

March 10, 2021

## **Integration of sustainability risks in investment decision-making process**

Fideuram Asset Management (Ireland) dac considers the integration of Environmental, Social and Governance factors (ESG) in its own investment process as crucial, believing that these elements, besides facilitating sustainable economic and social development, can positively contribute to the financial requirements of clients, while reducing their risks. It is believed that issuers committed to the ESG criteria integration within their own strategy can generate sustainable returns over time and consequently create a sound prospect of value creation for all the stakeholders. Furthermore, the alignment with ESG criteria allows a more efficient management of risks, including those environmental, social and reputational which negatively impact the assessment of issuers. Identifying and managing these risks is part of the fiduciary duty to protect the value created over time.

Fideuram Asset Management (Ireland) dac directs its approach to the investment process by drawing inspiration from the UN Global Compact Principles (UNGC) and in line with the **Principles for Responsible Investment (PRI)**, promoted by the United Nations in 2006 with the aim of promoting the spread of sustainable and responsible investment among institutional investors. In addition to the constant commitment to the PRI, the Company fully supports the principles of the **EFAMA Stewardship Code**, support guidelines for asset management companies, aimed at ensuring - in particular with reference to the exercise of administrative and voting rights in listed companies - full transparency regarding the issuer's performance and strategy, governance, corporate social responsibility and risk management.

In addition to the traditional financial evaluation of investments, the Company combines the ESG metrics in order to take well informed investments decisions. The approach implemented by Fideuram Asset Management (Ireland) dac to pursue the set goals includes the adoption of sustainable strategies. These strategies can be integrated into different steps of the investment process and they are flexible to different financial instruments as well as management styles, such as the "Best in Class" strategy, which identifies "virtuous" issuers based on the ESG parameters. In particular, the ESG profiles of companies are considered by analyzing the rating of external providers.

In order to ensure the application of this policy, the following criteria are adopted:

- **Exclusion** from the investment perimeter of issuers operating in non-socially responsible sectors. These are currently issuers involved in the production, maintenance, commercialization and storage of weapons of mass destruction (WMD), that is nuclear, biological, chemical and radiological weapons (NBCR), including those overly harmful and indiscriminate identified by the United Nations Convention on Certain conventional Weapons (CCW);
- **Screening and monitoring activities** regarding issuers with a high exposure to ESG risks. These issuers are identified through the ESG rating of external providers and included in lists drawn up, validated and updated by the ESG / SRI Committee (hereinafter also "the Committee"), which also evaluates potentially critical situations by portfolio and issuer. The Committee is assigned the functions of formulating proposals to the Board of Directors, referring to the investment selection and monitoring process based on ESG and SRI principles, as well as supporting the Products Committee in identifying specific issues or trends, in order to develop new products;

The monitoring activity is followed by the initiation of subsequent actions that may lead, in compliance with the interests of the unitholders, to the identification of investment limits or total disinvestment, based on the corrective proposals validated by the Committee;

- **Engagement activities**, that are an integral part of the Company investment process. Among these, a great attention is given to the exercise of administrative and voting rights, in particular to the remuneration policy approved by the shareholder's meetings and to all the other initiatives related to the commitment policy with regards to the listed issuers. Fideuram Asset Management (Ireland) dac may participate in collective engagement initiatives whose main goals are the spread, adoption and strengthening of sustainability principles among the issuers, acting sometimes as promoter of the initiative.

Exclusion criteria are applied by Fideuram Asset Management (Ireland) dac to all the products directly managed by the Company with the exception of those managed with the explicit aim of passively replicating a benchmark (if and when any of this product category is included in the scope of sub funds managed by the Company) and any product with respect to which – due to the product features – the Company is unable to have the visibility of the underlying assets (i.e. funds of funds).

For all products actively managed the exclusion criteria are applied with the following approach:

- for products that have a benchmark, the maximum exposure allowed to issuers part of the exclusion lists is equal to that of the issuer's security weight in the benchmark;
- for products that do not have a benchmark, investments in the issuers part of the exclusion lists are not permitted.

With reference to the art. 4 of the Reg. EU 2019/2088, FIDEURAM ASSET MANAGEMENT (IRELAND) dac has started dedicated activities to define due diligence policies aimed at considering principal adverse impacts of investment decisions on sustainability factors in the course of 2021.

Fideuram Asset Management (Ireland) dac set up the ESG/SRI Committee, an advisory body that supports the Company Management in defining the proposals to be presented to the Board of Directors related to sustainable and responsible investment subjects aimed at ensuring the innovation of methodologies and processes adopted, the monitoring of the Company ESG approach in all products and services offered to Clients, and the spread and enhancement of ESG competences.

The Committee shall meet every 4 months. In case specific needs arise, and in all cases where it is deemed appropriate, additional meetings can be scheduled - on an extraordinary basis.

The Committee, in collaboration with Fideuram Asset Management SGR S.p.A. - ESG & Strategic Activism corporate function, also guarantees and integrates the investment sustainable principles (ESG – SRI) in the Company's core processes, in identifying the investment perimeter and in conducting stewardship and collective engagement activities towards issuers. Consistently for this purpose, the Committee provides for the review of the Sustainable and Responsible Investment Policy and proposes actions to the Management aimed at guaranteeing innovation of methodologies and processes adopted.

The respect of principles of sustainability is monitored by Risk Management and Compliance functions.

Fideuram Asset Management (Ireland) dac Risk Management is responsible for ensuring the compliance of all UCITS and individual portfolios management mandates with the investment limits as proposed by the ESG/SRI Committee and approved by the Board of Directors. In line with the operating model in place, the execution of the related daily ex-ante compliance controls is delegated



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to Fideuram Asset Management SGR S.p.A. - Operational Risk Management Desk when the investment management responsibility is retained by the Company, and to the delegated investment managers otherwise.

Compliance desk is responsible for ensuring the monitoring of the non-compliance risk, by guaranteeing, in particular, the compliance of Products and Corporate processes to the current regulations and providing the necessary support to the internal structures.