



# **PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS STATEMENT**

June 2022

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## 1. SUMMARY

This document represents the Principal Adverse Sustainability Impacts statement of Eurizon Capital SGR S.p.A. (hereinafter "Eurizon Capital SGR" or the "SGR") and the Subsidiaries belonging to the *Asset Management* Division of the Intesa Sanpaolo Group (hereinafter also "Subsidiaries") pursuant the provisions of (i) Article 4 of Regulation (EU) 2019/2088<sup>1</sup> of the European Parliament and of the Council on sustainability reporting in the financial services sector (so-called "*Sustainable Finance Disclosure Regulation*" or "SFDR Regulation") and (ii) the related implementing regulations.

As of the date of drafting of this document, the regulatory framework is still in the process of being consolidated through the definition of specific reporting standards included in the implementing rules of the SFDR Regulation which, therefore, have not yet been fully implemented in this statement.

As financial market participants and financial advisors according to the SFDR Regulation, Eurizon Capital SGR and its Subsidiaries (hereinafter, for simplicity, also referred to as "Eurizon"), are committed to provide transparency on the way they take into consideration the main negative effects of investment decisions on the sustainability factors<sup>2</sup> of the financial products offered to their clients.

This statement is applicable to the following EU Legal Entities belonging to the *Asset Management* Division:

LEGAL ENTITY	LEI CODE	COMPANY HEADQUARTERS	PARTICIPANT IN THE FINANCIAL MARKETS	FINANCIAL ADVISOR
Eurizon Capital SGR S.p.A. <sup>3</sup>	549300JNH2DV17Z80F28	Italy	●	●
Epsilon SGR S.p.A.	549300HXZ6TEM6LDG325	Italy	●	●
Eurizon Capital Real Asset SGR S.p.A.	81560081EB02F8095508	Italy	●	
Eurizon Capital S.A. <sup>4</sup>	549300Y5CH882WUHEV92	Luxembourg	●	●
Eurizon Asset Management Slovakia, správ. Spol., a. s.	31570020000000002796	Slovakia	●	
Eurizon Asset Management Hungary, Ltd.	529900BUTOYN9W7Y6103	Hungary	●	●
Eurizon Asset Management Croatia d.o.o.	549300DU2TJ72XCUUN84	Croatia	●	●

The fiduciary commitment with Clients and Investors and, more in general, with other stakeholders, that requires problems related to sustainability to be effectively managed, with reference to returns on financial products and to issuers that the SGR invests in. In fact, the companies the *Asset Management* Division believe that issuers that implement high social, environmental and corporate governance *standards* can generate sustainable performance in the long term.

Eurizon's commitment includes the adoption and application of specific criteria for the selection and monitoring of issuers that take into consideration environmental, social and governance factors (so-called "*Environmental, Social and Governance factors*" - ESG) and principles of Sustainable and Responsible Investments (so-called "SRI"), in addition to the financial analysis of risk/return profiles.

The controls are tailored on (i) the size, nature and scope of the activities carried out by the individual companies, as well as (ii) the characteristics, objectives and investment limits of the individual financial products made available to clients, and are also aimed at:

<sup>1</sup> Article 4 (1) (a) of the SFDR: "*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 of their due diligence policies with respect to those effects, taking due account of their size, nature and scale of activities and the type of financial products they make available.*"

<sup>2</sup> This includes environmental, social and employees' issues, respect for human rights, and issues related to fighting active and passive corruption.

<sup>3</sup> On July 1, 2021 the merge by incorporation of Pramerica SGR S.p.A. into Eurizon Capital SGR S.p.A. has become effective.

<sup>4</sup> On July 1, 2021 the merge by incorporation of Pramerica Management Company S.A. into Eurizon Capital S.A. has become effective.

- prevent environmental, social and governance conditions from having a significant actual or potential negative impact on the value of investments, also depending on the nature of specific areas of activity;
- capture issuers' ability to take advantage of sustainable growth opportunities in terms of revenue generation.

Eurizon ascribes importance to active collaboration with the companies it invests in, with the aim of (i) promoting rules and behaviours that favour sustainability aspects of investment and high standards of governance of the investee issuers and (ii) increasing the value of investments from an economic and financial point of view.

Considering that some areas are lagging in promoting higher standards of sustainable development and that some industrial sectors are structurally more exposed to risks and benefit from fewer opportunities for sustainable growth, Eurizon believes that assessments must be performed taking into account the geographical and/or sectoral context and the ability of companies to implement sustainable development strategies, to start a process of transition of their business model or to seize development opportunities. These assessments may also be carried out with the support of a proprietary scoring model, called "*Eurizon ESG Score*", and by the analysts of the *Fundamental Research* team.

Given the above, even though an important part of the investments made on behalf of the financial products are capable to generate positive effects on the investee companies and their *stakeholders*, the activities held by Eurizon's products may involve negative effects on the environment or on people (so-called "main negative effects on the sustainability of investments").

Given the wide range of activities, geographical areas and sectors in which the companies belonging to the Asset Management Division invest on behalf of their respective managed products, the potential negative effects deriving by investments are not homogeneous. Eurizon, however, believes that an adequate monitoring of the exposure to social and environmental issues is necessary to mitigate the potential negative effects of its investments. In this respect, Eurizon ascribes importance to (i) the engagement of issuers operating in sectors deemed not to be "socially responsible", (ii) the exposure to environmental and social issues and (iii) critical corporate governance issues

The exposure of the investee companies to one or more of these issues can consequently expose the financial products to sustainability risks<sup>5</sup> and generate - in addition to reputational and ethical risks - direct or indirect effects on the financial performance of the investments.

In detail, the Company is actively committed to mitigate the negative impacts of investments through the implementation of specific strategies that envisage (i) the negative screening of SRI and ESG factors, (ii) the positive integration of ESG factors in the analysis, selection and composition of financial portfolios and (iii) the engagement with investee companies. Furthermore, to protect its investors and stakeholders, Eurizon provides specific mechanisms (i) for providing transparency in relation with the approach adopted towards the sustainability of investments as well as (ii) for risk management, in order to monitor a conscious assumption of investment choices by managed assets.

In the best interest of its own financial products, Eurizon commits (i) to continue to develop its own Sustainability Policies and (ii) to activate specific engagement actions with regard to the issuers that show significant deviations from specific environmental, social and governance indicators or that show significant negative effects on several indicators, with the aim of directing them towards improving their sustainability practices, evaluating, only as a last resort, the disposal of their investments.

This statement, approved by the Board of Directors of Eurizon Capital SGR on June 28, 2022, refers to year 2021 and will be reviewed on an annual basis. In accordance with the provisions of the implementing rules of the SFDR Regulation, the statement is also made available (i) in English, (ii) in the official languages of the Member States of the Subsidiaries and (iii) in additional languages of the Member States where the relevant financial products are marketed

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<sup>5</sup> Means an environmental, social or governance event or condition that, if it occurs, could cause a significant actual or potential negative impact on the value of the investment.

## 2. DESCRIPTION OF PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

This section describes the "main adverse impacts" of Eurizon's choices on sustainability factors, i.e. the adverse effects of investment decisions or advice on environmental, social and corporate governance issues.

Eurizon believes that most of the economic activities can influence various sustainability indicators, both positively and negatively. These effects can be significant both prior the investment and during the maintenance of instruments in the portfolio and require periodic reassessment by financial market participants and advisors.

Although the negative effects of investment decisions on sustainability factors should be considered according to the different range of assets, geographic areas and sectors to which managed products are exposed, Eurizon believes that adequate monitoring of exposure to social and environmental issues is a priority in order to mitigate the potential negative effects of its investments.

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

- involvement in sectors deemed not "socially responsible": in this regard, Eurizon promotes respect for human rights, providing specific restrictions aiming at avoiding investments in issuers characterized by 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:
  - the adoption of exclusion criteria, aiming at avoiding exposure to issuers characterized (i) by an evident direct<sup>6</sup> involvement in mining or electricity production activities related to thermal coal and in oil & gas extraction activities through the exploitation of oil sands and (ii) by particularly high environmental risks;
  - the promotion of products that integrate methods of measuring emissions generated by investee companies (so-called "Carbon Footprint") or processes to select investments based on sustainable investment criteria pursuant to the SFDR (so-called "*Sustainable Integration*");
  - methodologies to select investments aiming at contributing to sustainable development goals, through processes to select investments based on sustainable investment criteria pursuant to the SFDR ("*SDG Investing*") or generating a social and environmental impact together with a measurable financial return ("*Impact Investing*");
- exposure to high corporate governance risks; to this end, Eurizon promotes (i) the activation of *escalation* processes with respect 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 liquidation procedures.

For these reasons, the assessment of the main negative effects deriving from investments represents a significant aspect of Eurizon's Investment Process, which provides for both the integration of ESG factors and SRI principles and the implementation of an articulated risk control and *performance* measurement process, with the aim of maintaining a correct balance of the risk/return profile of the financial products offered to clients.

In order to mitigate sustainability risks, Eurizon has adopted specific controls - appropriately graduated according to the characteristics and objectives of the individual financial products - which provide for the use of mechanisms<sup>7</sup> :

- of negative *screening* of SRI and ESG factors, expressed in the form of restrictions and exclusions, with the aim of mitigating the risks of exposure to companies operating in sectors considered not "socially responsible" or characterized by critical environmental, social or corporate governance issues; these restrictions are applied to all products that integrate sustainability risks into investment decisions, in compliance with the requirements of article 6 of the SFDR;

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<sup>6</sup> To this end, the Sustainability Policy of the Companies defines specific turnover thresholds for issuers.

<sup>7</sup> Portfolio management mandates characterised by the presence of specific indications in the respective investment policies do not fall within the scope of application of these mechanisms, in view of the lower degree of discretion in the selection of financial instruments.

- positive integration of ESG factors in the analysis, selection and composition of financial portfolios; products that promote, among other things, environmental or social characteristics, or a combination of these, or that have sustainable investment objectives, pursuant to articles 8 and 9 of the SFDR Regulation, also fall into this category products with the objective of:
  - constructing, in compliance with good governance practices, portfolios characterized by (i) an "ESG score" higher than the reference investment universe, (ii) investment selection processes based on specific positive and negative criteria set out in the offering documents, such as in the case of Ethical and Thematic products, (iii) investment selection processes based on sustainable investment criteria by investing in issuers whose activities contribute to one or more sustainable development objectives such as the Sustainable Development Goals (SDGs) promoted by the United Nations, (iv) investment selection processes based on the screening of target UCIs, (v) investment selection processes that take into account the logic of construction of their benchmarks, identified on the basis of environmental, social and corporate governance criteria;
  - pursuing sustainable investment objectives by (i) contributing to sustainable investment objectives within the meaning of the SFDR or (ii) generating a social or environmental impact together with a measurable financial return;
- active shareholding, which envisages the promotion of proactive interaction with the companies in which the Group has a stake, achieved both through the exercise of intervention and voting rights and through discussions with the companies themselves, with the aim of (i) encouraging effective communication with the companies' management, (ii) generating long-term sustainable returns and (iii) reducing the risk of impairment of investments;
- transparency with respect to investors and other Stakeholders, which envisages the communication of the approach adopted towards the sustainability of investments both at a company level, through the adoption of specific sustainability policies and the related information made available on the website, and at an individual financial product level, through the offer documentation and the related marketing documents;
- risk management, in order to monitor a conscious assumption of investment choices by the managed assets, in line with the mandate received from the clients. For each of the screening strategies - negative and/or positive - Eurizon has, in fact, defined specific decision-making processes and operating limits aimed at containing risks, including reputational risks, of the managed portfolios, compliance with which is monitored by the *Risk Management* Function with the support of the *Compliance & AML Function*.

Stated the above, the main environmental, social and governance indicators considered by Eurizon for the assessment of the negative effects determined by the investments of its managed assets are shown below:

**INDICATORS APPLICABLE TO INVESTMENTS IN CORPORATE SECURITIES**

Climate And Environment Indicators	
Family of Indicators	Indicators Description
<b>GREENHOUSE GAS EMISSIONS</b>	<ul style="list-style-type: none"> <li>▪ GHG emissions, carbon footprint, GHG intensity of investee companies, exposure to fossil fuel companies, non-renewable energy consumption and production, energy consumption intensity for high climate impact sectors</li> </ul>
<b>BIODIVERSITY</b>	<ul style="list-style-type: none"> <li>▪ Activities that adversely affect biodiversity sensitive areas, i.e., investee companies located in, or near, biodiversity sensitive areas</li> </ul>
<b>WATER</b>	<ul style="list-style-type: none"> <li>▪ Water emissions generated by investee companies</li> </ul>
<b>WASTE</b>	<ul style="list-style-type: none"> <li>▪ Hazardous and radioactive waste generated by investee companies</li> </ul>
Indicators related to social and employee-related aspects, respect for human rights, and the fight against corruption and bribery	
<b>SOCIAL AND EMPLOYEE-RELATED ASPECTS</b>	<ul style="list-style-type: none"> <li>▪ Violations of UN Global Compact principles and OECD Guidelines for Multinational Enterprises, lack of processes and mechanisms to monitor compliance with the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises, incorrect gender</li> </ul>

Climate And Environment Indicators	
Family of Indicators	Indicators Description
	pay gap, gender diversity on the board of directors, exposure to controversial weapons (landmines, cluster munitions, chemical and biological weapons)

#### INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGN AND SUPRANATIONAL SECURITIES

Indicators related to environmental and social aspects	
ENVIRONMENTAL	<ul style="list-style-type: none"> <li>Exposure to fossil fuels through real estate assets</li> </ul>
SOCIAL	<ul style="list-style-type: none"> <li>Countries subject to social violations</li> </ul>

#### INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS

Adverse sustainability indicator	
FOSSIL FUELS	<ul style="list-style-type: none"> <li>Exposure to fossil fuels through real estate assets</li> </ul>
ENERGY EFFICIENCY	<ul style="list-style-type: none"> <li>Exposure to energy-inefficient real estate assets from an energy perspective</li> </ul>

#### ADDITIONAL INDICATORS RELATING TO NEGATIVE EFFECTS APPLICABLE TO INVESTMENTS IN CORPORATE SECURITIES

Climate and other environment-related indicators	
EMISSIONS	<ul style="list-style-type: none"> <li>Emissions of air pollutants</li> </ul>
Social and employees, respect for human rights, fight against corruption and bribery	
SOCIAL AND EMPLOYEE ISSUES	<ul style="list-style-type: none"> <li>Accident rate</li> </ul>

By means of this statement Eurizon undertakes to make transparent the results of the monitoring of the aforementioned indicators with respect to the assets managed, with the aim of allowing its clients and investors to make informed decisions in making their investment choices.

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

The identification of the main negative effects of investment choices on sustainability<sup>8</sup> factors and the definition of the related mitigation actions are an integral part of Eurizon's approach to sustainability. In order to pursue its fiduciary commitment to customers and investors and, more generally, to other stakeholders, Eurizon has adopted a specific framework, which provides for the involvement of the competent corporate bodies and structures, aiming at ensuring (i) the correct implementation of the Sustainability Policies and (ii) a careful monitoring of the risks to which financial products are exposed.

In this context, the *Long Term Sustainable Strategies* and *ESG & Strategic Activism* structures of the Investment Department of Eurizon Capital SGR oversee the activities of identification and prioritization of the main negative effects of investment choices on sustainability factors, making use of specific specialized info-providers.

The results of the analyses relating to the impact of sustainability risks on financial products and any proposals for mitigation actions are presented - with the support of the *Risk Management* Department- to

<sup>8</sup> The Regulatory Technical Standards or 'RTS' in relation with the SFDR Regulation, which are currently in the process of being consolidated, specify the content, methodologies and representation of the information required by Article 4 of the SFDR in relation transparency of adverse sustainability impacts at entity level (i) on climate and other environment-related negative impacts, and (ii) in the areas of employee and social issues, human rights compliance, anti-bribery and corruption.



the Financial, Credit and Operational Risks Committee, a collegial body responsible for monitoring the negative effects connected with investment decisions regarding managed assets.

Furthermore, the *Sustainable and Responsible Investments Committee*<sup>9</sup> :

- monitors, taking into account available data, the achievement of the main environmental, social and governance indicators relating to the managed assets adopted by Eurizon, defining the appropriate actions to mitigate the negative effects connected with sustainability risks;
- defines proposals for the Board of Directors regarding the priorities to be adopted for the following period;
- presents the annual statement regarding the main negative effects of investment decisions on sustainability factors.

In the best interests of its financial products, Eurizon<sup>10</sup> is committed to:

- to continue to develop its Sustainability Policies, with the aim of fostering effective integration of environmental, social and governance factors into the Investment Process, including through the adoption of new negative and/or positive screening strategies;
- to activate specific *engagement* actions with regard to investee issuers that show significant deviations from specific indicators or that show significant negative effects on more than one indicator, with the aim of directing them towards the improvement of their sustainability practices, evaluating, only as a last resort, the disposal of their investments.

Therefore, Eurizon prioritises its resources to address the main negative impacts of its investment decisions based on (i) the highest impact on society or the environment and (ii) where it believes that efforts, including engagement actions, can foster greater positive change.

That said, considering that coal is among the most carbon-intensive energy sources and, similarly, oil & gas extraction through the exploitation of oil sands has a significant impact on climate, biodiversity, the health of people and the planet, in line with the efforts promoted at a European and global<sup>11</sup> level, Eurizon considers the following impact indicators to be priorities:

- Carbon Footprint: i.e. the measurement of carbon dioxide (CO<sub>2</sub>) emissions generated by issuers, with the aim of achieving, for specific products classified under Article 8 of Regulation (EU) 2019/2088, a carbon footprint lower than the benchmark or the reference investment universe. During the period,

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<sup>9</sup> The Sustainable and Responsible Investments Committee (SRI Committee) is an advisory body supporting the Managing Director (i) in defining proposals to be submitted to the Board of Directors regarding sustainability policies, (ii) in monitoring the implementation of strategies involving the negative screening of SRI and ESG factors, the positive integration of ESG factors, in the analysis, selection and composition of financial portfolios and comparison with investee companies.

<sup>10</sup> As the leading company of the *Asset Management* Division, Eurizon Capital SGR makes its specific knowledge available to its subsidiaries:

- of the SRI Committee, in the definition of the respective Sustainability Policies;
- the Corporate Governance and Sustainability units of the ESG & Strategic Activism structure for the purposes of (i) disseminating and implementing the principles of investment sustainability, promoting the integration of environmental, social and governance factors in the Investment Process, (ii) monitoring market practices, in order to promote innovations in methodologies and business processes and (iii) activating the engagement process with critical issuers;
- the LTSS team, for the purposes of monitoring corporate issuers aimed at identifying those (i) considered not "socially responsible" and (ii) with a high exposure to ESG risks ("critical issuers"); the structure also takes care of the identification and prioritization of the main negative effects of investment choices on sustainability factors and represents the competence center for the dissemination of management strategies in the ESG and SRI sphere within the Division.

<sup>11</sup> Climate change is considered one of the main current and future challenges and the international agenda on this matter has been progressively intensifying, starting with the signing in 2015 of the Paris Agreement, whereby more than 190 countries committed to keep average global warming well below 2 degrees Celsius compared to pre-industrial levels, and to continue their efforts to limit the temperature increase to 1.5 degrees. These targets were subsequently reconfirmed at 'COP26' in Glasgow in October 2021 and, at the European level, were finally detailed through the so-called 'Green Deal' presented in 2019 by the European Commission, in which EU countries committed to reducing greenhouse gas emissions by at least 55% (compared to 1990 levels) and to achieving climate neutrality by 2050.



Eurizon has monitored the compliance of the financial instrument selection strategies and, in particular, the carbon footprint of portfolios;

- Exposure to fossil fuels: exclusions/restrictions to companies deriving at least (i) 25% of their turnover from mining or electricity production activities linked to thermal coal or (ii) 10% of their turnover from oil sands extraction. For issuers with an exposure below the identified thresholds, specific engagement processes are activated which may result in restrictions and/or exclusions with respect to the Investment Universe of the individual assets under management; these activities aim to ensure that no new thermal coal generation or oil sands mining projects are developed, as well as the gradual "phase out" of such activities. In this context, Eurizon has monitored the compliance with restrictions on issuers operating in sectors deemed not 'socially responsible'. The fuel sector has also been a priority target for engagement activities promoted on behalf of assets under management. In fact, Eurizon believes that the role of investors in the energy transition process implies carrying out specific in-depth analyses and establishing an active dialogue with companies and related industry sectors, so that an adequate assessment of their transition potential can be made, with the aim of (i) investing in those sectors and companies with sustainable plans and (ii) reducing exposure to issuers that we do not consider coherent with the transition or that do not provide an adequate level of cooperation.

In this context, on the 1<sup>st</sup> of November 2021 Eurizon Capital SGR joined the so-called "Net Zero Asset Managers Initiative" (hereinafter referred to as "NZAMI"), the international initiative promoted by management companies committed to support the objective of achieving net zero greenhouse gas emissions by 2050 (so-called "Net Zero"), in line with the ambition expressed by the Paris Agreement to limit the increase in temperature by 1.5°C by 2050. Specifically, through the NZAMI Eurizon aims to:

- contribute to the objective of pursuing an average reduction in carbon dioxide (CO<sub>2</sub>) emissions of 50% with respect to the year 2019 (this objective is recognized by the Intergovernmental Panel on Climate Change as a necessary condition to mitigate the rise in temperatures to 1.5°C by 2050);
- promote proactive engagement with less advanced issuers (so-called "laggards") and higher impact sectors ("high impact");
- provide transparency, within 12 months from the date the commitment was made, with the aim of (i) formalizing an annual report and (ii) reviewing interim targets at least every five years.

The participation in the NZAMI will also take the form of positive management of Eurizon's resources, for example by monitoring the carbon footprint of its activities (e.g. consumption and energy sources).

In line with its own path in the area of responsible investment, as of 2017 Eurizon has also accorded importance to tackling:

- Unconventional weapons: exclusions/restrictions against companies with clear direct involvement in the production of unconventional weapons (anti-personnel mines; cluster bombs; nuclear weapons<sup>12</sup>, depleted uranium; biological weapons; chemical weapons; undetectable fragment weapons; blinding lasers; incendiary weapons; white phosphorous). To this end, during the reference period Eurizon has monitored the compliance with the restrictions on these categories of issuers.

#### **4. ENGAGEMENT POLICY SUMMARY**

Eurizon Capital SGR S.p.A believes that good corporate governance standards contribute to greater trust in capital markets and that the role of institutional investors, asset managers and advisors contributes to the quality of dialogue with investee companies. The Company has a fiduciary duty to protect and enhance the value of its Clients and Investors managed assets, which implies addressing effectively any performance-related issues of the investee companies in which assets are invested on behalf of the managed portfolios. In this context, the Company attaches importance to the oversight of "external corporate governance", i.e. referred to investee companies .

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<sup>12</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.

To this end, during 2014 Eurizon Capital SGR adopted the "*Principles of Stewardship*"<sup>13</sup> defined by Assogestioni, in line with the Stewardship Code promoted by the European Fund and Asset Management Association (EFAMA), with the aim of providing a series of best practices aiming at encouraging responsible shareholding by associates, stimulating effective integration between companies' corporate governance and the investment process in the belief that issuers who implement high standards at social, environmental and corporate governance level are able to generate long-term sustainable performance for their shareholders.

In compliance with the industry regulations on collective asset management services, the Management Companies belonging to the *Asset Management* Division have also drawn up a "*Strategy for the exercise of intervention and voting rights relating to the financial instruments pertaining to the managed assets*" in order to guarantee independence and autonomy in the exercise of intervention and voting rights, in the presence of the discretionary assignment of voting rights relating to the equity investments "managed" by them.

Eurizon encourages discussion and participation in the shareholders' meetings of its investee companies, according by means of a "targeted" approach to corporate governance, privileging - in application of the principle of proportionality – the discussion and the participation in Shareholders' Meetings and comparison with companies considered "relevant" according to qualitative/quantitative criteria specified from time to time in internal regulations.

In this way, Eurizon aims to identify potential issues in advance and minimize, at the same time, potential losses in value caused by issues related to the corporate trend of companies in which it invests on behalf of the assets under management. Eurizon does not intend to implement a "micro-management" of the affairs of the listed issuers in which it has an interest, nor does it preclude any decision to dispose of an interest where this is the most effective way to protect the interests of clients and investors.

The "*Engagement Policy*" provides for the following methods of intervention with regard to issuers:

- discussions with the members of the corporate bodies (including minority members), or persons appointed by them, to specifically discuss the problems encountered through:
  - individual meetings, organised at the SGR's headquarters or by video-conference (conference-call);
  - participation in events, such as presentations, seminars or conferences.

Eurizon believes that intervention in respect of investee issuers is most effective when it is built on a medium to long-term relationship with corporate bodies and senior management who, in such situations, are more likely to consider institutional investors as credible and committed partners. In this sense, intervention is complementary to both investment analysis and the exercise of voting rights because it makes it possible to address specific governance issues of issuers by avoiding, in the first instance, the consideration of divestment of participation or voting against.

However, if investee issuers do not respond constructively, Eurizon considers whether to take further action, for example:

- by promoting joint collaboration with other institutional investors, in order to forward comments or specific requests to seek to investigate particular issues; or
- making public statements at shareholders' meetings.

In any case, should it feel that it has not achieved a satisfactory result through dialogue with the issuers, the SGR's approach may take the form of abstaining or voting against the resolutions of the General Meeting.

Eurizon monitors the effectiveness of the measures adopted for engagement with issuers and the exercise of intervention and voting rights, reviewing the Strategy and the Engagement Policy at least once a year. Eurizon makes these documents transparent on its website.

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<sup>13</sup> The Principles defined by Assogestioni are aligned with those contained in the EFAMA Code for External Governance approved by the European Fund and Asset Management Association (EFAMA).

## 5. INTERNATIONAL STANDARDS ADOPTED BY EURIZON

Eurizon promotes behaviours that favour aspects of investment sustainability and high requirements of governance of the issuers in which it invest. To this end, it adheres to the following internationally recognized standards and codes of responsible business conduct:

- the United Nations "*Principles for Responsible Investment*": Eurizon Capital SGR adheres - as of 2015 - to the "*Principles for Responsible Investment*", the Guiding Principles on Socially Responsible Investment promoted by the United Nations on the initiative of:
  - "*UNEP FI*": the partnership between the "*United Nations Environment Programme*" (UNEP) and the financial sector realized with the aim of analysing the impact of environmental and social considerations on the sustainability of financial performance;
  - "*UN Global Compact*": the initiative aimed at promoting a sustainable global economy, respectful of human and labour rights, environmental protection and the fight against corruption.

As a signatory of the Principles of Responsible Investment, Eurizon Capital SGR is required to make transparent every year information on its responsible investment activities through the preparation of the so-called "RI Transparency Report", available on the website [www.unpri.org](http://www.unpri.org).

- the "*Principles of Stewardship*": as an adherent - since 2014 - to the "*Principles of Stewardship*" for the exercise of administrative and voting rights in listed companies defined by Assogestioni, Eurizon Capital SGR pays particular attention to the policies implemented by issuers, stimulating the comparison with the companies in which it invests. The Principles defined by Assogestioni are aligned with those contained in the *Stewardship Code* promoted by the *European Fund and Asset Management Association* (EFAMA) in which Assogestioni participates and of which Eurizon Capital is also a member.

The Company monitors the effectiveness of the measures adopted to deal with issuers and the exercise of intervention and voting rights, reviewing the Strategy for the exercise of intervention and voting rights and the Engagement Policy at least once a year. As a member, Eurizon Capital SGR is required to make transparent information on the *engagement* activities carried out as well as specific reports, produced every six months, published on the SGR website;

- the "*European Code for the transparency of sustainable and responsible investments*": in 2008 the mutual funds belonging to the Ethical System adhered to the "*European Code for the transparency of sustainable and responsible investments*" promoted by EUROSIF - a pan-European organization that promotes sustainability in European markets - with the aim of increasing the clarity of sustainable investment practices within investment products.

As a result of this adhesion, Eurizon Capital SGR annually signs a special "Declaration of Commitment", made available on its own website, through which it makes the Investment Process of Ethical Funds transparent, also for the purpose of respecting the positive and negative criteria for the selection of financial instruments provided for by the Management Regulations of the same funds.

- *CDP* (formerly the "*Carbon Disclosure Project*"), the independent non-profit organization that provides companies, countries, regions and cities with a framework for measuring, tracking, managing and sharing information on their environmental impact on a global level, with the aim of promoting actions to mitigate climate change;
- the *Net Zero Asset Managers Initiative*, on 1 November 2021, the SGR joined the Net Zero Asset Managers Initiative (hereafter 'NZAMI'), the international initiative promoted by management companies committed to support the goal of achieving net zero greenhouse gas emissions by 2050 (hereafter 'Net Zero'), in line with the commitments made by the states that signed the Paris Agreement, aimed at containing the impacts of climate change and limiting the rise in temperatures to 1.5°C by 2050;
- the *Institutional Investors Group on Climate Change*, as of November 2021 the SGR has 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 SGR makes use of the methodological framework developed by IIGCC, called "*Net Zero Investment Framework 1.5°C*", as well as direct comparison with other member management companies;

- *the Forum for Sustainable Finance*, in November 2021 the SGR joined the "Forum for Sustainable Finance"<sup>14</sup> (hereinafter the "Forum"), a non-profit organization whose members include 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 disseminating the integration of environmental, social and corporate governance criteria in financial products and processes.
- *the International Corporate Governance Network (ICGN)*, since 2016 the SGR has been a member of ICGN, a leader on global corporate governance and investor stewardship standards.

As far as institutional activities are concerned, since 2002 Eurizon has been actively participating, on behalf of the Intesa Sanpaolo Parent Company, in the activities of UNEP FI. In this regard, Eurizon Capital SGR has held the role of (i) co-chairman of the *Asset Management Working Group* (2005) contributing to the formulation of the PRI principles, and (ii) treasurer and member of the UNEPFI Board of Directors (2010).

In 2012 Eurizon Capital SGR was Founding Member of the *Business Economy Environment* (BEE) group of GLOBE EU at the European Parliament.

In 2015, Eurizon Capital SGR assumed the role of *Co-Chair* of the *European Task Force of UNEPFI*. Eurizon Capital SGR is also a member of (i) *the Responsible Investment working group of the European Fund and Asset Management Association (EFAMA)* and (ii) the Banks Environment and Climate Change working group of the Italian Banking Association (ABI).

During 2017, the Company became a member of the *Task Force on Green Finance of the European Banking Federation (EBF)*.

Eurizon Capital SGR has, in addition, participated in the creation of numerous publications on the topics of financial and environmental sustainability and fiduciary relationship, which can be consulted on the UNEP FI website ([www.unepfi.org](http://www.unepfi.org)).

Since 2019, Eurizon is present in the *Advisory Panel on Intangibles* of EFRAG and in 2020 has been chosen by the *European Banking Federation* to represent it in the *Project Task Force* established by the EU Commission for the definition of sustainable reporting standards.

Representing the *European Banking Federation*, Eurizon is currently a member of the *board of Ecolabel*, the European Commission's presidium for the attribution of eco-labels.

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

The vision and mission of Eurizon Capital SGR underline the importance for the Companies belonging to the *Asset Management* Division of the Intesa Sanpaolo Group to collaborate with the companies invested in to promote rules and behaviours that privilege aspects of sustainability of investments and promote high standards of governance of the issuers in which they have a stake.

The *Asset Management* Division has been committed to the promotion of environmental, social and governance factors (ESG) and the principles of Sustainable and Responsible Investments (SRI) since 1996, the year in which Eurizon Capital SGR launched the first Ethical Funds on the Italian market.

Over the years, the SGR has developed and promoted behaviours that focus attention on sustainable investment issues, also as a result of the subscription (i) in 2014, of the Italian Principles of *Stewardship*, and (ii) in 2015, of the United Nations *Principles for Responsible Investment*, initiatives to which the SGR has contributed since their inception.

In 2017, Eurizon initiated the integration of ESG factors and SRI principles into its Investment Process. In particular, it has started the definition of specific methodologies for the selection and monitoring of financial instruments with the aim of integrating within the investment choices made as part of the collective asset management services, portfolio management and recommendations made with reference to the investment advisory service, a financial instrument selection process that takes into account ESG factors and sustainable and responsible investment principles.

The following diagram shows the key stages in the evolution of Eurizon's commitment:

<sup>14</sup> The Forum is a member of the EUROSIF network, of which the following 6 national forums are also members: FIR, FNG, Spainsif, SIF Ireland, Swiss Sustainable Finance, UK SIF.

