

June 30, 2021

## **Integration of sustainability risks in investment decision-making process and consideration of the principal adverse sustainability impacts under EU Regulation 2019/2088 (SFDR)**

Fideuram Asset Management (Ireland) dac, hereinafter also “FAMI”, 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.

FAMI directs its approach to the investment process by drawing inspiration from the UN Global Compact Principles (UNGCP) 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 ESG metrics in order to take well informed investments decisions. The approach implemented by FAMI to pursue the set goals includes the adoption of sustainable strategies in accordance with the PRI principles. 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 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:

- **SRI exclusion criteria:** issuers operating in non-socially responsible sectors, such as those involved in the production, maintenance, commercialization and storage of weapons of mass destruction (WMD), or in the field of thermal coal, to which restrictions or exclusions are applied with respect to the investment universe of the individual managed assets (i.e., “SRI binding screening”);
- **ESG screening and monitoring activities:** “critical” issuers, meaning those with a high exposure to ESG risks or those involved in particularly serious business disputes involving violation of international treaties or principles (such as the UN Global Compact and the ILO Core Conventions), to which restrictions or exclusions are applied with respect to the investment universe of the individual managed assets (i.e., “ESG binding screening”);

- **Engagement & Stewardship:** a proactive and systematic interaction with companies deemed relevant, through which the integration of sustainability factors in business management is encouraged together with a careful management aimed at reducing their negative environmental and social impacts. Engagement is conducted through continuous and constructive dialog, as well as the exercise of administrative and voting rights.
- **Integration of ESG factors:** for products and discretionary portfolio management services promoting, among other characteristics, environmental or social characteristics (under article 8 of SFDR Regulation), the integration of ESG factors is established into the analysis, selection and composition of managed portfolios, with approaches, which may vary depending on the type of asset class and product investment strategy, aimed at generating long-term sustainable financial performance; these embrace sustainability-themed investing that focus on long-term structural growth, positive or best in-class screening selecting through ESG score the most virtuous issuers in terms of sustainable performance, and the consideration of non-financial information in the financial assessment of each issuers;
- **Impact investing:** for products and discretionary portfolio management services having sustainable investment as their objectives (in accordance with Article 9 of the SFDR Regulation), an investment approach allowing to pursue specific sustainability objectives which can generate a positive and measurable social or environmental impact is envisaged.

The SRI and ESG binding screening exclusion criteria provide an operational limit for products adopting a benchmark, for which the maximum exposure allowed on the issuer is equal to that of the issuer's weight in the benchmark. For products that do not adopt a benchmark, investments in the issuer's securities are not allowed.

As part of its process of selecting and monitoring target funds of third-party asset managers, FAMI analyzes the level of integration of environmental, social and corporate governance factors into the policy and investment process of third-party asset managers.

For further details on the FAMI's ESG investment criteria, please refer to the Sustainable and Responsible Investment Policy (the "Policy") available on the website <http://www.fideuramireland.ie/> under the "Policy" section.

### **Roles and responsibilities in the sustainable investment process**

FAMI 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 is also responsible for assessing and monitoring the findings of the adverse impacts of investment decisions on sustainability factors and for defining any mitigation actions to be taken.

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 ESG & Strategic Activism function is also responsible for the management of products with specific ESG characteristics/investment strategies defined from time to time as per

specific Delegation agreements in place, the coordination of communication, education and reporting activities related to sustainability in accordance with the structures of the Division, as well as supports FAMI in the management of relations on sustainability matters with the main institutions, the Parent Company and the Division.

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

FAMI Risk Management is responsible for ensuring the compliance of internally managed funds and individual portfolios management mandates with the investment limits as proposed by the ESG/SRI Committee and approved by the Board of Directors. It is also responsible for ensuring compliance of external delegated Investment Managers ESG policies with FAMI ESG policy for sub funds delegated to third-parties. In line with the operating model in place, the execution of the related daily ex-ante compliance controls is delegated to Fideuram Asset Management SGR S.p.A. - Operational Risk Management when the investment management responsibility is retained by the Company, and to the delegated investment managers otherwise.

FAMI Compliance 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.

FAMI Investments area and the Multimanager team are required to ensure the implementation of sustainability principles for investments by promoting the integration of environmental, social and governance factors into the investment process and in the process of selecting third-party funds within the scope of SFDR.

#### **Policies relating to the adverse impacts of investment decisions on sustainability factors**

With reference to art. 4 of the Reg. EU 2019/2088, FAMI considers the principal adverse impacts of investment decisions on sustainability factors. With regards to the identification and management of these potential impacts, FAMI has identified the fight against climate change and the respect for human rights as priorities among sustainability issues.

Based on these priorities, FAMI identifies and monitors the principal adverse sustainability impacts through a series of environmental, social and governance indicators, based on the information collected through a specialized info-provider.

In order to monitor, mitigate and manage these impacts, FAMI applies the exclusion criteria described in this disclosure, as well as engagement initiatives and actions to reduce or dismiss investments with a high negative impact on sustainability factors.

For further details, please refer to the specific chapter of the Policy published on the website.