sustainability risks in their investment or insurance advice.

<sup>2</sup> Financial market participants shall publish and update on their websites [omission] where they consider the principal adverse impacts of investment decisions on sustainability factors, a statement regarding their due diligence policies with respect to such effects, taking due account of their size, the nature and scope of their activities and the type of financial products they make available.

<sup>3</sup> [omission] for each financial product, if a financial market participant applies Article 4 [omission], the following shall be included: a) a clear and reasoned explanation of whether, and, if so, how a financial product considers principal adverse impacts on sustainability factors; b) a statement that information on principal adverse impacts on sustainability factors is available in the information to be disclosed pursuant to Article 11(2) of the Regulation.

<sup>4</sup> Financial market participants and financial advisors shall include in their remuneration policies information on how those policies are consistent with the integration of sustainability risks, and shall publish that information on their websites.

- Commission Delegated Regulation (EU) 2022/1288, as amended, describing the regulatory technical standards on the content and presentation of information in pre-contractual documents, on websites and in periodic reports;
- ESMA guidelines on funds' names using ESG or sustainability-related terms of 21 August 2024 (ESMA34-1592494965-657).

In this context, the Company promotes training initiatives to consolidate its personnel's awareness and understanding of sustainability-related topics.

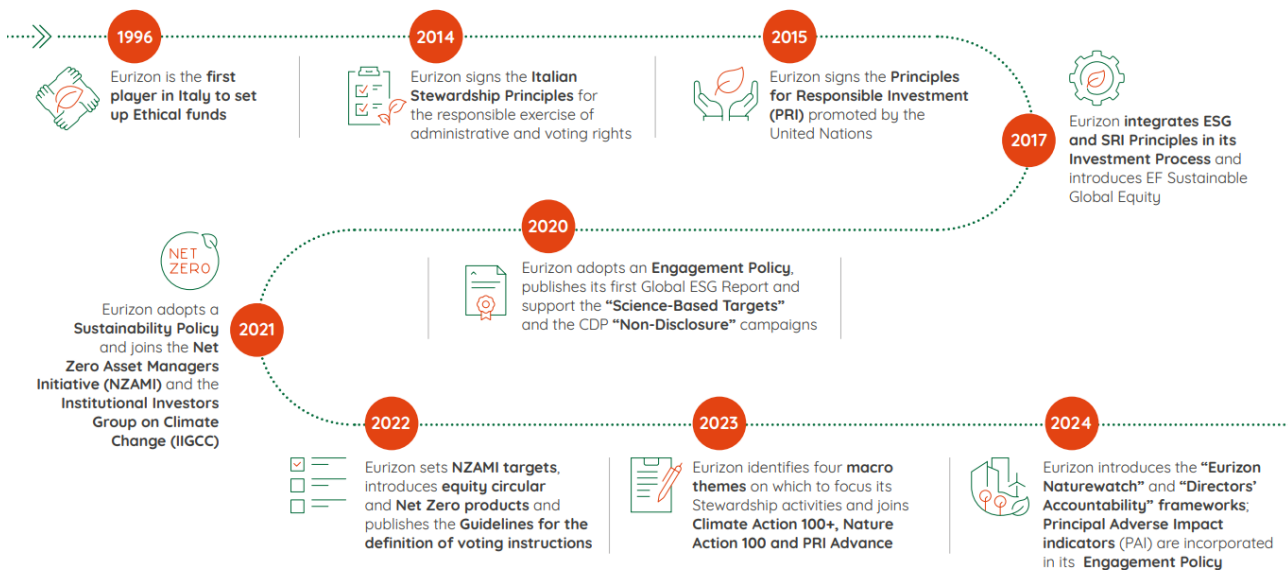
For a better understanding of this Policy, there is a glossary at the end of this document, of the main terms used, which takes account of both regulatory aspects (such as sustainability risk, sustainability factors, sustainable investments, PAI, etc.) and the methodologies used by the Company to analyse and manage sustainability risks.

## 2. EURIZON'S COMMITMENT TO THE SUSTAINABILITY OF FINANCIAL SERVICES

Eurizon Capital SGR's vision and mission highlight the importance for Companies belonging to the Intesa Sanpaolo Group's Asset Management Division to work with investees in order to promote rules and conducts that privilege the sustainability aspects of investments and promote high standards of corporate governance of investee issuers.

In fact, the Company believes that companies which take account of ESG factors in their own strategies and operating models have a greater likelihood of obtaining sustainable profits over time, and thus of increasing their value, both in economic and financial terms.

Below are the fundamental milestones of Eurizon Capital SGR and the Asset Management Division's commitment to ESG and SRI issues, since 1996, the year when the first ethical funds were placed on the Italian market:



In this context, the Company promotes conducts that encourage the sustainability aspects of investments and the adoption of good corporate governance practices by investees on behalf of managed assets. The next Sections describe the Codes, Principles and Initiatives endorsed by Eurizon Capital SGR, in order to adopt ethical standards and codes of responsible company conduct which are internationally recognised<sup>5</sup>.

<sup>5</sup> As a result of these endorsements, considering the principle of proportionality and specific aspects of the business, the Subsidiaries adopt an oversight consistent with that of Eurizon Capital SGR, aimed at implementing the best practices promoted by the various initiatives.

## **2.1. THE CODE OF ETHICS**

The Intesa Sanpaolo Group's Code of Ethics aims to guide behaviour consistent with the highest national and international standards of ethics. The Code includes and recognises sustainability principles as fundamental for steering its business strategy and for having a positive impact on the future of the planet and company, aware that its consideration of social and environmental factors contributes to minimising exposure to risks and to consolidating its reputation.

Intesa Sanpaolo endorses the United Nations Global Compact and is committed to contributing to the achievement of the Sustainable Development Goals (SDGs).

## **2.2. UNITED NATIONS' PRINCIPLES FOR RESPONSIBLE INVESTMENT (UN PRI)**

The integration of ESG factors and SRI principles, besides meeting the reference values and principles of Intesa Sanpaolo Group and the Asset Management Division, is connected with the Company's endorsement since 2015 of the "Principles for Responsible Investment", the guiding principles concerning responsible investments promoted by the United Nations.

As a signatory of the Principles for Responsible Investment, Eurizon Capital SGR is committed to:

1. incorporating environmental, social and corporate governance factors in the analysis of investments and in the decision-making process;
2. including environmental, social and corporate governance factors in its active ownership policy;
3. requesting the companies it invests in to provide appropriate disclosure on information about environmental, social and corporate governance factors concerning them;
4. promoting the acceptance and adoption of the Principles among investors;
5. working with the financial community to improve the effective adoption of the Principles;
6. reporting to the public on the activities and progress of the Company in adopting the Principles.

The Company is required to provide annually information on its responsible investment activities, by taking part in the "Reporting and Assessment", available on the website [www.unpri.org](http://www.unpri.org).

Lastly, in October 2023, the Company joined the initiative "Sustainable Systems Investment Manager Reference Group" promoted by UN PRI with the aim of encouraging regular engagement and discussion with asset management companies.

## **2.3. STEWARDSHIP PRINCIPLES**

As a member - since 2014 - of the "Italian Stewardship Principles" for the exercise of administrative and voting rights in listed companies defined by Assogestioni, the Company pays particular attention to the policies implemented by issuers, encouraging discussions with companies in which it invests.

The Principles defined by Assogestioni are aligned with those outlined in the 'Stewardship Code' promoted by the European Fund and Asset Management Association (EFAMA), in which Assogestioni participates and of which Eurizon Capital SGR is also a member, in order to promote, at European level, the development of good corporate governance practices.

In this context, the Company:

1. adopts a documented policy, made available to the public, that sets out the strategy to exercise rights concerning financial instruments of managed portfolios and UCIs;
2. monitors listed investee issuers;
3. sets out clear guidelines on the time frames and intervention procedures in listed investee issuers, in order to protect and increase their value;
4. considers the possibility of a collaboration with other institutional investors, where appropriate, paying particular attention to regulations governing joint actions;
5. exercises the voting rights attached to the financial instruments pertaining to the UCIs and the managed portfolios in an informed manner;
6. keeps track of the exercise of rights attached to the financial instruments pertaining to the UCIs and managed portfolios, adopting a policy on the disclosure of information on external governance.

To steer the conduct it adopts to encourage engagement with the issuers it invests in, integrating its own commitment as shareholder to the investment strategy, the Company has defined its own "Engagement Policy", adopted also in accordance with Article 124-quinquies of Legislative Decree 58 of 24 February 1998 ("Consolidated Finance Act", otherwise called the TUF).

In compliance with sector regulations on collective asset management services<sup>6</sup>, the Company has also developed the "Strategy for exercising participating and voting rights concerning the financial instruments of assets managed by Eurizon Capital SGR S.p.A." in order to guarantee independence and autonomy in exercising participating and voting rights, when such rights are assigned for managed investments on a discretionary basis.

The Strategy defines a set of procedures and measures that aim to:

- monitor corporate events connected to the financial instruments in the portfolio of managed UCIs, where required by the characteristics of the instruments incorporating rights to be exercised;
- assess the methods and time frames for any possible exercise of participating and voting rights, based on a cost-benefit analysis that also considers the objectives and investment policy of each managed portfolio;
- prevent or manage any conflict of interest situations that may arise from exercising voting rights on behalf of managed assets.

According to the Strategy, the exercise of participation and voting rights is an integral part of the broader Investment Process of the Company. To this end, the ESG & Strategic Activism Structure and the reference fund managers of the Investment Department work in close coordination to analyse and investigate every relevant corporate governance aspect of the listed companies in which the Company invests.

Also in line with recommendations from Assogestioni, the Company adopts a "targeted" approach to corporate governance, promoting – applying the proportionality principle – engagement and participation in Shareholder Meetings of selected companies with shares listed on the Italian stock exchange and on international markets, taking into account the usefulness of participating in the interests of managed assets and the possibility of influencing decisions in relation to the voting rights held.

In this way, the Company aims to identify any problems in advance and, at the same time, minimise potential losses in value related to the performance of the companies in which it invests on behalf of managed assets. The Company does not intend to "micromanage" the affairs of investee listed issuers, nor does it preclude any decisions to sell a shareholding, where this represents the most effective solution to protect the interests of Clients and Investors.

The Company monitors the effectiveness of measures adopted for engagement with issuers and for the exercise of participation and voting rights, reviewing the Engagement Policy and Strategy at least annually. The Company provides transparent information on these documents at [www.eurizoncapital.com](http://www.eurizoncapital.com).

## **2.4. CDP**

Since 2004, the Company has adhered to CDP, the independent non-profit organization that offers companies, states, regions and cities a framework for measuring, detecting, managing and sharing information on a global level regarding its environmental impact, with the aim of promoting actions aimed at mitigating climate change.

## **2.5. NET ZERO ASSET MANAGERS INITIATIVE**

The fiduciary duty with Clients and Investors and, more generally, with Stakeholders, requires the Company to effectively manage sustainability-related issues and, specifically, climate change mitigation and adaptation topics.

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<sup>6</sup> See Article 35-decies of the TUF and Article 112 of the Intermediaries Regulation adopted by CONSOB with ruling no. 20307/2018, as amended.



On 1 November 2021, the Company therefore adhered to the "Net Zero Asset Managers Initiative"<sup>7</sup> (also referred to as "NZAMI"), the international initiative promoted by asset management companies committed to supporting the goal of achieving the neutrality of net greenhouse gas emissions by 2050 (so-called "Net Zero"), in line with the commitments made by the States that signed the Paris Agreement, aiming at containing the impacts of climate change and limiting the rise in temperatures by 1.5°C by 2050.

NZAMI is realised in the commitment to ensure transparency and accuracy also in achieving the intermediate objective of aligning a portion of assets under management with the "Net Zero" scenario already by 2030.

In this regard, NZAMI provides for:

- an average reduction of carbon emissions (CO<sub>2</sub>) of at least 50% compared to the year 2019 (this goal is in fact recognized by the Intergovernmental Panel on Climate Change (IPCC) as a necessary condition to mitigate the rise in temperatures by 1.5°C by 2050);
- the promotion of proactive engagement with less advanced issuers ("laggards") and sectors with greater impact ("high impact");
- the transparency on the commitments undertaken within twelve months from the date of accession, with the commitment (i) to implement an annual report that integrates the disclosure required by UN PRI and (ii) to review the intermediate objectives at least every five years.

Participation in NZAMI also takes the form of the positive management of the Company's resources, for example by monitoring the carbon footprint of its own activities (e.g., energy consumption and sources).

## **2.6. INSTITUTIONAL INVESTORS GROUP ON CLIMATE CHANGE**

For the purpose of a more effective implementation of the obligations deriving from the subscription of the "Net Zero Asset Managers Initiative", starting from November 2021 the Company joined the Institutional Investors Group on Climate Change (IIGCC), the European association of investors that promotes collaboration on climate change and the reduction of net greenhouse gas emissions. In this regard, the Company adopts the methodological framework developed by IIGCC, called "Net Zero Investment Framework 1.5°C", and a direct engagement approach with other participating asset management companies.

## **2.7. FORUM FOR SUSTAINABLE FINANCE**

In November 2021, the Company joined the "Forum for sustainable finance"<sup>8</sup> (the "Forum"), the non-profit organization which involves financial operators and other organizations interested in the environmental and social impact of investments. The Forum promotes the knowledge and practice of sustainable investment, with the aim of spreading the integration of environmental, social and corporate governance (ESG) criteria into financial products and processes.

## **2.8. INTERNATIONAL CORPORATE GOVERNANCE NETWORK**

Since 2016, Eurizon Capital Company has been a member of the International Corporate Governance Network (ICGN) - the international association promoting global standards of corporate governance and engagement with investee issuers, with the aim of creating long-term value, contributing to the sustainability of economies, society and the environment.

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<sup>7</sup> On January 13, 2025, the Net Zero Asset Managers Initiative initiated a review of the initiative to ensure its adequacy to the new global environment. During this review phase, the initiative will suspend implementation monitoring and reporting activities by signatories.

<sup>8</sup> The Forum is a member of the EUROSIF network, which also includes the following 6 National Forums: FIR, FNG, Spainsif, SIF Ireland, Swiss Sustainable Finance, UK SIF



## **2.9. NATURE ACTION 100**

Since August 2023, the Company has been part of the collective engagement initiative, “Nature Action 100”, which encourages institutional investors to adopt best practices to hinder the loss of biodiversity and deforestation.

## **2.10. ADVANCE**

Since November 2023, Eurizon Capital SGR has been a signatory to the collective engagement initiative, promoted by UN PRI, which encourages best practices in the areas of respect for human rights, society, the community and workers.

## **2.11. CLIMATE ACTION 100+**

In November 2023, Eurizon Capital SGR signed the collective engagement initiative “Climate Action 100+” promoting the reduction in greenhouse gas emissions, in line with the Paris Agreement.

## **3. ROLES AND RESPONSIBILITIES IN THE PROCESS OF SELECTING AND MONITORING ESG AND SRI CRITERIA**

To promote a correct implementation of its own Sustainability Policy, Eurizon Capital SGR has established a framework of safeguards and procedures (the “framework”), involving the following corporate bodies and structures:

### **BOARD OF DIRECTORS**

Based on proposals by the Chief Executive Officer and General Manager, the Board defines the present Sustainability Policy of the Company, which includes:

- the methodologies to select and monitor financial instruments in order to integrate the analysis and management of sustainability risks relating to the Managed Products Investment Process;
- the methodologies for identifying the principal adverse impacts of investment decisions on sustainability factors, defining priorities and mitigation actions, the results of which are formalised in the “Principal Adverse Sustainability Impacts Statement”;
- the methods for integrating sustainability risks into remuneration and incentive policies.

The Board of Directors periodically monitors the correct implementation of the Company’s Sustainability Policy.

Finally, the Board of Directors avails of the Investment Supervision Committee, which has been assigned the advisory, preliminary and recommendatory tasks regarding the supervision of the Investment Process for the managed products relating to the collective asset management and portfolio management services.

### **CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER**

The Chief Executive Officer and General Manager, assisted by the Environmental, Social and Governance Committee (ESG Committee) formulates proposals for the Board of Directors on the methodologies for:

- selecting and monitoring financial instruments in order to integrate sustainability risks in the Investment Process of managed products;
- identifying the principal adverse impacts of investment decisions on sustainability factors, including (i) the definition of priorities and related mitigation actions and (ii) the “Principal Adverse Sustainability Impacts Statement of Eurizon Capital SGR S.p.A. and Subsidiaries”;
- integrating sustainability risks into remuneration and incentive policies.

The Chief Executive Officer and General Manager periodically monitors, within the ESG Committee, the implementation of the Sustainability Policy of the Company, making use of the reports prepared by the ESG & Strategic Activism Structure.

### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE**

The Environmental, Social and Governance Committee is an advisory body assisting the Chief Executive Officer (i) in defining the proposals to be submitted to the Board of Directors regarding the sustainability policies, (ii) in monitoring the implementation of strategies involving the negative screening of issuers most exposed to sustainability risks, the positive screening of ESG factors, in the analysis, selection and composition of managed portfolios and the stewardship with investee issuers, through the exercise of voting rights and engagement activities.

Moreover, the ESG Committee:

- monitors, taking into account the available data, the reporting - also on behalf of own Subsidiaries - of the main environmental, social and corporate governance indicators relating to the managed assets, defining the appropriate actions for the mitigation of the adverse impacts connected with the sustainability risks;
- defines proposals for the Board of Directors regarding the priorities to be adopted for the following period;
- presents an annual statement of the principal adverse impacts of investment decisions on sustainability factors.

The ESG Committee usually meets quarterly and is composed of the:

- Chief Executive Officer and General Manager;
- Head of the Investments Department;
- Investment Heads;
- Head of Long Term Sustainable Strategies;
- Head of ESG & Strategic Activism;
- Chief Risk Officer;
- Head of Risk Management;
- Head of Compliance & AML.

In the eventuality of in-depth analyses, the ESG Committee is supported by the Sustainability Committee.

### **FINANCIAL, CREDIT AND OPERATIONAL RISKS COMMITTEE**

The Financial, Credit and Operational Risks Committee is a collegial body, aimed at monitoring the exposure to risks of the products managed. With specific reference to sustainability risks, the Committee:

- monitors the results of the analyses of the impacts of sustainability risks on financial products carried out by the Risk Management Function, with the support of the Long Term Sustainable Strategies Structure;
- monitors the possible actions to mitigate the adverse impacts connected with investment decisions.

### **SUSTAINABILITY COMMITTEE**

The Company has set up a Sustainability Committee, pursuant to the provisions of the management Regulation of mutual funds belonging to the Ethical System. In this context, the Company avails of the Committee collaboration, to ensure that management choices are consistent with the ethical principles set out in the Regulation of these funds. The Committee is independent and autonomous in relation to the Company and is made up of individuals with recognised integrity and moral standing. Moreover, the Committee works with the concerned company structures regarding issues that may affect the Company as well as the various products, including mandates.

### **DEVOLUTIONS COMMITTEE**

This internal body was established pursuant to the management Regulation of mutual funds belonging to the Ethical System, which provides for the Company's commitment to finance humanitarian projects and initiatives, in the broadest sense of the term. To this end, the Committee (i) supervises the devolution and charitable activities carried out at all levels by the Company and by its Subsidiaries and (ii) prepares proposals for the Board of Directors to identify charitable organisations deemed worthy.

### **ESG & STRATEGIC ACTIVISM**

The ESG & Strategic Activism Structure oversees the spreading and the implementation of investment sustainability principles, promoting the integration of environmental, social, and corporate governance factors in the Investment Process.

It is responsible for the development and implementation of company policies in ESG and SRI matters and for the proper development of the related operational processes. It monitors best market practices and proposes to the Top Management interventions to promote innovation on company methodologies and processes.

It oversees the correct and effective development of activities relating to the exercise of the voting right for the shareholdings held by the assets managed by the Company. It ensures the development of engagement activities in relation to relevant issuers referring to both corporate governance issues and environmental and social issues.

The Structure is divided into the following units:

- Corporate Governance which (i) coordinates the activities related to the management of shareholder meetings in relation to the exercise of the voting right for the shareholdings held by the assets managed by the Company, and (ii) carries out and monitors the engagement activities with significant issuers related to corporate governance matters, working together with the Sustainability unit, for environmental, social and ethical matters;
- Sustainability which (i) coordinates the Company strategy for Sustainability and Responsible Investment matters, supporting Top Management in relation to the integration of environmental, social and governance factors in the Investment Process, and in creating and implementing new products and services, (ii) coordinates monitoring and engagement activities regarding issuers, with particular reference to environmental and social issues, and (iii) supports the functioning of the ESG Committee.

Moreover, the Head of ESG & Strategic Activism:

- represents the Company with its stakeholders regarding Corporate Social Responsibility and SRI matters (e.g., CDP, etc.);
- chairs the Devolutions Committee and supports the Sustainability Committee in coordinating its work and in the related secretarial activities.

### **LONG TERM SUSTAINABLE STRATEGIES**

The Long Term Sustainable Strategies Structure (hereinafter "LTSS") of the Investments Department, under the coordination of the Head of Investment Solutions, monitors corporate issuers, also assisted by specialised info-providers, in order to identify lists referred to issuers (i) most exposed to sustainability risks and (ii) that do not comply with good governance practices.

With the support of the ESG & Strategic Activism Structure, it oversees the identification and prioritisation of the principal adverse impacts of investment decisions on sustainability factors.

The results of the analyses relating to the impact of sustainability risks on financial products, carried out in coordination with the Risk Management Function, are presented to the Financial, Credit and Operational Risks Committee, which is responsible for monitoring and defining actions to mitigate the adverse impacts connected with investment decisions.

#### **GREEN AND SUSTAINABLE FINANCE**

The Green and Sustainable Finance Structure ("G&SF") of the Investments Department, coordinated by the Head of Fixed Income & FX, promotes the implementation of bond investment strategies supporting environmental and sustainable projects.

#### **MULTIMANAGER INVESTMENTS**

The Multimanager Investments Structure of the Investments Department, coordinated by the Head of Investment Solutions, oversees the analysis of UCIs invested in by other managed assets ("target UCIs"), established by other asset management Companies ("third-party fund houses") also with reference to ESG and SRI factors.

#### **COMPLIANCE & AML FUNCTION**

The Compliance & AML Function monitors compliance with the Sustainability Policy of the Company, supervising the correct adoption of safeguards contemplated in internal and external regulations. In this context, the Function also oversees compliance with the decision-making process and the Operating Limits aimed at containing risks, including reputational risks, of managed portfolios related to ESG and SRI issues.

#### **RISK MANAGEMENT FUNCTION**

The Risk Management Function monitors the sustainability risk of the products managed, coordinating with the Compliance & AML Function as regards the verification of compliance with Operating Limits.

For this purpose, the Function:

- analyses the methodologies to select and monitor the financial instruments adopted by the Company, with the aim of integrating sustainability risk analysis in its own Investment Process;
- monitors the impact of sustainability risks of financial products.

#### **4. SCOPE OF APPLICATION OF THE POLICY**

This Policy requires pre-contractual information for all types of assets held by managed products - mutual funds and portfolio management - to:

- explain the procedures for including sustainability risks in investment decisions, in compliance with the transparency requirements in Article 6<sup>9</sup> of the SFDR Regulation;
- promote, environmental or social characteristics among others, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices, pursuant to Article 8<sup>10</sup> of the SFDR Regulation;
- has sustainable investment goals pursuant to Article 9<sup>11</sup> of the SFDR Regulation.

<sup>9</sup> Participants in financial markets shall include the description given below in pre-contractual information:

a) how sustainability risks are integrated in their investment decisions; and  
 b) the results of the assessment on the probable impacts of sustainability risks on the return of the financial products they make available.

<sup>10</sup> If a financial product promotes, among others, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices, the information to disclose [omission], shall include the following:

a) information on how such characteristics are met;  
 b) if an index has been designated as a reference benchmark, information on whether and how this index is consistent with those characteristics.

<sup>11</sup> Where a financial product has sustainable investment as its objective and an index has been designated as a reference benchmark, the information to be disclosed [omission] shall be accompanied by the following:

a) information on how the designated index is aligned with that objective;  
 b) an explanation as to why and how the designated index aligned with that objective differs from a broad market index.

Portfolio management mandates characterised by the presence of specific indications in their respective investment policies do not fall within the scope of application, considering the lower degree of discretion in the selection of financial instruments.

## 5. PROCESS TO INTEGRATE SUSTAINABILITY RISKS IN THE MANAGED ASSETS INVESTMENT PROCESS

In line with the obligations envisaged in EU regulations on the sustainability-related disclosure in the financial services sector, the Company has defined specific methodologies to select and monitor financial instruments aimed at integrating sustainability risks in the Managed Assets Investment Process.

These methodologies are appropriately defined based on the characteristics of the products and their classification pursuant to the SFDR Regulation.

In particular, the products managed by the Company adopt the following “Macro Strategies” of:

- **NEGATIVE SCREENING**, which provides for the adoption of limitations on issuers most exposed to sustainability risks, with the aim of avoiding investments in financial instruments most exposed to the risk of a loss in value due to the effect of an environmental, social or corporate governance event or condition. By way of example, any violation of the principles related to the respect for human rights, such as controversies concerning occupational health and safety, could affect the value of issuers due, for instance, to legal actions and the related impacts on reputation. In addition, investments in issuers belonging to sectors that rely on the production of energy from sources such as coal, could result in a loss of value of the company over the medium/long term in the absence of credible transition strategies. For this purpose, the Company has defined specific exclusions or restrictions, with their application differentiated based on the type of financial product, aimed at mitigating problems related to the sustainability of:
  - **CORPORATE ISSUERS**, based on (i) potential adverse impacts on sustainability attributable to the issuer’s sector of operations (for example, if belonging to sectors considered “not responsible”) and/or to the company’s conduct in terms of adverse impacts on the environment and the company (“PAI Binding screening”) and/or (ii) the presence of any additional critical environmental, social and/or corporate governance factors, identified based on specific risk indicators (“ESG Binding screening”);
  - **GOVERNMENT ISSUERS**, taking into account environmental and/or social problems, measured based on the (i) levels of greenhouse gas (“GHG”) emissions of the respective national economy referred to scope 1, 2 and 3, weighted in relation to the Gross Domestic Product (GDP), taking account of the different purchasing power of countries (“Purchasing power parity-adjusted”) and (ii) the inclusion of the Country among those considered to be “high risk” (“black list”) by the Financial Action Task Force (“FATF”) considering the inefficiencies in safeguards to combat money laundering, terrorist financing and the proliferation of weapons of mass destruction (“ESG Sovereign screening”);
- **POSITIVE SCREENING**, which provides for, while respecting good governance practices, (i) the integration of ESG factors in the analysis, selection and composition of managed portfolios (“ESG Integration”), or (i) the achievement of sustainable investment goals (“Sustainable Investments”); for example, the promotion of social and environmental characteristics by a mutual fund may be pursued by selecting the instruments issued by companies whose production activities contribute to achieving the sustainable development goals promoted by the United Nations;
- **STEWARDSHIP**, through proactive interaction with issuers, by exercising participation and voting rights, and engagement, encouraging effective communication with the relevant corporate bodies and/or top management and relative representatives (“Active ownership – engagement”). For example, the Company assesses whether to begin the engagement with companies belonging to sectors whose activities have a significant impact on the biodiversity of areas in which they operate, to gain further

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2. Where a financial product has sustainable investment as its objective and no index has been designated as a reference benchmark, the information to be disclosed [omission] shall include an explanation on how that objective is to be attained.

3. Where a financial product has a reduction in carbon emissions as its objective, the information to be disclosed [omission] shall include the objective of low carbon emission exposure in view of achieving the long-term global warming objectives of the Paris Agreement.



insights into the mitigation strategies taken and to monitor the progress towards declared commitments, including initiatives to hinder deforestation.

In any case, additional restrictions for products that use ESG terms in their name, in compliance with ESMA guidelines on funds' names using ESG or sustainability-related terms of 21 August 2024, are not affected.

The monitoring of sustainable and responsible investment topics relating to issuers present in the managed products consists of the following stages:

- Analysis of investments (Screening), aimed at (i) identifying issuers considered most exposed to sustainability risks, (ii) the integration of ESG factors in the analysis, selection and composition of managed assets or (iii) the achievement of sustainable investment goals; the analysis uses data made available by the specialised info-provider “MSCI ESG Research”, and additional public databases. In the case of issuers not covered by the providers used by the Company or if there are interpretative doubts related to the quality of the data acquired from the external databases, the Company avails of the assessments of the ESG & Strategic Activism Structure, supported by the LTSS Structure, which will subsequently be submitted to the first available ESG Committee;
- Dissemination of data, in order to share the data and information resulting from the process of investment universe analysis with competent company structures. The update process takes place at least (i) monthly, for corporate issuers and (ii) annually, for government issuers;
- Monitoring of investments, referred to the control of managed assets in order to assess the consistency of collective asset management products and/or portfolio management in relation to the internal methodologies aimed at (i) limiting sustainability risks and activating - where appropriate - engagement initiatives with issuers, (ii) the integration of ESG factors in the analysis, selection and composition of managed assets or (iii) the achievement of sustainable investment goals. Compliance with internal limits is monitored by the Risk Management Function with the support of the Compliance & AML Function<sup>12</sup>. The limits set out in this Policy cannot be exceeded and accordingly there is no authorisation process. The restrictions do not apply in the case of specific instructions issued by clients within the portfolio management service;
- Periodic reporting to the ESG Committee and the Board of Directors; in this regard, the ESG & Strategic Activism Structure prepares quarterly reports that summarise the results of the monitoring of managed assets, giving evidence to issuers for whom the (i) engagement process has been activated and any initiatives undertaken and (ii) an Investment Case has been presented, aimed at maintaining the positions, also to monitor their periodic update. Any deviation from internal operating limits is also reported to the Financial, Credit and Operational Risks Committee as well as to the Board of Directors by the Compliance & AML Function.

The next Sections describe the individual Strategies for the integration of sustainability risks implemented by the managed assets of the Company.

## 5.1. NEGATIVE SCREENING

The Company has adopted appropriate mechanisms to mitigate the sustainability risks of issuers, through specific exclusions or restrictions appropriately differentiated based on (i) the management style, making a distinction between actively managed products and index-linked products, characterized by a passive management style or products characterised by a limited deviation from the reference benchmark (“Limited Tracking Error”) and (ii) the type of issuer, i.e. corporate or government.

### 5.1.1. CORPORATE ISSUERS

As regards corporate issuers, the Company has defined the following limitations based on:

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<sup>12</sup> As regards index-linked products, characterized by a passive management style or a limited level of deviation from the benchmark (so-called. or products with a *Limited Tracking Error*), the maximum direct investment permitted is equal to the weight of the issuer in the reference benchmark, with the exception of issuers that have a considerable direct involvement in the manufacture of unconventional weapons, therefore the exclusions contemplated in Law no. 220/2021 apply; the exclusions for active management products also apply to *Limited Tracking Errors* that specifically integrate ESG factors in own investment choices.

- the **POTENTIAL ADVERSE IMPACTS ON SUSTAINABILITY** (“PAI Binding screening”)
- the **PRESENCE OF CRITICAL ASPECTS** in environmental, social and/or corporate governance terms (“ESG Binding screening”)

#### ISSUERS IDENTIFIED BASED ON THE POTENTIAL ADVERSE IMPACTS ON SUSTAINABILITY (“PAI BINDING SCREENING”)

Although the effects of investment decisions on sustainability factors should be considered according to the different range of activities, geographic areas and sectors to which the managed products are exposed, the Company believes that adequate monitoring of exposure to social and environmental issues is a priority to mitigate the sustainability risk of its investments, as well as the related adverse impacts on the environment and/or the company.

For these reasons, the assessment of the principal adverse impacts related to issuers represents a significant aspect of the managed assets Investment Process, to implement a structured process of risk control and performance measurement, with the aim of maintaining a correct balance of the risk/return profile of the financial products offered to clients.

To mitigate sustainability risks, the Company has defined specific limitations related to the following adverse impact indicators with the aim of identifying issuers belonging to sectors considered “not responsible” and/or whose conduct is such as to have significant, negative repercussions on the environment and/or in the social dimension:

ADVERSE IMPACT INDICATOR	AREA	INDICATOR TYPE		TYPE OF PRODUCT		
		ENVIRONMENTAL	SOCIAL	ART. 6	ART. 8	ART. 9
Exposure to companies active in the fossil fuel sector (PAI 4)	“Not responsible” sector (Thermal coal / Oil sands)	●		●	●	●
Exposure to controversial weapons: landmines, cluster munitions, chemical and biological weapons (PAI 14)	“Not responsible” sector (Unconventional weapons)		●	●	●	●
GHG intensity of investee companies (PAI 3)	Environmental externalities (Greenhouse gas emissions)	●			●	●
Consumption and production of non-renewable energy (PAI 5)	Environmental externalities (Energy consumption and sources)	●			●	●
Energy consumption intensity per high climate impact sector (PAI 6)	Environmental externalities (Energy consumption and sources)	●			●	●
Violations of UN Global Compact principles and OECD Guidelines (PAI 10)	Social externalities (Social and employee matters)		●	●	●	●

On this basis, the Company considers issuers operating in the following sectors (**PAI 4**) as “not responsible” from an environmental perspective:

- **THERMAL COAL**, i.e. issuers involved in extraction or electricity production activities linked to thermal coal, which is the most significant fossil fuel for carbon dioxide emissions.



Issuers are identified as those that derive, from these activities, (i) at least 25% of revenue or (ii) 20% of revenue, in the presence of expansion plans.

- **EXPLOITATION OF OIL SANDS**, i.e. issuers involved in the extraction of oil and gas, through the exploitation of oil sands.

These issuers are identified as those that derive at least 10% of revenue from these activities.

The above criteria do not refer to issues of green bonds or sustainability bonds.

As regards issuers with exposure below the thresholds identified by the Company (“below-threshold issuers”), the ESG & Strategic Activism Structure carries out specific engagement activities. The purpose of these activities, carried out according to the procedures outlined in the “*Engagement policy of Eurizon Capital SGR S.p.A.*”, is to ensure that no new thermal coal generation or oil sands extraction projects are developed, and to verify the phase out of such activities.

In addition, the Company considers as “not responsible” from a social point of view, those issuers that operate in the sector of **UNCONVENTIONAL WEAPONS (PAI 14)**, i.e. issuers characterised by an evident direct involvement in the manufacture of the following types of weapons<sup>13</sup>: *Landmines; Cluster bombs; Nuclear weapons<sup>14</sup>; Impoverished uranium, Biological weapons, Chemical weapons, Non-detectable fragment weapons, Blinding lasers, Incendiary weapons, White Phosphorous.*

The purpose of these safeguards is also to comply with the requirements of Law 220 of 9 December 2021 on measures to combat the financing of firms manufacturing landmines, and cluster munitions and sub-munitions and with the relative Instructions of 26 July 2024 of the Bank of Italy, COVIP, IVASS and MEF on the exercise of enhanced controls on the work of authorised intermediaries.

The Company reserves the right to initiate discussions with issuers, with the aim of deepening compliance with international treaties and domestic regulations. Based on the information acquired, the SGR will consider whether it is appropriate to activate further escalation processes.

As regards the other adverse impact indicators, the Company has set out specific analysis processes and thresholds to assess the performance of issuers to be subject to restrictions and/or exclusions based on the presence of significant negative environmental and/or social externalities:

# PAI	INDICATOR	THRESHOLD	NOTES
3	<b>Intensity of greenhouse gas of investee companies</b> Scope 1, 2 and 3 greenhouse gas emissions (“GHG”) in relation to the turnover of investee companies.	– 12,000 tons of CO <sub>2</sub> equivalent by million Euro of revenue.	Not applicable if the issuer has, either: – at least one carbon emissions reduction target positively assessed by the Science Based Target Initiative (SBTi); or – stated its commitment to reaching the Net Zero objective; or – more than 5% of its revenues coming from taxonomy-aligned activities; or
5 - 6	<b>Consumption and production of non-renewable energy</b>	– Energy consumption in GWh per million Euro of revenue, above the sector thresholds <sup>15</sup> equal to: – 40 for NACE Code A;	– in case of green bond or sustainability bond issues.

<sup>13</sup> The above provisions do not apply to activities that are permitted under the following treaties and/or conventions:

- the Ottawa Treaty (1997) which prohibits the use, stockpiling, production and transfer of anti-personnel mines;
- the Convention on Cluster Munitions (2008) which prohibits the use, stockpiling, production and transfer of cluster munitions;
- the Chemical Weapons Convention (1997) which prohibits the use, stockpiling, production and transfer of chemical weapons;
- the Biological Weapons Convention (1975) which prohibits the use, stockpiling, production and transfer of biological weapons;
- Council Regulation (EU) 2018/1542 concerning restrictive measures against the proliferation and use of chemical weapons.

<sup>14</sup> Issuers based in States that are not signatories to the “Treaty on the Non-Proliferation of Nuclear Weapons” of 1 July 1968 are not considered.

<sup>15</sup> For further details about the NACE classification of sectors, please refer to the European Commission’s website: [https://ec.europa.eu/competition/mergers/cases/index/nace\\_all.html](https://ec.europa.eu/competition/mergers/cases/index/nace_all.html).

# PAI	INDICATOR	THRESHOLD	NOTES
	<b>Energy consumption intensity by high climate impact sector</b> Share of energy consumption and production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources (% expressed as the weighted average) for high climate impact sectors.	<ul style="list-style-type: none"> <li>– 8,500 for NACE Code B;</li> <li>– 40 for NACE Code C;</li> <li>– 200 for NACE Code D;</li> <li>– 15 for NACE Code E;</li> <li>– 10 for NACE Code F;</li> <li>– 15 for NACE Code G;</li> <li>– 30 for NACE Code H;</li> <li>– 15 for NACE Code L; or</li> <li>– Share of non-renewable energy production equal to 100%.</li> </ul>	
10	<b>Violations of UN Global Compact principles and OECD Guidelines</b> Violations of UN Global Compact principles (UNGC) and Organisation for Economic Cooperation and Development (OECD) Guidelines for multinational enterprises (Global Norms Screening).	Assessment of significant controversies, i.e. classified as a “Fail” by “MSCI ESG Research” in relation to the following indicators: <ul style="list-style-type: none"> <li>– the UNGC principles;</li> <li>– the OECD Guidelines;</li> <li>– the International Labour Organisation (ILO);</li> <li>– the UN Guiding Principles on business and human rights (UNGP).</li> </ul>	The ESG & Strategic Activism Structure reviews the information made available by the info-provider “MSCI ESG Research” and bring the list of issuers to be subject to restrictions/exclusions to the attention of the first available ESG Committee.

#### ISSUERS CHARACTERISED BY CRITICAL ASPECTS IN ENVIRONMENTAL, SOCIAL AND/OR CORPORATE GOVERNANCE MATTERS (“**ESG BINDING SCREENING**”)

The Company has set up a safeguard system for issuers with a critical ESG profile, i.e. with an ESG rating equal to “CCC” - the lowest in the investment universe - by “MSCI ESG Research”<sup>16</sup>.

For these issuers, the ESG & Strategic Activism Structure carries out an in-depth analysis, also based on the significance of these issuers in the main benchmarks, and referring - among others - to the “ESG Risk Score” assigned to the issuer by the LTSS Structure. In this regard, the Company considers issuers with an “ESG Risk Score” below 4<sup>17</sup>.

The results of the due diligence process are presented to the first available ESG Committee, that decides on the approval of the “critical” issuers list and the activation of the related investment limits.

For “critical” issuers, the Company has established specific escalation processes.

#### 5.1.2. GOVERNMENT ISSUERS

##### ISSUERS IDENTIFIED BASED ON THE POTENTIAL ADVERSE IMPACTS ON SUSTAINABILITY (“**ESG SOVEREIGN SCREENING**”)

The Company has defined an annual monitoring process to identify Countries most exposed to sustainability risks by analysing the following indicators:

- **GREENHOUSE GAS EMISSION INTENSITY (PAI 15)** referred to scope 1, 2 and 3 of the respective national economy, weighted in relation to the Gross Domestic Product (GDP) taking into account the different purchasing power of Countries (“Purchasing power parity-adjusted”), above 850 tons of CO<sub>2</sub> equivalent per million Euro of GDP;
- The **FATF BLACK LIST**, i.e. the list of Countries considered to be at high risk by the “Financial Action Task Force” (FATF), in view of deficiencies in the safeguards for combating money laundering, terrorist financing and the proliferation of weapons of mass destruction.

<sup>16</sup> The info-provider “MSCI ESG Research” provides ESG ratings for issuers on a scale with 7 levels (AAA, AA, A, BBB, BB, B, and CCC). These ratings are calculated based on a qualitative and quantitative process that assesses specific KPIs attributable to Environmental, Social and Governance aspects. The three pillars have different weightings according to the issuer's industry sector.

<sup>17</sup> Proprietary Score that integrates environmental, social and governance factors through a structured assessment system, expressed on a scale from 0 to 10, which is differentiated for corporate and government issuers.

For more information about the list of countries most exposed to sustainability risks, please refer to the document “Classification of Government Issuers” available on the Company website.

The financial instruments issued by international public bodies of one or more States (supranational issuers) are subject to a specific assessment process overseen by the ESG & Strategic Activism Structure, with the results notified to the ESG Committee.

## **5.2. POSITIVE SCREENING**

The next Sections describe the different procedures to integrate ESG factors in the processes to analyse and select financial instruments implemented by the products managed by the Company in order to (i) promote, among others, environmental or social characteristics, or a combination of those, pursuant to Article 8 of the SFDR (“ESG Integration”) or (ii) the achievement of sustainable investment targets, pursuant to Article 9 of the same Regulation (“Sustainable Investments”).

The products may implement up to two of the aforesaid strategies, based on their significance in relation to the management style and/or asset classes selected by the structures of the Investments Department in charge of implementing the investment policy. If the product entails the use of more than one strategy, the controls are performed on respective portions of the portfolio.

In the case of so-called “master-feeder” structures, the feeder<sup>18</sup> fund qualifies under Articles 8 and 9 of the SFDR Regulations if the relevant master fund is classified under those articles.

Moreover, the products classified pursuant to Articles 8 and 9 of the SFDR invest in corporate issuers that comply with good governance practices.

### **5.2.1. ESG INTEGRATION**

#### **INVESTMENTS BASED ON POSITIVE AND NEGATIVE CRITERIA (“THEMATIC INTEGRATION”)**

In the case of ethical and thematic products, the Company has defined processes for selecting investments based on specific positive and negative criteria contemplated in the offering documentation. In particular, the investment universe available to fund managers consists of the issuers:

- included in the benchmarks of the ethical funds and thematic products;
- whose compatibility with the criteria established in the offering documentation has been verified.

#### **INVESTMENTS BASED ON SUSTAINABLE INVESTMENT CRITERIA (“SUSTAINABLE INTEGRATION”)**

The managed products may promote, among others, environmental or social characteristics, or their combination, pursuing the goal of building portfolios characterised by an exposure, in line with the provisions of the offering documentation, in sustainable investments pursuant to the SFDR Regulation.

This objective is achieved by investing a portion of the portfolio<sup>19</sup>, the extent of which is defined based on the asset classes and geographic allocation of each product, and is at least equal to 10% in financial instruments of sustainable issuers. Sustainable issuers are those issuers whose activities contribute to one or more sustainable development goals, i.e. the Sustainable Development Goals (SDGs) promoted by the United Nations, on condition that (i) these investments do not significantly harm any of the environmental or social goals outlined in the SFDR Regulation and that (ii) the companies benefiting from such investments comply with good governance practices. To identify sustainable investments pursuant to the SFDR Regulation, please refer to the Section “Methodology for identifying sustainable investments” of this document.

#### **INVESTMENTS BASED ON TARGET UCI SCREENING (“MANAGER SELECTION INTEGRATION”)**

In the case of products with an investment policy that may be pursued through investment in parts of target UCIs up to 100% of the assets, these UCIs are selected by those managed (i) by the Company and other Companies of the Group (“related UCIs”), and (ii) by primary asset management companies,

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<sup>18</sup> The assets of feeder UCIs are invested mainly in a master UCI or its sub-fund.

<sup>19</sup> This condition applies to products that pursue “Sustainable Integration” as the only strategy to integrate sustainability risks.

based on the quality and consistency of results, as well as the robustness of the related ESG and/or SRI investment process.

These products envisage investing at least 70% of the assets in units of target UCIs that pursue, in respective investment policies:

- the promotion, among others, of environmental or social characteristics, or a combination of those characteristics, as well as the respect of good governance practices, pursuant to Article 8 of the SFDR Regulation;
- sustainable investment goals, pursuant to Article 9 of the SFDR Regulation.

#### **INVESTMENTS THAT TAKE INTO ACCOUNT THE CONSTRUCTION LOGICS OF BENCHMARKS OR SELECTED FINANCIAL DERIVATIVE INSTRUMENTS (“INDEX/DERIVATIVE INTEGRATION”)**

As regards products that have investment policies which take into account the construction logics of their own benchmarks - such as index-linked products or products with a Limited Tracking Error - or that implement strategies involving the replication of one or more financial indices (“Index/Derivative Integration”), the Company integrates ESG criteria respectively through:

- the selection of benchmarks that consider environmental and/or social factors and respect good governance practices consistent with the provisions of the SFDR Regulation;
- the use of financial derivative instruments that consider environmental and/or social factors and respect good governance practices consistent with the product investment policy.

In such cases, the process to integrate ESG factors requires products to invest, also through financial derivative instruments, at least 90% of assets in issuers present in the benchmark (“ESG Index Integration”).

Alternatively, where managed products promote environmental and/or social characteristics through the use of financial derivative instruments consistent with the provisions in their own offering documentation, the latter are characterised by indices whose construction methodologies consider environmental and/or social factors. In these cases, according to the process to integrate ESG factors, products must invest at least 90% of the strategy (shares and/or bonds) in financial derivative instruments that allow for an exposure, also through indices, to issuers selected based on environmental and/or social factors (“ESG Derivative Integration”).

#### **INVESTMENTS IN GOVERNMENT ISSUERS (“SOVEREIGN INTEGRATION”)**

The managed products may promote, among others, environmental or social characteristics, or their combination, pursuing the goal of building portfolios characterised by an exposure, in line with the provisions of the offering documentation, in government, supranational or agency issuers.

This objective is achieved by investing in the assets of government, supranational or agency financial instruments that pass an internal methodology (“Sovereign Sustainability Ambition (SSA) Framework”) involving the analysis of sustainability factors and the in-depth assessment of the characteristics of each Country in order to define the investment universe of products that invest in government, agency or supranational issuers pursuant to Article 8 of the SFDR Regulation.

This methodology allows to classify Countries into 4 Classes, of which:

- no. 3 classes are eligible for investment, appropriately graded based on the quality of safeguards, namely: “Achieving Countries”, “Improving Countries” and “Conservative Countries”;
- no. 1 identifies Countries that are not eligible for investment, i.e. Countries that do not pass the selection process in Section 5.1.2. “Government issuers”.

On this basis, the methodology defined by the Company considers the following no. 7 indicators:

- the “SDG Index Score”, which measures the positioning of each Country in relation to the 17 SDGs, on a scale from 0 (worst score) to 100 (full achievement of the objective);
- the “International Spillover Score”, which measures the adverse socioeconomic and environmental impacts generated by individual Countries abroad, on a scale from 0 (worst score) to 100 (best score);

- the “GHG intensity PPP - Adjusted” (“Carbon Footprint”), which measures the intensity of greenhouse gas emissions produced by individual Countries by million Euro of Gross Domestic Product (GDP), taking into account the different purchasing power (“Purchase Power Parity” or “PPP”);
- the presence of “social violations” in relation to international conventions and treaties, the principles of the United Nations and, as applicable, national regulations;
- the Country is on the list of non-cooperative jurisdictions from a fiscal point of view;
- the Country is on FATF lists relative to (i) high-risk Countries (“black list”) or (ii) Countries subject to significant monitoring (“grey list”) due to deficiencies in systems for combating money laundering, terrorist financing and the proliferation of weapons of mass destruction;
- the “Corruption Index”, which assesses the perceived level of corruption of the public sector of each Country on a scale from 0 (worst score) to 100 (best score).

Based on the screening carried out, the Countries are divided into no. 4 Classes based on the intensity of the safeguards, as reported in the document “Classification of Government Issuers” available on the Company website.

The green, social or sustainability bonds issued by the individual Countries are classified in the category “Achieving Countries”, regardless of the Class the Country belongs to. The financial instruments issued by international public bodies of one or more States (“supranational issuers”), are subject to a specific assessment process overseen by the ESG & Strategic Activism Structure, the results are notified to the ESG Committee in order to assign the reference Class. The financial instruments issued by government agencies are instead assigned to the Class the reference Country belongs to.

The exposure of products to the different Classes of Countries is differentiated, providing for minimum and/or maximum limits, based on respective investment policies, making a distinction between products that invest:

- mainly in government issuers;
- in several asset classes (“mixed” products);
- in certain geographic areas of reference (emerging or developed Countries).

#### **INVESTMENTS BASED ON THE CARBON FOOTPRINT (“*CARBON FOOTPRINT*”)**

Products that integrate assessments related to the measurement of carbon dioxide (CO<sub>2</sub>) emissions generated by issuers into their portfolio construction process aim to achieve a lower ecological footprint than:

- the reference benchmark, for managed products characterised by the presence of a benchmark;
- the investment universe, for products whose investment policy does not include a benchmark.

With the aim of monitoring the significance of data on the CO<sub>2</sub> emissions of individual portfolios, the Company monitors issuers without an ecological footprint to ensure they do not exceed 20% of the net assets of the individual managed product.

#### **INVESTMENTS BASED ON THE AVERAGE “ESG SCORE” OF THE PORTFOLIO (“*ESG SCORE INTEGRATION*”)**

In line with the provisions of the respective offering documentation, the managed products may promote, among others, environmental or social characteristics, or their combination, pursuing the goal of constructing portfolios characterised by an “ESG score” which is better than that of:

- the reference benchmark, for managed products characterised by the presence of one benchmark;
- the investment universe, for products whose investment policy does not include a benchmark.

For certain products, depending on the peculiarities of the investment strategies implemented (e.g. protected UCITS), investment universes may be identified that are representative of the different components of the portfolio (e.g. equity exposure and bond exposure).

With the aim of monitoring the significance of data relative to individual portfolios, the Company monitors issuers without an ESG score to ensure they do not exceed 20% of the net assets of the individual managed product.



For UCIs whose offering documentation complies with the Recommendation of the *Autorité des Marchés Financiers* (AMF) of March 11, 2020 on "Information to be provided by Collective Investment Schemes incorporating non-financial approaches", the Company monitors the materiality of the data in compliance with indications of the French Supervisory Authorities.

#### **INVESTMENTS IN SECURITIZED FINANCIAL INSTRUMENTS ("SECURITIZED INTEGRATION")**

The managed products may promote, among others, environmental or social characteristics, or their combination, pursuing the goal of constructing portfolios characterised by an exposure, in line with the provisions of the offering documentation, in securitized financial instruments.

This objective is achieved by investing at least 70% of assets in securitized financial instruments that pass an internal analysis process defined by the Structured Products team - coordinating with the ESG & Strategic Activism Structure - based on the frameworks available in the literature and market best practices.

The internal process comprises the following no. 3 stages:

- pre-screening, involving the adoption of preventive exclusion principles (i) of the transaction counterparty and (ii) the type of asset;
- due diligence, which assesses the promotion of environmental or social characteristics as an investment opportunity, based on qualitative/quantitative information analysed on 3 dimensions: (i) the Counterparty, (ii) the Transaction & Asset and (iii) the reference Country of the transaction;
- engagement, for transactions with a higher level of exposure to ESG risks.

#### **5.2.2. SUSTAINABLE INVESTMENT GOALS ("SUSTAINABLE INVESTMENTS")**

The next Sections describe the procedures adopted by products managed by the Company, in order to pursue sustainable investment goals pursuant to the SFDR Regulation, while respecting good governance practices: (i) SDG Investing and (ii) Impact Investing.

#### **INVESTMENTS THAT CONTRIBUTE TO SUSTAINABLE DEVELOPMENT GOALS ("SDG INVESTING")**

Managed products may pursue sustainable development goals, selecting financial instruments such as shares, bonds and/or target UCIs that contribute to one or more environmental and/or social goals, on condition that these investments do not significantly harm any of the environmental or social goals outlined in the SFDR Regulation and that the companies benefiting from such investments respect good governance practices.

The product may also be invested in liquidity management instruments, as well as financial derivative instruments used for risk hedging and for efficient portfolio management, in line with the investment policy and sustainable investment policy provided for by the product investment policy.

To identify sustainable investments pursuant to the SFDR Regulation, please refer to the Section "Methodology for identifying sustainable investments" of this document.

#### **IMPACT INVESTING**

Products that promote sustainable investment goals, subject to compliance with good governance practices by the investee issuers, implement investment selection methodologies aimed at generating a measurable and positive social or environmental impact in addition to a financial return. This category of products includes those that mainly invest in green bonds or in similar financial instruments, such as social bonds and sustainability bonds.

The due diligence process is aligned with the "Green Bond Principles" (GBP), the "Social Bond Principles" (SBP) and the "Sustainability Bond Guidelines" (SBG) defined by the International Capital Market Association (ICMA) and the EU Green Bond Standard (GBS). The analysis process involves (i) an objective analysis of the purposes of the financed projects and (ii) a subjective assessment of the project management methods, the organizational structure of the issuer, the environmental footprint, with particular attention to the level of transparency and the quality of reporting.

### 5.3. STEWARDSHIP

To steer the conduct adopted by the Company to encourage engagement with the issuers it invests in, integrating its own commitment as shareholder to the investment strategy, the Company has adopted the “Engagement Policy of Eurizon Capital SGR S.p.A.”, which describes the organisational and/or procedural measures that govern the participation in Shareholder Meetings and the engagement with companies deemed “relevant”.

### 5.4. MONITORING GOOD GOVERNANCE PRACTICES

The products classified pursuant to Articles 8 and 9 of the SFDR Regulation invest in companies that respect good governance practices pursuant to the SFDR Regulation, i.e., companies that:

- (i) have solid management structures, i.e., with independent members on their administrative body, that have not received negative opinions from external auditors and have no controversies in relation to Principle no. 10 of the United Nations Global Compact, related to the commitment against corruption in all its forms;
- (ii) regarding personnel relations, have no controversies in relation to Principle no. 3 of UNGC, related to the freedom of association and recognition of the right to collective bargaining;
- (iii) regarding personnel remuneration, have no controversies in relation to Principle no. 6 of UNGC, related to the freedom of association and recognition of the right to collective bargaining;
- (iv) have no controversies regarding tax obligations, i.e., tax proceedings against the company not yet resolved.

This definition does not include government issuers<sup>20</sup>.

In this regard, the Company has defined specific monitoring criteria, which are differentiated between (i) listed issuers and (ii) unlisted companies that use no. 6 indicators which consider the aspects contained in the definition included in the SFDR Regulation.

## 6. SCOPE OF APPLICATION OF THE STRATEGIES

The next table shows the correspondence between the Strategies adopted by the Company and procedures for the integration of sustainability risks of financial products pursuant to the SFDR Regulation:

MACRO-STRATEGY	STRATEGY	INTEGRATION METHODOLOGY		ARTICLE 6	ARTICLE 8	ARTICLE 9
NEGATIVE SCREENING	RESTRICTIONS RELATIVE TO CORPORATE ISSUERS (Corporate screening)	PAI Binding screening	Thermal Coal	●	●	●
			Oil Sands	●	●	●
			Unconventional weapons	●	●	●
			Greenhouse gas emissions		●	●
			Share of consumption and production of non-renewable energy		●	●
			Energy consumption intensity per high climate impact sector		●	●
			Violation of UNGC and OECD principles	●	●	●
	ESG Binding screening	ESG critical aspects	●	●	●	
	RESTRICTIONS RELATIVE TO GOVERNMENT ISSUERS (Sovereign screening)	ESG Sovereign screening	Critical environmental and/or social aspects	●	●	●

<sup>20</sup> See the Q&As published by the European Commission on 17 May 2022, “Questions related to Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR)”.



MACRO-STRATEGY	STRATEGY	INTEGRATION METHODOLOGY	ARTICLE 6	ARTICLE 8	ARTICLE 9
POSITIVE SCREENING	INTEGRATION OF ESG FACTORS (ESG integration)	Thematic Integration		●	
		Sustainable Integration		●	
		Manager Selection Integration		●	
		Index/Derivative Integration		●	
		Sovereign Integration		●	
		Carbon Footprint		●	
		ESG Score Integration		●	
		Securitized Integration		●	
	SUSTAINABLE INVESTMENT GOALS (Sustainable Investments)	SDG Investing			●
		Impact Investing			●
	GOOD GOVERNANCE PRACTICES	Good Governance		●	●
STEWARDSHIP	STEWARDSHIP	Active ownership - Engagement	●	●	●

The Company has defined, for each of the Strategies, specific decision-making processes and operating limits aimed at containing the risks, including reputational, of managed portfolios, of which compliance is monitored by the Risk Management Function assisted by the Compliance & AML Function.

Finally, the LTSS Structure supports the other structures of the Investments Department and the Marketing and Commercial Development Department in establishing dedicated ESG/SRI screening and in producing ad hoc reporting for institutional clients.

## 7. PROCESS FOR SCREENING THE ASSETS SELECTED BY MANAGED FUNDS

### 7.1. TARGET UCIs

As part of the process to select and monitor the target UCIs (mutual investment funds and SICAVs) established by third-party Companies ("fund houses") in relation to the Company, the Multimanager Investments Structure of the Investment Department assesses - in addition to economic and financial analyses - the level of integration of the SRI and/or ESG factors and related sustainability risks, in the framework of:

- The sustainability policies of fund houses;
- the investment policies of individual UCIs, verifying:
  - the integration of sustainability risks in the decision-making and Investment Processes;
  - compliance with the requirements of Law 220 of 9 December 2021 and relative Instructions of the Bank of Italy, COVIP, IVASS and MEF on the exercise of enhanced controls on the work of authorised intermediaries to combat the financing of firms manufacturing landmines, and cluster munitions and sub-munitions;
  - the promotion, among others, of environmental or social characteristics, or a combination of those characteristics, while respecting good governance practices, pursuant to Article 8 of the SFDR Regulation;
  - the adoption of sustainable investment goals, pursuant to Article 9 of the SFDR Regulation;
  - the presence of any additional distinguishing ESG elements in managing individual products.

This information - obtained from fund houses and/or through specialized info-providers (e.g., Bloomberg, Morningstar) - is valued both as one of the elements considered for possible inclusion in the list of authorised UCIs ("UCI list"), and as a possible choice criterion, among others, by the portfolio managers of the Company. As part of its own due diligence activities, the Multimanager Investments Structure

favours fund houses that ensure a high level of transparency of managed products, also regarding procedures to integrate sustainability risks and environmental, social and corporate governance (ESG) factors, and sustainable and responsible investment (SRI) principles in their investment processes.

In this context, the Credit Risk Management Structure within the Risk Management Function, verifies, based on offering documentation acquired from the fund house, the results of analyses on the level of integration of SRI and/or ESG factors and connected sustainability risks.

In the case of so-called “master-feeder” structures involving investment in a master fund of third-party management companies, the Multimanager Investments Structure conducts a prior analysis of the ESG factor integration strategy pursued by the master fund.

## **7.2. ALTERNATIVE INVESTMENT FUNDS (AIF) BELONGING TO THE “ECRA INFRASTRUTTURA”**

Eurizon Capital SGR has defined specific methods of selection and monitoring of financial instruments aimed at integrating sustainability risks within the Investment Process of AIFs belonging to the “ECRA Infrastruttura range”, whose management is delegated to the subsidiary Eurizon Capital Real Asset SGR S.p.A..

To this end, the Company has adopted the following selection and monitoring criteria:

- SRI exclusions, aimed at avoiding investment in companies operating in sectors that are not “responsible”, as they are characterized by critical issues related to the respect of human rights or by a clear involvement - in terms of revenues - in activities connected with:
  - the production or marketing of (i) arms, including components exclusively intended for them, (ii) tobacco, (iii) pornographic material, (iv) electronic solutions or programmes specifically designed to illegally allow access to electronic networks or the downloading of data in electronic format;
  - research and the development of programmes, electronic solutions or other activities in support of one or more of the areas referred to in the preceding paragraph;
  - gambling;
- ESG integration, given the peculiarity of the products and the absence of info-providers specialized in carrying out assessments on sustainability, the Company relies on the support of an external advisor, which is entrusted with the research, analysis and selection of investment proposals that aim to favour investment opportunities that promote aspects of environmental sustainability, social and good governance;
- Active Ownership - Engagement, through the exercise of administrative and voting rights and the exercise of strategic guidance of investee companies, promoting initiatives aimed at achieving sustainability objectives.

Taking into account the peculiarities of alternative investment funds, characterized by investments in illiquid assets with a long-term time horizon, sustainability criteria are taken into consideration when evaluating investment opportunities, in addition to economic/financial parameters. Engagement with investees’ activity, due to its nature, is conducted throughout the life cycle of the investment.

The Investment Committee dedicated to the AIFs belonging to the “ECRA Infrastruttura range” considers, among other aspects, compliance with ESG and SRI criteria, promoting sustainable and responsible investment choices that aim to create value in the medium-long term.

## **8. METHODOLOGY TO IDENTIFY SUSTAINABLE INVESTMENTS**

The next Sections describe the methodology adopted by the Company to identify sustainable investments pursuant to the SFDR Regulation, with particular reference to (i) issuers of financial instruments - shares and/or bonds, and (ii) target UCIs.

### **8.1. FINANCIAL INSTRUMENTS - SHARES AND/OR BONDS**

The methodology defined by the ESG & Strategic Activism Structure covers aspects contained in the definition given in the SFDR Regulation, using the data made available by the specialised info-provider “MSCI ESG Research”.

In particular, the internal process considers the following safeguards:

- **COMPLIANCE WITH GOOD GOVERNANCE PRACTICES;**
- **POSITIVE CONTRIBUTION TO AN ENVIRONMENTAL OR SOCIAL GOAL;**
- **RESPECT OF THE PRINCIPLE "DO NO SIGNIFICANT HARM" ("DNSH").**

To classify an issuer as sustainable, the Company assesses the following indicators:

ANALYSIS DIMENSION	INDICATOR	DESCRIPTION OF THE CRITERION
<b>GOOD GOVERNANCE</b>	NO. 6 INDICATORS	<ul style="list-style-type: none"> <li>– Structure of the administrative body;</li> <li>– External auditor;</li> <li>– Absence of controversies in relation to Principle no. 10 of the United Nations Global Compact;</li> <li>– Absence of controversies in relation to Principle no. 3 of the United Nations Global Compact;</li> <li>– Absence of controversies in relation to Principle no. 6 of the United Nations Global Compact;</li> <li>– Absence of controversies relating to tax obligations.</li> </ul>
<b>POSITIVE SCREENING</b>	ALIGNMENT WITH THE SDGs	<ul style="list-style-type: none"> <li>– The issuer has at least no. 1 SDG with a score equal to "Aligned" or "Strongly Aligned".</li> </ul>
	ALIGNMENT WITH THE TAXONOMY	The issuer has a percentage: <ul style="list-style-type: none"> <li>– of revenue in taxonomy-aligned activities;</li> <li>– of capital expenditure (capex) in taxonomy-aligned activities.</li> </ul>
	PRESENCE OF DECARBONISATION TARGETS	The issuer has a target validated by the Science Based Target Initiative.
<b>DO NO SIGNIFICANT HARM ("DNSH")</b>	PAI INDICATORS	The issuer complies with the thresholds defined for the principal adverse impacts of investment decisions on sustainability ("PAI").
<b>ADDITIONAL SAFEGUARDS</b>	MISALIGNMENT WITH THE SDGs	No misalignment with one or more SDGs.
	CULTIVATION AND/OR PROCESSING OF TOBACCO	The issuer does not operate in the sector of the cultivation and/or processing of tobacco.
	MINIMUM TRANSPARENCY REQUIREMENTS	The issuer provides information on: <ul style="list-style-type: none"> <li>– greenhouse gas emissions;</li> <li>– the gender pay gap;</li> <li>– gender diversity of the Board of Directors.</li> </ul>
	"CRITICAL" ISSUER	The issuer does not have a higher exposure to environmental, social and corporate governance risks.

Companies are therefore considered as "sustainable issuers" if they comply with:

- good governance practices;
- at least one criterion of making a positive contribution to environmental and/or social goals;
- the criteria contemplated for the DNSH principle and additional safeguards defined by the Company.

In any case, green bonds, social bonds or sustainability bonds are considered to be sustainable.

## 8.2. TARGET UCIs

As regards target UCIs (mutual investment funds and SICAVs), the Company has defined an assessment methodology which aims to estimate the part of the product invested in sustainable issuers. For this purpose, as regards the UCIs that promote, among others, environmental or social characteristics, or their combination, or that have a sustainable development goal pursuant to Articles 8 and 9 of the SFDR Regulation, the Company considers the minimum exposure declared in the offering documentation for (i) products managed by the Company or its subsidiaries (related UCIs), as well as (ii) products established

by third-party fund houses, while maintaining due diligence activities as indicated in the Section “Process for screening the assets selected by managed funds” of this document.

## 9. MANAGEMENT MANDATES TO THIRD-PARTY MANAGEMENT COMPANIES

If the financial management of one or more products is delegated to a third-party fund house with respect to the Asset Management Division, the Company verifies, based on the initial and periodic due diligence process overseen by the competent structures of the Company, that the third-party Managers adopt policies compliant with the requirements of applicable regulations on sustainability risk management.

In particular, according to the objectives pursued and the relative categorisation of each product pursuant to the SFDR Regulation, the Company reserves the right to examine the following documents, aimed at (i) investigating the procedures defined by the delegated Managers for the adoption of effective safeguards aimed at integrating sustainability risks into its Investment Process and (ii) ensuring that the delegated manager is aligned with the principles adopted by the Company through this Policy:

- Sustainability policy defined at the Management Company level (documents relating to sustainable initiatives and the commitment of the Manager);
- Investment management policy (processes and procedures adopted for managing the sustainability risk, exclusion policies, etc.) defined for the individual managed portfolio, if available;
- Monitoring report (using the following KPIs: trend of the metrics used to measure sustainability risk, reports of violations of sustainability policies in the event of investments in controversial issuers, monitoring of the controversies management process and of the corrective actions defined, etc.).

As an internal policy, the Company does not delegate the exercise of voting rights to delegated managers and therefore adopts the “Strategy for exercising participating and voting rights concerning the financial instruments of assets managed by Eurizon Capital SGR S.p.A.” also with reference to the latter products.

The macro-strategies of “negative screening” defined in the Section “Process to integrate sustainability risks in the Managed Assets Investment Process” are also applicable to delegated Managers. To this end, the Compliance & AML Function periodically monitors the positioning undertaken.

These restrictions can be waived only in the presence of special instructions given by clients as part of the Portfolio Management Service.

## 10. ASSESSMENT OF THE IMPACTS OF SUSTAINABILITY RISKS ON THE RETURN OF FINANCIAL PRODUCTS

Pursuant to Article 6 of the SFDR Regulation, Eurizon Capital SGR assesses the probable impacts of sustainability risks on the return of financial products.

The Risk Management Function has therefore adopted a methodology that analyses sustainability risks within the more general framework of the measurement and management of financial risks of managed products.

The assessment of the probable impacts of sustainability risks on returns is determined based on the following variables:

- the product sustainability risk, represented by the ESG rating, calculated based on data obtained from the specialised info-provider “MSCI ESG Research”;
- the synthetic product risk indicator, in line with indications in the offering documentation.

Based on the combination of the values of the aforementioned no. 2 variables, a level of probable impact is identified, classified using a 5-tier scale, from “low” to “high” according to an internal assessment methodology. In fact, the probable impact of sustainability risks on financial returns is considered to be “low” for products that have a low synthetic risk indicator and an ESG rating, positioned in the higher brackets, and gradually increases based on the level of risk and/or in the presence of lower ESG ratings.

For further details, please refer to the section on the “Risk management system of Eurizon Capital SGR S.p.A.”.

## 11. PRINCIPAL ADVERSE IMPACTS ON THE SUSTAINABILITY OF INVESTMENT CHOICES

The next Sections describe the methodology adopted by the Company to identify the principal adverse impacts of investment decisions on sustainability factors.

### 11.1. TRANSPARENCY AT ENTITY LEVEL

Pursuant to the provisions in Article 4 of the SFDR Regulation, Eurizon Capital SGR prepares an annual statement, approved by the Board of Directors and published on the website, which (i) describes the strategies adopted to identify the principal adverse impacts of investment decisions on sustainability factors and (ii) defines the related mitigation actions, identifying the priorities to be addressed.

Considering that some areas are lagging behind in promoting the adoption of best sustainable development standards and that some industrial sectors are structurally more exposed to risks and benefit from fewer sustainable growth opportunities, Eurizon Capital SGR and its subsidiaries (hereinafter also “Eurizon”) believe that the assessments must take place considering the geographic and/or sector context and the ability of businesses to implement sustainable development strategies, to start a process of transition for their own business model or to seize opportunities for development. Although many investments undertaken on behalf of financial products are able to generate positive impacts on investees and relative stakeholders, the assets held by managed products may have adverse impacts on the environment or people (“principal adverse impacts on the sustainability of investments”).

In view of the wide range of activities, geographic areas and sectors in which the Asset Management Division Companies invest on behalf of their products, the potential adverse impacts are not omogeneous. However, Eurizon believes that adequate monitoring of exposure to social and environmental issues is a priority to mitigate the potential adverse impacts of its investments. The exposure of investees to sustainability risks may, in fact, cause direct or indirect effects on the financial performance of investments, in addition to reputational and ethical risks. For this purpose, Eurizon gives importance to (i) the respect of human rights and countering the production of unconventional weapons, (ii) exposure to environmental issues, including climate change mitigation and adaptation, mitigation of the loss of biodiversity and offsetting deforestation and (iii) good corporate governance practices.

Eurizon is therefore actively committed to mitigating the adverse impacts of investments through the adoption of strategies which provide for (i) the negative screening of issuers, with the aim of mitigating the risks of exposure to companies operating in sectors deemed “not responsible”, such as the fossil fuels and unconventional weapons sectors, or which are characterised by critical environmental, social or corporate governance issues; (ii) the positive integration of ESG factors in the analysis, selection and composition of financial portfolios and the selection of sustainable investments pursuant to the SFDR Regulation and (iii) engagement with investees through the exercise of voting rights and, if considered appropriate, stewardship activities, in particular concerning environmental and social issues. To protect its own investors and stakeholders, Eurizon has specific mechanisms in place (i) for a transparent approach to the sustainability of investments, and (ii) for managing risks, to monitor an aware assumption of investments choices by managed assets.

With reference to the principal adverse impacts of investment choices on sustainability factors, Eurizon has defined specific safeguards for the identification, analysis and prioritisation of the adverse impacts of investment choices on sustainability factors by identifying and monitoring them, using data obtained from the specialist info-provider “MSCI ESG Research”.

In this context, the LTSS and ESG & Strategic Activism Structures of the Investment Department and Risk Management Function of Eurizon Capital SGR supervise the activities of identification and prioritization of the principal adverse impacts of investment choices on sustainability factors, through the monitoring of “Principal Adverse Impacts”<sup>21</sup>. The results of the analyses are presented to the Financial, Credit and Operational Risks Committee, which is responsible for defining appropriate actions to mitigate the adverse impacts connected with sustainability risks and the priorities to adopt for the subsequent period. The ESG Committee is informed at the first available meeting.

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<sup>21</sup> For any further information, please refer to the “Principal Adverse Impact Statement of Eurizon Capital SGR S.p.A. and subsidiaries” available on the website.



In the best interest of its financial products, Eurizon is committed to:

- continuing to develop its sustainability policies, with the aim of fostering the mitigation of the principal adverse impacts on sustainability factors, also through the adoption of new negative and/or positive screening strategies;
- focussing its engagement actions with investee issuers with the aim of directing them towards the improvement of their sustainability practices, evaluating, only as a last resort, the divestiture of their investments. Eurizon also acknowledges that an effective management of principal adverse impacts on the environment and society requires a collective effort and therefore endorses codes of responsible business conduct and internationally recognised standards.

## **11.2. TRANSPARENCY AT A FINANCIAL PRODUCT LEVEL**

The assessment of the principal adverse impacts of investment choices on sustainability factors and the definition of related mitigation actions are an integral part of Eurizon's approach to sustainability.

In this regard, the Company has adopted an internal methodology (framework) that defines how the so-called "Principal Adverse Impact indicators" ("PAIs") are taken into account within the managed assets, pursuant to Article 7 of the SFDR Regulation.

This framework includes the use of specific indicators, as set out in the Commission Delegated Regulation (EU) 2022/1288<sup>22</sup>, which are associated based on the characteristics and objectives of the individual financial products based on the oversight already defined by the Company which includes the use of the following mechanisms:

- (i) Negative Screening, with the aim of mitigating sustainability risks and avoiding investments in the financial instruments most exposed to the risk of a loss in value due to the effect of an environmental, social or corporate governance type event or condition;
- (ii) Positive screening of ESG factors in the analysis, selection and composition of financial portfolios and the selection of sustainable investments pursuant to the SFDR Regulation;
- (iii) Stewardship, through proactive interaction with investees, achieved through the exercise of participation and voting rights and through the engagement with them.

To this end, for each of the above-mentioned mechanisms, the Company has identified the relative impact indicators in order to make offering documentation transparent as regards the procedures adopted for considering these indicators in relation to each asset managed.

## **12. INTERNAL METHODOLOGIES TO ASSESS FINANCIAL INSTRUMENTS.**

Eurizon Capital SGR has adopted - as an additional assessment element to support the investment decisions of the managers – specific proprietary scores that integrate environmental, social and governance factors, called the (i) "Eurizon ESG Score" (also "ESG Score" or "Score") relative to corporate or governance issuers and the (ii) "Eurizon ESG Fund Score" for UCIs established by third-party management Companies.

### **12.1. EURIZON ESG SCORE**

The Eurizon ESG Score is processed through an IT platform created by the ICT Structure of the Operational Governance Department, which allows to (i) automate the acquisition of data from the info-providers and the related calculations, as well as (ii) share the results within the Investment Department, also facilitating the exchange of information and comments.

The Score, which is based on a methodology that is differentiated for (i) corporate issuers and (ii) government issuers, is calculated at least monthly and is made available to the managers of the Investment Department through the "ESG Score" application that can be consulted through the company intranet and allows for processed data logs to be created.

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<sup>22</sup> The Commission Delegated Regulation indicates the content, methodologies and procedures for the presentation of information required under Article 4 of the SFDR in relation to the principal adverse impacts at an entity level for sustainability indicators (i) on the climate and other adverse impacts related to the environment and (ii) in the social dimension and regarding employees, respect for human rights and the fight against corruption and bribery.

The score given to individual issuers is determined through the analysis of specific Key Performance Indicators (KPIs) that assess environmental, social and corporate governance components. The Eurizon ESG Score is expressed on a scale from 0 to 10, with higher scores representing lower exposure to ESG risks and/or high exposure to sustainable growth opportunities.

In addition to the Eurizon ESG Score, the LTSS Structure supports the teams of analysts of the Investment Department in processing ESG factors (i) for the benefit of individual analyses relating to the selection of issuers and (ii) for integrating overweight, underweight or investment prohibition recommendations (Investment Case) prepared as part of the so-called Security List.

#### **12.1.1. CORPORATE ISSUERS**

This indicator relating to corporate issuers consists of an assessment of the issuing companies according to an internal methodology defined by the LTSS Structure, which entails a structured system of aggregating scores, assigned using a standardised scale, referred to the following no. 2 components:

- ESG Risk Score, which estimates the environmental, social and governance impact of the activity of individual issuers and the ability of the related choices to materially affect the generation of profits based on KPIs that are material for each issuer, considering their sector;
- ESG Opportunity Score, which estimates the ability of issuers to take advantage of sustainable growth opportunities, in terms of their ability to generate future profits (e.g. technological innovations with environmental impacts).

#### **12.1.2. GOVERNMENT ISSUERS**

This indicator relating to government issuers consists of an assessment of Countries according to an internal methodology defined by the LTSS Structure, which entails a structured system of aggregating scores, assigned using a standardised scale, referred to the following 2 components:

- ESG Government Base Score that assesses the environmental, social and governance impact of individual countries, as measured at the date of processing; the component is calculated by weighting the Key Performance Indicator (KPI) scores available for each issuer;
- ESG Government Trend Score, which estimates the evolution of the environmental, social and governance impact assessment of government issuers over a horizon of 5 years, in order to analyse the trend of government issuers' policies with respect to ESG risk and opportunity management.

### **12.2. EURIZON ESG FUND SCORE**

For each of the UCIs promoted by other management Companies that are on the “UCI List”, which promote, among others, environmental or social characteristics or that have sustainable investment goals pursuant to the SFDR Regulation, the Multimanager Investments Structure has defined an internal assessment methodology that is activated in the initial analysis stage (due diligence) and updated annually. In particular, the “Eurizon ESG Fund Score” is processed based on the weighting of no. 29 KPIs divided into no. 7 pillars:

- Negative screening: that analyses the exclusion criteria adopted;
- Controversies: that assesses the process to analyse controversies relative to investees, and relative actions taken;
- Positive screening: that assesses the procedures to integrate ESG factors in processes to analyse and select financial instruments;
- ESG Rating: that further considers the level of use of the rating or score of external info-providers;
- Sustainable Investment Commitment: that analyses the minimum sustainable investment percentage declared in offering documentation;
- Net Zero: that further considers any participation in the “Net Zero Asset Managers Initiative” and relative targets;
- Engagement: that assesses the manager's policies for engagement with investees, with specific reference to sustainability-related issues.



The score is assigned to individual UCIs on a scale from 0 to 10, with higher scores representing a greater solidity in ESG matters adopted by a fund house relative to the analysed fund.

As regards related UCIs, managers have an internal score relating to individual instruments in the portfolio.

### **13. INTEGRATION OF SUSTAINABILITY RISKS IN REMUNERATION AND INCENTIVE POLICIES**

The Company's Remuneration and Incentive Policies take into consideration sustainability risks pursuant to Article 5<sup>23</sup> of the SFDR Regulation.

In particular, the annual Incentive Systems provide for:

- the attribution to Group Risk Takers, Company Risk Takers and Middle Management who do not belong to the chain of managers of a specific objective, among those of strategic action, linked to the initiatives of the Company that take into account environmental, social and governance factors (so-called "Environmental, Social and Governance factors" - ESG);
- a corrective mechanism of the theoretical premium related to the population belonging to the chain of managers connected to the management of sustainability risks (the so-called "sustainability corrective mechanism") which provides for the comparison between the "sustainability rating" of the portfolios managed (i.e. weighted average ESG score of the products referred to the individual manager) and the target rating (i.e. the average ESG score of the parameters associated with the product, i.e. the benchmark or the investment universe) in accordance with the methods described in the section "Integration of ESG factors (ESG Integration)".

### **14. POLICY REVIEW AND PUBLICITY**

The Company's Sustainability Policy is reviewed at least annually by the ESG & Strategic Activism Structure, coordinating with the Compliance & AML Function, in order to assess the consistency of the methodologies adopted by the Company in relation to the developments in national and international best practices.

Any changes are notified to the ESG Committee before being presented to the Board of Directors.

### **15. REPORTING**

In compliance with indications in applicable regulations, the Company gives its clients/investors and other stakeholders an overview of this Policy, and any significant amendment to the same, which is available at [www.eurizoncapital.com](http://www.eurizoncapital.com).

In line with the timelines set by the SFDR Regulation, for products that:

- promote, among others, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices;
- have sustainable investment goals;

the Company commits to provide transparent information in the periodic reports on managed products. These documents include both qualitative and quantitative information.

### **16. DEFINITIONS**

The definitions of the main terms included in this Policy are given below, which take account of both regulatory aspects and aspects arising from the internal methodologies adopted by the Company for the purposes of analysing and managing sustainability risks.

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<sup>23</sup> Pursuant to Article 5 of the SFDR, "Financial market participants and financial advisors shall include in their remuneration policies information on how those policies are consistent with the integration of sustainability risks, and shall publish that information on their websites".

TERM	DESCRIPTION
Article 6 SFDR	A product that integrates sustainability risks into its investment decisions.
Article 8 SFDR	A financial product that promotes, among others, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices.
Article 9 SFDR	A financial product that has sustainable investment as its objective and an index has been designated as a reference benchmark.
Good Corporate Governance	The products classified pursuant to Articles 8 and 9 of the SFDR invest in companies that comply with good governance practices, in particular as regards robust management structures, personnel relations, personnel remuneration and compliance with tax obligations.
Financial Advisor	Financial intermediaries subject to the SFDR, that include, among others, Companies managing UCITS and AIFs that provide the investment advisory service.
DNSH	"Do no significant harm". This refers to one of the criteria necessary to assess whether an investment achieves the sustainable investment goal pursuant to Regulation (EU) 2019/2088.
Due Diligence	Activity to analyse financial and/or sustainability aspects related to a company or a financial product.
Greenhouse gas emissions	Greenhouse gas emissions correspond to levels of carbon dioxide, carbon monoxide, sulphur dioxide and other gaseous by-products of industrial products that a company uses for its activities.
Scope 1, Scope 2 and Scope 3 greenhouse gas emissions	<ul style="list-style-type: none"> <li>– Scope 1 carbon emissions, i.e. emissions generated from sources controlled by the company that emits the underlying activities;</li> <li>– Scope 2 carbon emissions, i.e. emissions generated from the consumption of electricity, steam or other sources of purchased energy generated upstream by the company that emits the underlying activities;</li> <li>– Scope 3 carbon emissions, i.e. all indirect emissions not contemplated above, that occur in the value chain of the company that makes the statement, including upstream and downstream emissions, in particular for sectors with a considerable impact on climate change and its mitigation.</li> </ul>
Sustainability factors	The issues concerning environmental and social matters, personnel, respect for human rights and the fight against active and passive corruption.
FATF	The Financial Action Task Force tasked with devising and developing strategies to combat the laundering of capital of unlawful origin and prevent terrorist financing.
FATF Black List	The list of high-risk countries in view of deficiencies in guidelines for combating money laundering, terrorist financing and the proliferation of weapons of mass destruction defined by the FATF.
FATF Grey List	The list of countries subject to intense monitoring, in view of deficiencies in guidelines for combating money laundering, terrorist financing and the proliferation of weapons of mass destruction defined by the FATF.
Green Bond	Debt securities issued by governments, their public agencies, supranational institutions or corporate issuers whose proceeds are used to finance or refinance, in part or in whole, new projects and/or existing projects that bring about environmental benefits and/or positive climatic conditions.
Greenwashing	A practice where affirmations, statements, actions or communication concerning sustainability do not clearly and fairly reflect the underlying sustainability profile of an entity, product or financial service. This practice may be misleading for consumers, investors or other market participants.
Engagement	Dialogue between companies and investors (in particular institutional investors such as mutual funds, pension funds, insurance companies, etc.), to promote positive changes within companies aimed at a greater sustainability of business activities.
Info-Provider	Professional provider of data and/or information.
Environmentally sustainable investment	An investment in one or more economic activities considered environmentally sustainable pursuant to Regulation (EU) 2020/852. In particular, an economic activity is considered environmentally sustainable if (i) it means an investment in one or several economic

TERM	DESCRIPTION
	activities that qualify as environmentally sustainable under Article 9 of the SFDR (climate change mitigation; climate change adaptation; the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control; the protection and restoration of biodiversity and ecosystems); (ii) it does not cause significant harm to any of the environmental goals in Article 9 of the SFDR and in compliance with Article 17; (iii) it takes place in compliance with the minimum safeguards envisaged in Article 18 (Minimum safeguards); (iv) it conforms to the technical screening criteria set by the Commission
Sustainable Investment	An investment in an economic activity that contributes to an environmental goal, measured, for example, through key indicators of the efficiency of resources concerning the use of energy, of renewable energies, raw materials, water resources and soil, the production of waste, greenhouse gas emissions, as well as impact on biodiversity and the circular economy; or an investment in an economic activity that contributes to a social goal, in particular an investment that contributes to the fight against inequality, or that promotes social inclusion, integration and industrial relations; or an investment in human capital or in communities that are economically or socially disadvantaged on condition that such investments comply with good governance practices, in particular as regards robust management structures, personnel relations, personnel remuneration and compliance with tax obligations.
Key Performance Indicator	Indicator to measure the performance of a process or a company activity.
Limited Tracking Error	A type of investment fund that has a limited deviation from the benchmark.
Master-feeder structures	Structure in which the assets of a so-called feeder fund are invested wholly or mainly in a so-called master fund.
NACE	“Nomenclature statistique des activités économiques dans la Communauté européenne”, the classification system for economic activities used within the European Union ( <a href="https://ec.europa.eu/competition/mergers/cases/index/nace_all.html">https://ec.europa.eu/competition/mergers/cases/index/nace_all.html</a> ).
Non-Performing Loan	“Non-Performing Loans” or “NPL” are exposures with parties that, because of a worsening in their economic and financial situation, are not able to meet in full or partially their contractual obligations. In particular, in keeping with the definitions of non-performing loans adopted by the Bank of Italy and harmonised at an SSM level, they reflect the criteria published in 2013 by the European Banking Authority (EBA), and mean: (i) bad loans, i.e. exposures with parties that are insolvent or in situations that are basically the same, (ii) unlikely to perform loans, i.e. exposures (other than those classified as bad loans), for which it is unlikely, without resorting to actions such as the enforcement of guarantees, that the debtor will meet its contractual obligations in full and (iii) past due and/or forborne exposures, i.e. exposures (other than those classified as bad loans or UTP), which have expired or have exceeded credit facility limits by more than 90 days and are above a previously determined materiality threshold.
Environmental objective	Environmental objectives are: i) climate change mitigation; ii) climate change adaptation; iii) the sustainable use and protection of water and marine resources; iv) the transition to a circular economy; v) pollution prevention and control; vi) the protection and restoration of biodiversity and ecosystems
OECD	Organisation for Economic Co-operation and Development
Target UCIs	Undertakings in collective investment potentially invested in by other mutual investment funds at the end of a due diligence process.
The International Labour Organisation (ILO)	The International Labour Organisation is a specialised UN Agency that promotes social justice and internationally recognised human rights, with particular reference to labour in all its aspects.
PAI	Principal Adverse Impact indicators, as defined by Commission Delegated Regulation (EU) 2022/1288. These indicators measure the effects on sustainability factors of investment decisions and investment advice with the aim of monitoring the impacts of investment decisions on different dimensions such as the environment, society or economy.

TERM	DESCRIPTION
Financial markets participant	(i) An insurance undertaking that makes available an investment-based insurance product (IBIP); (ii) an investment firm that provides portfolio management services; (iii) a corporate or professional pension entity (EPAP); (iv) a creator of a pension product; (v) a manager of alternative investment funds (GEFIA); (vi) a supplier of an individual Pan-European pension product (PEPP); (vi) a manager of a registered qualifying venture capital fund conforming to Article 14 of Regulation (EU) no. 345/2013; (vi) a manager of a registered qualifying social entrepreneurship fund conforming to Article 15 of Regulation (EU) no 346/2013; (viii) a company managing undertakings for collective investment in transferable securities (UCITS) and a credit entity providing portfolio management services.
Investment Process	The investment selection process entails steering activities overseen by the Board of Directors, the Managing Director and Investments Director, and the implementation of single portfolio management choices.
Index-linked products	Financial products, such as mutual investment funds, that have a passive investment policy, based on the replication of the return of a given financial index.
Sustainability risk	An environmental, social or governance event or condition that, if it occurs, could have an actual or potential significant negative effect on investment value.
SBTi	Science Based Target Initiative (SBTi): an international initiative created to support businesses in defining their own climate change mitigation goals, in line with scientific objectives.
ESG Score	The score assigned by specialised agencies to issuers of financial instruments, such as businesses and governments. Unlike credit scores, which measure the default probability of an issuer, and therefore, its credit risk, the ESG Score measures the opportunities and risks which businesses are exposed to in relation to sustainability factors (environment, social and corporate governance).
Social Bond	Debt securities of which the proceeds are used to raise funds to finance new and/or previously existing projects that have positive impacts on the social sphere.
Stakeholders	Individuals, groups or entities that have an interest or stake in an organisation, company, project or activity. Stakeholders may be affected by the actions of an organisation or, in turn, may influence it.
Stewardship	Interaction with investees achieved through (i) the exercise of participation and voting rights and (i) engagement with the investees.
Sustainability Bond	Debt securities of which the proceeds are used exclusively to finance or re-finance a combination of Green and Social Projects.
Sustainable Development Goals or SDG	These represent no. 17 interconnected goals (set out in no. 169 targets) established by the United Nations with the aim of promoting a more aware, long-lasting global development, that encompasses the wellbeing of human beings, the protection of and care for the natural environment and responses to the most important social issues (1 - No poverty, 2 - Zero hunger, 3 - Good health and well-being, 4 - Quality education, 5 - Gender equality, 6 - Clean water and sanitation, 7 - Affordable and clean energy, 8 - Decent work and economic growth, 9 - Industry, innovation and infrastructure, 10 - Reduced inequalities, 11 - Sustainable cities and communities, 12 - Responsible consumption and production, 13 - Climate action, 14 - Life below water, 15 - Life on land, 16 - Peace, justice and strong institutions, 17 - Partnerships for the goals).
Sustainable Financial Disclosure Regulation	Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).
European Taxonomy	A classification system established by Regulation (EU) 2020/852 which sets out a general framework to determine whether an economic activity may be considered as environmentally sustainable.
UN Global Compact	An initiative of the United Nations (UN) to mobilise the private sector and company organisations to adopt responsible and sustainable commercial practices, based on the ten universal principles that cover the areas of human rights, labour, the environment and the fight against corruption.
UN Guiding Principles	The Principles of the United Nations on business and human rights (UNGP) that set out guidelines for all businesses, for the purpose of respecting human rights and complying with national laws and regulations.

*This document is originally written in Italian language. In case of discrepancy between the original Italian text and the present English translation, the Italian version will prevail.*