



**SYNTHESIS OF THE
SUSTAINABILITY POLICY
OF EURIZON CAPITAL S.A.**

October 2021

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1. FOREWORD

As a financial market participant, Eurizon Capital S.A. (henceforth “Eurizon Capital” or the “Company”) has a fiduciary duty to its Customers and Investors and, more generally, to the other stakeholders that requires it to effectively deal with the issues relating to sustainability, with particular reference to the returns on its financial products and to the issuers in which it invests on behalf of the assets under management. In line with its own “Engagement policy” the Company believes, in fact, that the issuers implementing high standards at social, environmental and corporate governance level are able to generate sustainable performances over the long term.

This Policy describes the financial instrument selection and monitoring methodologies adopted by the Company in order to include the sustainability risk analysis¹ as part of its decision-making process on investments relating to collective asset management services and portfolio management and to the recommendations made within the investment advisory service (“Investment Process”).

These methodologies provide for the application of specific selection processes of the financial instruments, suitably tiered according to the characteristics and objectives of individual managed products, taking environmental, social and governance factors (so called “*Environmental, Social and Governance factors*” - ESG) and principles of Sustainable and Responsible Investment (so called “*Sustainable and Responsible Investments*” - SRI) into account.

The issuer selection and monitoring criteria based on ESG and SRI profiles integrate the traditional financial analysis of risk/return profiles of issuers that the Company takes into account when forming its Investment choices, in order to i) prevent that environmental, social and governance conditions cause a significant, actual or potential, adverse impact on the value of the investments of the assets under management and ii) seize the ability of the issuers to take advantage of opportunities for sustainable growth.

This document represents the Policy for the integration of the sustainability risks in the Investment Process of Eurizon Capital pursuant to Article 3² of Regulation (EU) 2019/2088 of the European Parliament and of the Council on information on sustainability in the financial services sector (so called “*Sustainable Finance Disclosure Regulation*” or “*SFDR Regulation*”) and the related implementing regulations.

This document also describes how Eurizon Capital takes into account:

- the main negative effects of investment decisions on sustainability factors pursuant to Article 4³ of the SFDR Regulation and the related implementing regulations;
- sustainability risks in its Remuneration and Incentive Policy, pursuant to Article 5⁴ of the SFDR Regulation.

2. EURIZON’S ENGAGEMENT TO THE FINANCIAL SERVICES SUSTAINABILITY

The Vision and the Mission of Eurizon Capital SGR S.p.A. emphasise the importance for all the companies belonging to the Eurizon Asset Management Division of Intesa Sanpaolo Group to co-operate with the companies in which it invests to promote rules and behaviours that prefer the sustainability aspects of the investments and encourage high governance standards of the investee issuers.

¹ i.e. the occurrence of an event or an environmental, social or governance condition that may cause a significant actual or potential negative impact on the investment value.

² Financial market participants publish information on their websites about their policies on integrating sustainability risks into their investment decision-making processes. Financial advisors shall publish on their websites information about their policies on integrating sustainability risks into their investment or insurance advice.

³ Financial market participants shall publish and update on their websites where they consider the main adverse effects 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.

⁴ Financial market participants and financial advisors include in their remuneration policies information about how those policies are consistent with the integration of sustainability risks and post that information on their websites.

Eurizon Capital believes that those companies that take the ESG factors into account in their own strategies and operational models are more likely to achieve sustainable profits over time and therefore increase their value both economically and financially.

The following diagram shows the key stages of the engagement evolution of the Asset Management Division regarding ESG and SRI issues, since 1996, i.e. the year that the first Ethical funds were marketed by Eurizon Capital SGR S.p.A. on the Italian market:



2.1. ADHERENCE TO THE UN PRINCIPLES FOR RESPONSIBLE INVESTMENT

The integration of ESG factors and SRI principles, in addition to responding to the reference principles and the values of the Intesa Sanpaolo Group and the Asset Management Division, is related to the adherence, since 2015, to the Principles for Responsible Investment -i.e. the guiding principles on socially responsible investments promoted by the United Nations at the initiative of:

- “*UNEP FI*”: the partnership between the “*United Nations Environment Programme*” (UNEP) and the financial sector aiming at analysing the impact of environmental and social considerations on the sustainability of the financial performances;
- “*UN Global Compact*”: the initiative aimed at promoting a sustainable global economy, respectful of human and labour rights, the protection of the environment and the fight against corruption.

As a signatory of the Principles for Responsible Investment, the Asset Management Division is committed to:

1. incorporate environmental, social and governance factors into its investment analysis and decision-making process;
2. integrate environmental, social and governance factors in the active ownership policy;
3. ask the companies in which it invests for a suitable dissemination of information about them regarding the environmental, social and governance factors;
4. promote the acceptance and implementation of the Principles in the investment community;
5. work with the financial community to improve the effectiveness in implementing the Principles;
6. disclose to the public the reports on activities and progress of the companies in applying the Principles.

As a signatory of the Principles for Responsible Investment on behalf of the Asset Management Division, Eurizon Capital SGR S.p.A. is annually required to provide transparent information on its responsible investment activities by preparing the so-called “*RI Transparency Report*”, available on the website www.unpri.org.

2.2. ADHERENCE TO THE ITALIAN STEWARDSHIP PRINCIPLES

As a adopter of the "Italian Stewardship Principles" for the exercise of administrative and voting rights in listed companies defined by *Assogestioni*⁵, the Company pays particular attention to the policies implemented by the issuers, stimulating comparison with the companies in which it invests.

In this context, the Company:

1. Adopts a documented policy, available to the public, setting out the strategy for exercising the rights inherent in the financial instruments pertaining to the OICR and managed portfolios;
2. Monitors listed issuers;
3. Sets out clear guidelines on the timing and modalities of the interventions with listed issuers in which it invest in order to protect and increase their value;
4. Considers working with other institutional investors where appropriate, paying particular attention to concerted action regulation;
5. Consciously exercises voting rights inherent in financial instruments pertaining to OICR and managed portfolios;
6. Keeps track of the exercise of the rights inherent in financial instruments pertaining to the OICR and managed portfolios by adopting a policy on the disclosure of information on external governance.

In order to regulate the behaviours that the Company adopts to stimulate comparison with the issuers in which it invests, integrating its commitment as a shareholder in the investment strategy, the Company has therefore developed its "Engagement Policy", in compliance with sector regulations.

Eurizon Capital SA has also adopted, in compliance with sector regulations, specific organisational and/or procedural measures in order to guarantee, in the presence of the discretionary attribution of the exercise of participation and voting rights inherent to the shareholdings managed by the same, independence and autonomy in the exercise of such rights. In this context, the Company has developed a specific "Strategy for the exercise of participation and voting rights attached to the financial instruments held in the managed UCITS" (the "Strategy").

The Company monitors the effectiveness of the measures taken for engagement with issuers and the exercise of voting rights by reviewing the Strategy and the Engagement Policy at least annually. The Company gives transparency to these documents on its website.

3. ROLES AND RESPONSIBILITIES IN THE SELECTION AND MONITORING PROCESS OF THE ESG AND SRI CRITERIA

In order to promote a successful implementation of its Sustainability Policy, Eurizon Capital S.A., with the support of the Asset Management competent structures, set up a special framework which includes the involvement of the following corporate bodies and structures:

At the Company's level:

CONDUCTING OFFICERS

With the support of the competent functions and committees and based on the indications of the Asset Management Division, they elaborate the proposals for the Board of Directors on methodologies:

- relating to selection and monitoring methodologies of financial instruments aimed at integrating the sustainability risks within the Investment Process of the managed products;
- for identifying the main negative effects of investment decisions on sustainability factors, defining priorities and mitigation actions, the results of which are formalised in the "Principal Adverse Sustainability Impacts Statement";
- for integrating sustainability risks into remuneration and incentive policies.

⁵ The Principles defined by Assogestioni - the Italian professional association of which Eurizon Capital S.A. is a member - are aligned with those in the EFAMA Code for External Governance approved by the European Fund and Asset Management Association (EFAMA) in which Assogestioni participates.

Within the Risk Committee, they periodically monitor the implementation of the Sustainability Policy of the Company, making also use of the reports prepared by the ESG & Strategic Activism Structure.

BOARD OF DIRECTORS

The Board, with the support of the Conducting Officers, defines the present Sustainability Policy of the Company that includes:

- the methodologies to select and monitor financial instruments in order to integrate the analysis of sustainability risks within the Investment Process of the managed products;
- the methods for identifying the main negative effects 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.

It regularly checks the correct implementation of the Company's Sustainability Policy.

HEAD OF INVESTMENTS

The Head of Investments, with the support of the ESG & Strategic Activism unit of the Parent Company and the Product Development unit of the Company, coordinates activities related to participation in Shareholders' Meetings in relation to the exercise of voting rights for investments held by the products established by the Company, monitors and coordinates engagement with significant issuers in relation to significant issues in terms of strategy, financial and non-financial results, risks, capital structure, as well as in terms of social, environmental and corporate governance impact.

COMPLIANCE & AML FUNCTION

The Compliance & AML function monitors the compliance with the Sustainability Policy of the Company, overseeing the appropriate implementation of the controls governed in the external and internal regulations.

RISK MANAGEMENT FUNCTION

The Risk Management function monitors the sustainability risk of the products under management and oversees the compliance with the decision-making process and the Operational Limits aimed to reduce the risks, including reputational ones, of the managed portfolios related to ESG and SRI issues.

At the level of the Asset Management Division:

SUSTAINABLE AND RESPONSIBLE INVESTMENTS COMMITTEE

The Sustainable and Responsible Investments Committee (hereinafter also "SRI Committee") is an advisory body that supports the Managing Director of Eurizon Capital SGR S.p.A. (i) in the definition of proposals to be submitted to the Board of Directors of Eurizon Capital SGR S.p.A. regarding sustainability related Policies, (ii) in the monitoring of exposures of the assets to the ESG and SRI indicators and (iii) in the control of the escalation process relating to "critical issuers" securities.

Moreover, the Committee (i) monitors, taking into account the available data, the final balance of the main environmental, social and governance indicators relating to the managed assets, defining the appropriate actions for the mitigation of the negative effects connected with the sustainability risks, (ii) defines proposals for the Board of Directors regarding the priorities to be adopted for the following period, (iii) presents an annual statement of the main negative effects of investment decisions on sustainability factors (the "Principal Adverse Sustainability Impacts Statement").

ESG & STRATEGIC ACTIVISM UNIT

The ESG & Strategic Activism unit ensures the dissemination and implementation of the sustainability principles of the investments, promoting integration of environmental, social and governance factors in the Investment Process across the Asset Management Division

LONG TERM SUSTAINABLE STRATEGIES UNIT

The Long Term Sustainable Strategies unit monitors corporate issuers, also using info-providers specialised in ESG and SRI matters in order to identify the lists related to (i) issuers deemed as non “socially responsible”, (ii) issuers with a high exposure to ESG risks (“critical issuers”). This structure is also the divisional competence centre for the control and innovation of the management strategies related to ESG and SRI.

4. SCOPE

This Policy concerns all managed products - mutual funds and portfolio managements - that in the pre-contractual information:

- explain the methods of sustainability risk integration in the investment decisions, in accordance with the transparency requirements laid down in [Article 6⁶](#) of Regulation (EU) 2019/2088;
- promote environmental or social characteristics, among others, or a combination of these characteristics, provided that the companies in which the investments are made respect good governance practices, pursuant to [Article 8⁷](#) of Regulation (EU) 2019/2088;
- have sustainable investment objectives, pursuant to [Article 9⁸](#) of Regulation (EU) 2019/2088.

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. SUSTAINABILITY RISK INTEGRATION PROCESS INTO THE INVESTMENT PROCESS OF ASSETS UNDER MANAGEMENT

In line with the PRI Principle No 1 and the obligations imposed by Regulation (EU) 2019/2088 on sustainability information in the financial services sector, the Company set out specific selection and monitoring methodologies of the financial instruments aimed at integrating the sustainability risks inside the Investment process of the assets under management.

The following paragraphs report a description of the controls adopted by Eurizon Capital, in line with the following ESG/SRI strategies:

- **SRI exclusion/limitation:** issuers excluded from the Investment Universe of the assets under management (known as “*SRI Binding screening*”); for Limited Tracking Error Funds (except LTE ESG products) or indexed products, the maximum direct investment allowed is equal to the weight of the issuer in the reference parameter; issuers operating in sectors deemed not to be “socially responsible” are those companies characterized by a clear direct involvement in the manufacture of unconventional weapons (*Land-mines, Cluster bombs, Nuclear weapons, Depleted uranium, Biological weapons, Chemical weapons, Invisible cluster munitions, Blinding Lasers, Incendiary weapons, White phosphorus*) or in the thermal coal sector.
- **ESG exclusion/limitation:** issuers excluded from the Investment Universe of the assets under management (known as “*ESG Binding screening*”); for Limited Tracking Error Funds (except LTE ESG products) or indexed products, the maximum direct investment allowed is equal to the weight of the issuer in the reference parameter; “critical” issuers are those companies with the highest exposure to

⁶ Participants in financial markets include the description given below in precontractual disclosure:

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.

⁷ If a financial product promotes, among other characteristics, 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.

⁸ 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.

environmental, social and corporate governance risks, i.e. with a lower ESG sustainability rating level in the equity and bond investment universe;

- **Integration of ESG factors:** integration of ESG factors in the analysis, selection and composition of the managed portfolios and aims to build a portfolio with a higher average ESG score than that of its investment universe (known as “*ESG integration*”);
- **Carbon footprint:** methods to integrate carbon dioxide (CO2) footprint measurements in portfolio construction and aims to build a portfolio with a lower CO2 footprint than that of its investment universe;
- **Impact Investing:** investment selection methods aimed at generating a social or environmental impact along with a measurable financial return (known as “*Impact investing*”);
- **Active ownership:** promotion of a proactive interaction with the issuing companies, both by exercising the rights to attend and vote and by being proactive with the investee companies by encouraging an effective communication with the management of the companies (known as *engagement*).

In this context, the Company set out specific decision-making processes and “Operational Limits” aimed at containing the risks, including reputational ones, of the managed portfolios connected to ESG and SRI issues, whose compliance is monitored by the Risk Management function.

The association between ESG/SRI strategies and the financial products’ categorization un SFDR regulations is reporting in the following table:

INTEGRATION STRATEGY	ART. 6	ART. 8	ART. 9
SRI exclusion/limitation (SRI Binding screening)	●	●	●
ESG exclusion/limitation (ESG Binding screening)	●	●	●
Integration of ESG factors (ESG integration)		●	
Carbon Footprint		● ⁹	
Impact Investing			●
Active ownership - Engagement	●	●	●

For each of the Strategies, the Company has defined specific decision-making processes and operational limits aimed at limiting the risks, including reputational risks, of managed portfolios in relation to ESG and SRI topics; the compliance with the operational limits is monitored by the Risk Management Function with the support of the Compliance & AML Function.

6. SCREENING PROCESS OF THE TARGET UCITS ISSUED BY THIRD-PARTY FUND HOUSES IN RELATION WITH SRI AND ESG FACTORS

The Company invests in target UCIs of third-party fund houses provided they are included in the UCI buy-list transmitted by the competent functions of the Asset Management Division.

In particular, as part of the process of selecting and monitoring the target UCIs of third-party fund houses, the Multimanager Investments & Unit Linked unit of the Investment Department of the Parent Company integrates the financial analysis of the UCIs by analyzing the level of integration of SRI and/or ESG factors and related sustainability risks in the light of:

- the investment decision-making processes of fund houses, in accordance with Article 6 of Regulation (EU) 2019/2088;

⁹ Subject to compliance by the investee issuers with good governance practices.

- the investment policy of each UCI, monitoring:
 - o the promotion, among other characteristics, of environmental or social characteristics, or a combination of these as well as compliance with good governance practices, pursuant to Article 8 of Regulation (EU) 2019/2088;
 - o the adoption of sustainable investment objectives, pursuant to Article 9 of Regulation (EU) 2019/2088;
 - o as well as the presence of additional ESG-type distinctive elements in the management of each product.

This information - acquired directly from fund houses and / or through specialized info-providers is assessed as one of the elements considered for possible approval in the UCI buy-list, and as a possible choice criterion, among others, by the portfolio managers of the Company.

7. INVESTMENTS IN GOVERNMENT ISSUERS BELONGING TO THE EUROPEAN UNION

With regard to debt financial instruments, the Company believes that instruments issued or guaranteed by a State of the European Union, by its local authorities or by international public bodies composed of Member States of the European Union comply with ESG criteria. In fact, the Company recognizes the importance that the European Union attaches to sustainability in its financial policy framework, aimed at encouraging sustainable growth and oriented towards a longer-term time horizon.

In this context, the European Union considers environmental, social and government factors as an integral part of its economic development process. To this end, it promotes projects in the field:

- environmental, for the development of a resource efficient growth strategy, aimed at combating climate change and environmental degradation, as well as transforming environmental problems into opportunities and making the transition fair and inclusive (so-called "green deal "); this includes initiatives aimed at transparency on the risks associated with ESG factors that may have an impact on the financial system (including the formulation of criteria for a common taxonomy on sustainability) and the mitigation of risks through adequate governance of financial and business intermediaries;
- social, for the financing of social projects aimed at addressing issues relating to respect for human rights (reducing inequalities and improving inclusiveness), the fight against corruption and the introduction of common standards in the field of labour law (promoting the reduction of wage gaps, gender diversity and introducing forms of worker protection);
- governance, aimed at improving the governance of public and private institutions, with specific reference to corporate governance structures, relations with employees and remuneration policies; in this regard, we recall - in particular - the initiatives aimed at strengthening the transparency of companies (so-called "non-financial reporting").

The efforts of the European supervisory authorities (so-called European Supervisory Authorities) for credit institutions, insurance companies and investment management companies are also positioned in this direction, favouring the development of the "Action plan to finance sustainable growth" and reduce the risks to financial stability.

8. DELEGATION OF THE INVESTMENT MANAGEMENT ACTIVITY TO THIRD PARTY INVESTMENT MANAGERS

In case the investment management activities of Company's products are delegated to a third-party manager, the Company ensures, through its initial and ongoing due diligence process conducted by the Company's competent functions that such managers are compliant with the mandatory requirements in term of sustainable framework.

9. MAIN NEGATIVE EFFECTS ON THE SUSTAINABILITY OF INVESTMENT CHOICES

Pursuant to the provisions of art. 4 of the SFDR Regulations, Eurizon Capital prepares an annual statement, approved by the Board of Directors and published on the website, which (i) describes the strategies adopted to identify the main negative effects of investment decisions on sustainability factors and (ii) defines the related mitigation actions, identifying the priorities to be addressed.

Although the negative 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, Eurizon believes that adequate monitoring of exposure to social and environmental issues is a priority to mitigate the potential negative effects of its investments.

In particular, Eurizon gives importance to the following sustainability issues:

- involvement in sectors considered not "socially responsible"; in this regard, Eurizon promotes the respect for human rights, providing for specific restrictions aimed at avoiding investments leading to an evident direct involvement in the manufacture of unconventional weapons;
- exposure to environmental issues; in particular, Eurizon promotes the reduction of carbon dioxide emissions, through (i) the adoption of exclusion criteria, aimed at avoiding exposure to issuers characterized by an evident direct involvement in mining or electricity production activities related to thermal coal and (ii) the promotion of specific products that integrate methods of measuring emissions generated by investee companies (so-called "Carbon Footprint") or that aim to generate a positive environmental impact in addition to the financial return (so-called "Impact Investing");
- exposure to high corporate governance risks; to this end, Eurizon promotes (i) the activation of escalation processes with regard to issuers characterized by a clear exposure to sustainability risks and (ii) the adoption of good governance practices, such as the presence of independent members in the administrative body, the absence of accounting investigations, bankruptcy or liquidation procedures, or procedures of controlled administration, bankruptcy protection or liquidation.

For these reasons, the evaluation of the main negative effects determined by investments represents a significant aspect of Eurizon's Investment Process which includes both the integration of ESG factors and SRI principles and the implementation of 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 customers.

The Company identifies and prioritizes the main environmental, social and governance indicators¹⁰ - through the information collected by the specialized info-provider "MSCI ESG Research" - for the evaluation of the negative effects determined by the investments made on behalf of the assets managed as a whole.

10. INTEGRATION OF SUSTAINABILITY RISKS IN REMUNERATION AND INCENTIVE POLICIES

The Company's Remuneration and Incentive Policies take into consideration sustainability risks pursuant to art. 5¹¹ of the SFDR.

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 (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. 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 Paragraph 5.3 "Integration of ESG factors (ESG Integration)".

¹⁰ For any further information on environmental, social and governance indicators, please refer to the "Statement on the main negative effects of investment decisions on the sustainability factors of Eurizon Capital SGR S.p.A. and its subsidiaries" available on the website.

¹¹ Pursuant to Article 5 of the SFDR, "Financial market participants and financial advisors shall include in their remuneration policies information on how such policies are consistent with the integration of sustainability risks and shall publish such information on their websites."

11. POLICY REVIEW AND ADVERTISING

The Sustainability Policy of the Company is subject to annual review by the Compliance & AML function with the support of the *ESG & Strategic Activism* unit and in coordination with the Compliance & AML Function of the Parent Company Eurizon Capital SGR S.p.A., to assess the consistency of the methodologies adopted by the Company with the evolution of *best practices* developed at national and international level.

12. REPORTING

In accordance with the provisions of the current regulations, the Company provides its clients/investors and other *stakeholders* with a Synthesis of the Sustainability, as well as any relevant amendment, if any, via its website.