




Guidelines on Integrating Sustainability Factors into Investment Services, Collective Asset Management and Active Ownership


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Document ownership
Head of the General Counsel & Sustainability and Deputy General Manager Products, Wealth and Asset Management

GLOSSARY	
Active Ownership	A set of responsible investment strategies aimed at actively managing the assets held in portfolio (issuers, funds and their managers) in pursuit of a significant improvement in their sustainability performance with regard to specific topics material to the Banking Group and the sector. It takes the form of engagement (i.e., direct dialogue with issuers) and exercise of voting rights and participation in Shareholders' Meetings (so-called voting)
Banca Generali or Bank or Company or Parent Company	Banca Generali S.p.A.
Banking Group	The group made up of the companies associated with each other by virtue of the control exercised by Banca Generali
Collective Management Asset	The service defined under Article 1, paragraph 1(n), of Italian Legislative Decree No. 58/1998 that consists of managing UCITS and the related risks
Direct Assets	Investments in equities and bonds issued by the companies benefiting from the investment
Engagement	Discussion and dialogue activities (such as, by way of example, meetings, communications, e-mails, etc.) regarding material ESG topics, aimed at establishing a medium/long-term relationship with investee companies (issuers), delegated fund managers and institutions in order to improve the ESG practices of investee companies
Engagement List	The list of issuers to be engaged, as defined by the Committee
ESG Factors or Sustainability Factors	Environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters, as defined by the EU SFDR Regulation

ESG Score	Score assigned by an information provider with a view to overall assessing the sustainability of the financial instruments in portfolio, assigning them a score on a five-point scale, from 1 (low sustainability) to 5 (very high sustainability), on the basis of information provided by external advisors or data providers. The score is determined by an analysis of the environmental, social and governance performance of the underlying investments, comparing the ESG performances of an issuer with those of issuers in the same industry
Financial Advisory or Advisory	Investment consultancy defined by Article 1, paragraph 5(f), of Legislative Decree No. 58/1998 (TUF) and advice on insurance-based investment products (IBIP) as per Regulation (EU) No. 1286/2014
Financial Partners	Financial partners whose products are offered and distributed to clients, or to which management is to be delegated, or with which an advisory contract is underwritten, or whose products are subject to Portfolio Management investment
Generali Group	The Insurance Group, whose ultimate parent company is Assicurazioni Generali S.p.A.
Guidelines	Provisions approved by the Chief Executive Officer that define in greater detail some aspects regarding several strategic principles contained in the Sustainability Policy
Indirect assets	Investments held indirectly in the companies benefiting from the investment through subscription of fund units, including, by way of example, UCITS, ETFs
Insurance Group's Parent Company or Assicurazioni Generali (AG)	Assicurazioni Generali S.p.A., Italian insurance and reinsurance company, listed on the Milan Stock Exchange and ultimate parent company of Generali Group
Investment Services	They refer to the Portfolio Management and Investment Advice activities
PAIs	The PAIs (Principal Adverse Impacts) are material or potentially material principal adverse impacts of investment decisions on sustainability factors, as defined by Commission Delegated Regulation (EU) No. 2022/1288

Portfolio Management	The activity defined by Article 1, paragraph 5(d), of TUF, namely the management of investment portfolios which include one or more financial instruments and according to mandate conferred by customers
Proxy Advisor	Company in charge of overseeing the activities relating to the exercise of voting rights by coordinating: I) the monitoring of the corporate governance topics of the investee issuers; II) the preparatory activities for participation in General Shareholders' Meetings with regard to the exercise of voting rights
Public Lists	Publicly available lists of companies involved in the production, development, assembly, distribution, warehousing, transportation and sale of cluster munitions and anti-personnel mines ex Law 220/2021.
Rating Provider	Company specialised in the ESG analysis of the portfolios included in the scope of application of these Guidelines and in the definition of an ESG Rating, both for the portfolio and the underlying assets
Responsible Investment Strategies	<p>A. Exclusions or negative screening is an approach that systematically excludes specific investments or classes of investment from the investible universe such as companies, sectors, or countries that are involved in certain activities based on specific criteria. Common criteria include weapons, pornography, pollution;</p> <p>B. Best-in-class is an approach where investments in a portfolio are chosen according to the active selection of leading or best-performing investments within a universe that meet a defined ESG hurdle. A best-in-class ESG portfolio typically consists of companies that meet both certain ESG factors and financial analysis criteria. Relevant ESG criteria can be generally related to a company's expected impact on the environment and society or can be more focused on the economic effects of ESG factors;</p> <p>C. Engagement & Voting refers to active ownership through voting of shares and the direct engagement with companies on ESG matters. This is a long-term process, seeking to influence behaviour or increase disclosure.</p>
Service Provider	Company in charge of overseeing engagement activities by coordinating: I) the monitoring of the corporate governance topics of the investee issuers; II) the management of interaction with investee issuers regarding significant strategic aspects
SFDR Regulation	Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (hereinafter also SFDR)

Significant Votes	Significant votes are identified as votes related to matters deemed strategic time-by-time for the Banking Group, votes related to issuers subject to engagement, and votes related to issuers involved in controversies that highlight potential reputational risks
Subsidiaries	The companies controlled from time to time by Banca Generali and belonging to Banca Generali Group
Sustainability Policy	It defines the Banking Group's sustainability-related strategic principles, which are then set out in detailed regulations governing some of the main material topics, such as these Guidelines
Sustainability Risks	Risks related to environmental, social or governance (ESG) factors that, if they were to occur, could cause an actual or a potential material adverse impact on the value of the investment
UCITS	Acronym for Undertakings for the Collective Investment in Transferable Securities, i.e., investment funds regulated at European Union level
Voting Principles	The voting principles that Banca Generali and, where applicable, its Subsidiaries are required to comply with at the Shareholders' Meetings of the companies in which they invest, in accordance with the procedures set forth in these Guidelines and appended to them as Annex 1

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1. INTRODUCTION

1.1 SUBJECT-MATTER AND OBJECTIVES OF THE DOCUMENT

The Guidelines on Integrating Sustainability Factors into Investment Services, Collective Asset Management and Active Ownership (hereinafter “**Guidelines**”) aim to define the Banking Group’s commitment to engaging with its stakeholders to effectively manage the sustainability topics of the companies it invests in as part of Portfolio Management, Collective Asset Management and Investment Advice services.

These Guidelines are adopted to further consolidate the commitment of Banca Generali and its Subsidiaries towards sustainable and responsible investment and to strengthen their investment decision approach, in line with:

- Banca Generali’s *Vision*;
- the commitments undertaken by signing the *UN Principles for Responsible Investment* and the principles of the Global Compact;
- the fulfilment of the obligations and implementation of the leading practices introduced by the SFDR (*Sustainable Finance Disclosure Regulation*), particularly with regard to the pursuing of sustainable investment objectives and monitoring of the principal adverse impacts of investments;
- the Banking Group’s Sustainability Policy,

in the belief that the application of tangible and sound responsible investment and active ownership principles (e.g., anticipating and preventing Sustainability Risks, generating a real and tangible impact) not only can favour sustainable economic and social development, but can also positively contribute to the financial results of a customer portfolio, while also reducing risks.


The integration of ESG factors allows, on the one hand, to have a solid possibility of creating value for all stakeholders and, on the other hand, to identify and manage environmental, social and reputational risks that may negatively impact the assessment of issuers.

These Guidelines define, *inter alia*:

- the roles and responsibilities of the corporate functions involved;
- the responsible investment approach, describing the financial instrument selection and monitoring methods adopted to integrate the Sustainability Risk analysis in the investment process with regard to collective investment management and portfolio management services, as well as to the recommendations provided under investment advice services; said methods provide for the application of specific processes for selecting financial instruments, properly calibrated based on the characteristics and objectives of the individual managed products that take into account ESG factors;
- the methods that the Banking Group applies to identify, prioritise and manage principal adverse impacts (PAIs) of investment decisions on sustainability factors;

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- the Banking Group’s commitment to providing its Clients with transparent and comprehensive information on the characteristics and sustainable investment objectives, in addition to thoroughly and responsibly offering Advisory services to its Clients and gathering information on any specific responsible investment preferences;
- the Active Ownership framework and the Voting Policy, defining their application scope, the related procedures for exercising them, the methods of managing any situations in which conflicts of interest may arise, and the transparency commitments and methods for disclosing the results of the Active Ownership strategy.

These Guidelines set forth the policy for integrating Sustainability Risks in the investment process and for identifying and prioritising the principal adverse impacts on sustainability pursuant to Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector (so-called “Sustainable Finance Disclosure Regulation” or “SFDR”), as well as the related implementing procedures. The Bank and its Subsidiaries are committed to ensuring the implementation of these Guidelines, in accordance with the non-financial data and information available on the market from time to time.

These Guidelines are prepared in line with the ESG commitments undertaken by the Banking Group by participating in international initiatives such as the United Nations Global Compact (UN GC) and the UN Principles for Responsible Investment (UN PRI), and comply with the principles of the Generali Group.

1.2 SCOPE OF APPLICATION

These Guidelines apply to Banca Generali and are provided for adoption to its Subsidiaries carrying out Collective Asset Management, Portfolio Management and Investment Advice activities. In case some of the provisions contained in the Guidelines should be less restrictive than the local regulations, the company concerned will adopt the most restrictive local regulation in force. The Managing Directors or General Managers of the Subsidiaries are required to implement the Guidelines adopted by Banca Generali, thereby assuming responsibility for ensuring that they are familiar with them and ensuring their application within their respective scope. The Subsidiaries shall adopt organizational processes consistent with these Guidelines, each adapting it to the specifics of its business and according to a principle of proportionality. If conflicts with local laws or regulations occur, or if the principle of proportionality requires to derogate from the Guidelines, the Managing Director or General Manager of the Group company concerned shall provide explicit and reasonable prior evidence of the necessary derogations to Banca Generali, through General Counsel & Sustainability (Banking Group Sustainability).

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2. ROLES AND RESPONSABILITIES

In order to properly pursue the responsible investment principle and systematically apply the Active Ownership strategy, as defined in the Sustainability Policy, the roles and responsibilities of all the corporate personnel and structures entrusted with ensuring the implementation and monitoring of the activities defined in these Guidelines are given here below.

Chief Executive Officer (CEO)

- The CEO is authorised by the Board of Directors to define and approve the Guidelines on responsible investment and Active Ownership, as jointly proposed by the Head of the General Counsel & Sustainability and the Deputy General Manager Products, Wealth and Asset Management;
- The CEO steers and supervises the solutions for the integration of Sustainability Risks and Sustainability Factors in the Financial Services area;
- The CEO evaluates and approves any — limited — requests for exceptions for companies included in the Restricted List, after having informed the Sustainability and Innovation Committee thereof.

Deputy General Manager Products, Wealth and Asset Management and Deputy General Manager Distribution

- They are responsible, within their respective remittance, for supporting the Chief Executive Officer in ensuring the integration of Sustainability Risks and in guaranteeing that the adverse impacts on Sustainability Factors are taken into account when providing Portfolio Management and Investment Advice services.

In addition, the **Deputy General Manager Products, Wealth and Asset Management:**

- approves the Restricted List and the Watch List and any amendments thereto, as stated in the quarterly ex-ante monitoring report;
- monitors, for the matters under his/her purview, the exposure of investments in portfolios under management and administration with respect to the Restricted List.

Product and Service Committee


- It provides its opinion on the quarterly ex-ante monitoring report on the Restricted List and the Watch List prepared by the Banking Group Sustainability;

In addition, in its **inter-company Active Ownership session**, the Committee:

- meets with half-yearly frequency as an inter-company committee and is attended by the relevant managers of the respective Subsidiaries involved in the matters;

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- periodically examines the documentation produced by the Banking Group Sustainability regarding the proper implementation of the Active Ownership strategy, assesses the annual reports drafted by the Banking Group Sustainability prior to submitting them to the Sustainability and Innovation Committee, and provides any related assessments;
- assesses, in accordance with the provisions of paragraph 3.3.1, the list of material topics for the purposes of engagement, establishing their priority, and conducts a periodic revision of those topics with at least annual frequency;
- on the proposal of the Banking Group Sustainability, examines the Engagement List and the methods of engagement, providing its assessments;
- on the proposal of the Banking Group Sustainability, provides its opinion of institutional engagement initiatives involving managers;
- provides its opinions regarding parties involved in Active Ownership identified by the Banking Group Sustainability, such as the Service Provider, the Proxy Advisor, the Rating Provider and other advisors who may become necessary for the purposes of implementing these Guidelines.

General Counsel & Sustainability:


- Through the Banking Group Sustainability, it steers and supervises the activities aimed at implementing the Banking Group's Sustainability Framework;
- after consulting the Product and Service Committee in its Active Ownership session, it approves the Engagement List and any institutional engagement activities;
- after consulting the Product and Service Committee in its Active Ownership session, it defines the Voting Principles and the material topics for Active Ownership purposes, and proposes revisions thereof, where needed.

Banking Group Sustainability:

- It assesses and proposes revisions of the Guidelines at least every two years and whenever elements emerge that require so;
- it prepares the quarterly ex-ante monitoring report on the Restricted List and the Watch List, highlighting any additions/deletions and the related reasons;
- it submits the Engagement List and institutional engagement initiatives to the opinion of the Product and Service Committee in its Active Ownership session;
- it coordinates and supports monitoring and engagement activities towards issuers whose financial instruments are included in the Engagement List and towards managers;
- it supports the activities of the Product and Service Committee in its Active Ownership session by preparing the material necessary for its meetings;
- it prepares periodic reports on activities involved in exercising voting rights and

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engagement activities;

- it asks the Product and Service Committee in its Active Ownership session for its opinion on Service Providers, Proxy Advisors, Rating Providers and/or other advisors who may be required to implement these Guidelines.

Chief Compliance Office:

- It ensures the observance of and compliance with obligations relating to the provision of services. Its activities aim at preventing and managing the risk of non-compliance with applicable legislation according to a risk-based approach.
- Provides an indication of the activity carried out for the purpose of compliance with the ban on financing of enterprises producing anti-personnel mines, cluster munitions and submunitions pursuant to Law 220/2021 and related instructions from the Supervisory Authorities within the report periodically prepared in accordance with the supervisory provisions.

Chief Risk Office:

- It evaluates and contributes to managing, for all aspects under its purview, the Sustainability Risks, ensuring in particular compliance with the Bank's risk appetite.
- Provides an indication of the activity carried out for the purpose of compliance with the ban on financing of enterprises producing anti-personnel mines, cluster munitions and submunitions pursuant to Law 220/2021 and related instructions from the Supervisory Authorities within the report periodically prepared in accordance with the supervisory provisions.


Banca Generali's Asset Management and Subsidiaries' asset management departments:

- They are tasked with ensuring the implementation of the investment ESG principles by promoting the integration of ESG factors into the investment process and monitoring compliance with such factors;
- they provide analyses to support the Banking Group Sustainability in defining the Engagement List and institutional engagement activities;
- they implement and monitor compliance with the Active Ownership strategy.
- Exclude from investment processes the financial instruments of issuers falling within the scope of Law 220/2021.

Financial Advisory:

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- It is in charge of promoting the implementation of investment sustainability principles by integrating the ESG factors in the performance of activities supporting the Distribution Networks in advising on markets and financial instruments.

Other structures:


- All other Bank structures involved in ESG processes in various capacities support the processes and their implementation in accordance with the Internal Code of Conduct.

Subsidiaries:

The Subsidiaries' Managing Directors and General Managers:

- are required, where applicable, to adopt these Guidelines through specific resolution, thereby assuming responsibility for ensuring knowledge thereof and application to matters within their scope;
- are responsible for implementing these Guidelines and must request advance approval for any derogations therefrom from the Parent Company, Banca Generali.

In order to execute the responsible investment activities and the Active Ownership strategy, Banca Generali and its Subsidiaries may rely on the support of a Service Provider, a Rating Provider, a Proxy Advisor and/or other professionals, as necessary from time to time.

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3. INTEGRATION OF SUSTAINABILITY FACTORS IN INVESTMENTS AND ADVISORY

3.1 SCOPE OF APPLICATION AND SUSTAINABLE INVESTMENT PRINCIPLES

The principles and implementing actions contained in this paragraph apply to Collective Investment Management (UCITS), Portfolio Management and Investment Advice services, whereas they do not apply to trading and order collection services not preceded by financial advice (i.e., trading of orders in execution-only mode) and to cases in which customers provide specific instructions regarding Portfolio Management mandates pursuant to Article 6 of the SFDR.

It should also be noted that financial products and/or instruments whose intrinsic characteristics may require a complex ex-ante assessment (e.g., ABSs) are excluded from the scope of application. For these products, the use of other types of ESG assessment will be considered, where possible.

Banca Generali and its Subsidiaries undertake to abide by the following principles:

- a. integrating sustainability matters into the provision or execution of Financial Services;
- b. raising awareness of sustainability matters among clients and financial counterparties;
- c. promoting acceptance and implementation of the sustainability objectives within the provision of Financial Services;
- d. working together to enhance effectiveness in pursuing sustainability objectives;
- e. reporting on activities executed and the related progress made in pursuing sustainability objectives.

3.2 IMPLEMENTING ACTIONS

3.2.1 Integration of Sustainability Factors and Risks into investment decision-making and advisory processes


The Bank and its Subsidiaries believe that integrating Sustainability Risks into investment decision-making and investment advice processes is necessary for contributing to a more informed assumption of risk and a greater ability to respond to market needs.

The approach to the integration of Sustainability Risks is instrumental to identifying and managing, upon provision of Financial Services, those risks of an environmental, social and governance nature that, if they were to occur, could have a significant adverse impact on the value of the investment. In the provision of Financial Services, the Bank and its Subsidiaries will consider Sustainability Risks when making investment decisions, when managing existing investments and when making investment recommendations.

In addition, the Bank and its Subsidiaries believe that the integration of ESG factors, in addition to fostering sustainable economic and social development, can contribute positively to the financial performance of clients' portfolios while reducing their risks. An example of

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sustainability risk related to environmental issues that can affect investment value is extreme weather phenomena caused by climate change, such as hurricanes, floods or heat waves. The negative impact that an extreme event could have on a company could result in a lowering of its market value, directly affecting the value of the investment for the company's funds or investors.

To this end, as a financial markets participant, the Bank and its Subsidiaries have integrated sustainability risks into their investment decision-making processes both in terms of financial instrument selection and portfolio construction, with the approach to investment decisions declined according to the specifics of the financial product/service.

In particular, the approach aimed at mitigating risks arising from environmental, social and governance issues is based on negative screening and a consequent exclusion of exposures to companies belonging to controversial sectors or with controversial behavior. In addition, for Art. 8 and/or 9 products and services, the ESG score adopted by the Bank and its Subsidiaries makes it possible to (i) enhance a multitude of financial and non-financial indicators, both quantitative and qualitative, to measure the likely impacts of sustainability risks, (ii) identify controversial activities and behaviors that can likewise produce impacts of the kind, and (iii) make the risks of different investments comparable.


Specifically, as part of the financial advisory service, the Bank and its Subsidiaries, where applicable, provide a due diligence when selecting new counterparties (so-called Financial Partners) with respect to Sustainability Risks and their compliance with applicable regulations, as defined by internal regulations in force from time to time. Relevant to this end is the disclosure that, pursuant to the SFDR, companies are required to publish on their websites or the ESG assessment of Financial Partners, including where provided by an external advisor. This analysis aims at investigating the control measures adopted by the counterparties, that can be included in the product catalogue, and it is subject to periodic monitoring and evaluation.

The Banking Group has also adopted a model for classifying the financial products included in the catalogue based on a sustainability performance assessment (so-called ESG Score). The ESG Score includes an assessment of ESG matters following an analysis of qualitative and quantitative information on each of the three dimensions (E, S and G). This score takes into account whether the products are aligned with the definitions of Article 2 (7), points a), b) or c), of Delegated Regulation (MiFID II), namely (a) the portion invested in environmentally sustainable investments, (b) sustainable investments and (c) PAIs to be considered.

It should be noted that the scoring model varies according to the type of product/asset class:

- as regard UCITS, the ESG assessment is based on three pillars, aimed at analysing i) the management company, ii) the strategy, and iii) the sustainability objectives and individual portfolio positions;
- as regard instruments issued by Companies, the assessment is performed on each of the E, S and G dimensions. The rating provider assigns a different weight to each dimension according to the materiality of each operating sector;
- as regard instruments issued by governmental issuers, in addition to the ESG dimensions, the assessment also covers the macro-economic dimension.

Given that, with reference to the provision of the advisory service, clients are allowed to adjust

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their sustainability preferences at a stage prior to the illustration of the Bank's offer and the formulation of the investment proposal, the Bank assesses the investment suitability based on the ESG score. Therefore, a product¹ will only be suitable for a client interested in investing in ESG products when the score is above the threshold identified by the Bank (currently 3.0).

Furthermore, in order to assess the consistency of the client's sustainability preferences with the products and/or services recommended, the Bank:

- collects, during profiling, i.e., through the completion of the MiFID questionnaire, information about the interest in detailed solutions on the client's sustainability preferences in accordance with the regulatory procedures (in particular, in accordance with the provisions of Article 2, paragraph 7, of Commission Delegated Regulation (EU) 2017/565 – MiFID II);
- has defined the rules to be followed in assessing the alignment between the sustainability preferences expressed by clients and the characteristics of the ESG instrument using, *inter alia*, the ESG score calculated by the provider.


With regard to the minimum portion of sustainable/environmental sustainable investments or the number of PAIs considered to be used to assess their consistency with the client's preferences, the Bank has provided for calibrating values depending on the level of interest expressed by the client in ESG investments. More specifically:

- for a client with an **intermediate level of interest**, a product is considered consistent with the customer's preferences when it allocates
 - at least 10% in sustainable investments, or
 - at least 0.1% in environmental sustainable investments (aligned to the EU taxonomy), or
 - considers at least 3 PAIs;
- for a client with a **high level of interest**, a product is considered consistent with the customer's preferences when it allocates
 - at least 20% in sustainable investments, or
 - at least 5% in environmental sustainable investments (aligned to the EU taxonomy), or
 - considers at least 7 PAIs.

The Bank then checks the alignment between the preferences resulting from Client profiling, taking into account their level of interest, and the financial products/services recommended, assessing as consistent an investment greater than or equal to the minimum percentage assigned to the Client's profile according to the values set out above.

The rules and criteria described have been defined taking into account the current market context and the consolidation process of the regulatory framework. Where necessary, the Bank

¹ Products, such as shares and bonds, that do not fall within the scope of the MiFID and the SFDR will never be suitable for a client who is fairly or very interested in investing in ESG products.

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will update the rules and criteria described above, updating this document accordingly.

3.2.2 Consideration of the adverse impacts on Sustainability Factors in investment decision-making and advisory processes

The SFDR has introduced the **Principal Adverse Impacts** (hereinafter “PAIs”) of investment decisions on Sustainability Factors. Within the provision of its Portfolio Management service, the Bank takes into account PAIs using the ESG score. In fact, a high correlation has been observed between instruments considering PAIs and instruments with an ESG score equal or above 3².

In addition, the Bank takes into account PAIs by performing a negative screening, as detailed in paragraph 3.2.3. It should be noted that the Bank has selected the additional PAIs deemed most aligned with the ESG factors relevant to its sustainability strategy.


Also as part of the financial advisory service, the Bank guarantees that products are properly mapped to identify PAIs on sustainability factors, using the ESG Score provided by an infoprovider.

3.2.3 Policies on exclusion and negative screening

With regard to Financial Services, the Bank and its Subsidiaries perform, also by availing of the support of infoproviders, a negative screening activity to exclude (Restricted List) from their investible universe:

- a. companies that violate the Treaty on the Non-Proliferation of Nuclear Weapons;
- b. companies directly involved in the cluster munitions, anti-personnel mine and/or biological/chemical weapons markets, also under local regulations such as, for example, Law No. 220 of Dec. 9, 2021, for which the methods given in section 3.2.4 apply;
- c. companies involved in one or more of the following controversies pursuant to the United Nations Global Compact (UNGC): serious or systematic violations of human rights; serious or systematic violations of labour rights; serious environmental damages; serious episodes of corruption;
- d. companies involved in a violation of the OECD Guidelines, meaning companies benefiting from investments that are involved in violating OECD principles and guidelines for multinational enterprises;
- e. mining and utilities companies that derive a significant share of their turnover or electricity generation from coal. This exclusion is contingent on the percent turnover that a company derives from such activities;

² By way of example, for UCITS the ESG score assesses the individual portfolio positions, considering exposures to controversial activities and conduct (e.g., PAI 10 and PAI 14).

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- f. companies involved in activities deemed controversial, such as the production of conventional weapons, tobacco, gambling, adult entertainment and unconventional oil and gas extraction, such as tar sands. With the exception of adult entertainment, for which no tolerance threshold is envisaged, for the remaining "controversial" activities a tolerance threshold is set as a residual percentage of consolidated turnover exposure. With reference to the defense sector, investments are permitted only in issuers involved in the production and/or commercialization of conventional weapons, provided they are domiciled in countries that are members of the European Union and/or NATO.

It should be noted that, through the use of the ESG score, a *look-through* approach has been adopted for indirect investments (UCITS and ETFs). This approach allows to monitor investments in companies involved in controversial activities or with controversial conduct (so-called Restricted List) above a tolerance threshold determined by the Bank and that differs between UCITS invested in developed countries and UCITS invested in emerging countries.

The implementation of the new negative screening areas and related exclusions will be progressive and will take place within a maximum period of 6 months from the entry into force of these Guidelines.

In addition, the Bank monitors (*Watch List*) the companies involved in controversies that highlight practices subject to limited monitoring and with potential adverse impacts on Sustainability Factors, as they are:

1. directly involved in the nuclear weapons market;
2. indirectly involved in the cluster munitions, anti-personnel mine and/or biological/chemical weapons markets;
3. involved in one or more of the following controversies: human rights violations; labour condition violations; environmental damages; and corruption.

The companies on the Watch List are monitored with the support of the external advisor in order to follow the development of the aforementioned controversies over time. In addition, the investment portfolio is periodically monitored to assess exposure to those companies and, in the event of new investments, information on the overall valuation (both financial and non-financial) is appropriately documented. Companies on the Watch List that are being monitored are removed if there is no longer any evidence justifying their inclusion in such list or placed on the Restricted List if the relevant conditions are met.


On a quarterly basis, a report on the monitoring of exposures to companies included in the Restricted List for both portfolios under management and administration is submitted to the Product and Service Committee; whenever particularly relevant elements emerge, the function involved informs the Chief Executive Officer thereof.

Investment strategy

In line with the foregoing commitments, Banca Generali undertakes to promote a progressive transition to a low-carbon economy, integrating the social dimension into the climate strategy and informing on the risks and opportunities associated with the climate change.

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Accordingly, Banca Generali:

- a. promotes ESG investment strategies designed to manage and reduce the portfolio's carbon emissions;
- b. monitors the exposure of managed portfolios to CO₂ emissions.

3.2.4 Regulation of the Banca Generali Group's relations with companies involved in the production and trade of armament materials in compliance with Law 220/2021

Law No. 220/2021 introduced a prohibition for registered intermediaries to finance companies that, directly or through subsidiaries or affiliated, engage in the production or sale of anti-personnel mines, cluster munitions and submunitions, of any nature or composition, or parts thereof. The Banking Group has adopted appropriate procedural safeguards with respect to the guidelines of Law 220/2021, according to a *risk-based* approach and based on the principle of proportionality.

The Law's prohibition applies indiscriminately to all products offered or placed or advised by the Banca Generali Group:

- Bonds and equities
- ETP
- Collective asset management (UCITS)
- Portfolio management service
- Insurance policies

The Banking Group has identified an “exclusion list” produced and periodically updated by an info-provider, which is based on the presence of issuers in the publicly available lists (so-called “public lists”). The exclusion list is used for the purpose of blocking the records of financial instruments of issuers operating in the arms sector subject to Law 220/2021, object of direct investments, within the company's information systems.


For **indirect investments in UCITS**, the Banking Group conducts due diligence on the Asset Manager, collecting, where available, relevant reference documentation along with a compliance statement.

For **indirect investments in ETFs and/or index-linked UCITS**, only ETFs and/or index-linked UCITS investing in the defense and aerospace sectors are prohibited if, following enhanced due diligence, issuers belonging to anti-personnel mines and cluster munitions sub-cluster are found to be present, taking into account *the risk-based* approach and based on the principle of proportionality adopted. ETFs on general market indexes are considered compliant with the provisions of Law 220/2021, taking into account their diversification and representativeness with respect to the market to which they refer.

Direct and indirect investments are subject to periodic monitoring by the relevant structures.

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The relevant monitoring reports are submitted to the Product and Service Committee, which in the presence of particularly relevant evidence, will bring the matter to the attention of the CEO. Second-level checks are also planned, carried out by the relevant functions.

In line with the Instructions of the Bank of Italy, COVIP, IVASS and MEF for the exercise of enhanced controls over the operations of registered intermediaries, the Bank provides for adequate information flows to the Board of Directors aimed at ensuring the competent bodies have full knowledge and governability of the organizational measures adopted to verify compliance with the prohibition of financing, as well as timely knowledge of any violations of the ban. The information flows are prepared with the assistance of the Chief Compliance and Chief Risk Office functions, possibly integrating the information flows required by industry regulations and ensure effective monitoring of compliance with the ban by the Bank and its Subsidiaries.

3.2.5 Financial products that promote environmental or social characteristics (pursuant to Article 8 of Regulation No. 2088/2019) and financial products that have sustainable investments as their objective (pursuant to Article 9 of Regulation No. 2088/2019)


The approach to investment decisions described above is applied according to the distinctive characteristics of each financial product/service; if a financial product/service promotes, among other aspects, environmental or social characteristics (pursuant to Article 8 of Regulation No. 2088/2019) or has sustainable investments as its objective (pursuant to Article 9 of Regulation No. 2088/2019), an integrated approach will be adopted as follows:

- *Portfolio Management service (best-in-class):*

The selection of financial instruments is based on a best-in-class approach and considers economic and financial aspects integrated with ESG parameters, aligned with international frameworks and with the United Nations Sustainable Development Goals.

The investment strategy adopted for products art. 8 pursuant EU Reg. No. 2019/2088 calls for compliance with the following selection criteria:

- at least 75% of the value of the portfolio — excluding cash, to which the ESG investment strategy does not apply — is invested in underlying assets with an ESG score of at least 3; underlying assets with an ESG score under 2.5 are excluded. When cash is considered, this percentage accounts generally for at least 51% of the total value of the portfolio; should specific market conditions arise, this threshold may be subject to exceptions, in accordance with the binding limits set forth by the provisions of the investment policy of each Line;
- the portfolio's overall ESG score, calculated as the weighted average of all underlying assets excluding cash, is equal to or greater than 3;
- the ESG score also allows to identify companies involved in relevant ESG controversies,

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valued taking into account the reason for the violation, the causes that gave rise to it and the measures taken to face and tackle the problem. This analysis aims to exclude from the portfolio any direct investment in companies involved in controversial conduct or operating in sectors that are controversial from an environmental, social and sound governance perspective as per paragraph 3.2.3 above (Policies on exclusion and negative screening). The percentage of alignment with the EU Taxonomy and sustainable investment will be defined time to time as part of the new product launch process.

- Collective Asset Management (UCITS)

Subsidiaries shall adopt, where applicable, a responsible investment strategy in line with the provisions specified for the Portfolio Management strategies, as detailed in the regulation in force from time to time.

3.2.6 Advisory on Investments

- Support to the advisory activity provided by the Distribution Network

It should be noted that with reference to the support to the Advisory activity provided by the Distribution Network, Financial Advisory prepares model portfolios of UCITS with sustainability characteristics and diversified financial risk profiles, using only UCITS with ESG score of at least equal to 3.

- Advisory services for institutional clients


The approach for advisory service provided to institutional clients is declined depending on the specificity of the financial or insurance product/service in scope. In the absence of specific instructions from the institutional client, if a financial or insurance product/service promotes, among others, environmental or social characteristics (pursuant to Article 8 of Regulation No. 2088/2019), or if it has sustainable investments as its objective (pursuant to Article 9 of Regulation No. 2088/2019), the advisory service will be based on a best in class approach and the overall ESG score of the portfolio, calculated as a weighted average of all underlyings, excluding cash, should be at least 3.

3.3 ACTIVE OWNERSHIP STRATEGY

The Active Ownership strategy applies to customers' Direct Assets and Indirect Assets included among the assets managed within the framework of the provision of collective asset management and portfolio management services for the Banking Group's products pursuant

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to Articles 6-8-9 of the SFDR.

With regard to Direct Assets:

- a. for issuers of **equities** included in portfolio management and within UCITS managed by Subsidiaries of the Banking Group, the strategy calls for both engagement activity (see paragraph 3.3.2) and the exercise of voting rights (see paragraph 3.4);
- b. for issuers of **bonds**, only engagement activity is to be implemented.

With regard to Indirect Assets, **for investments in UCITS and ETFs** only institutional engagement (see paragraph 3.3.2.2) with the respective managers is to be implemented.

In the case of portfolio management services, voting rights are not to be exercised for issuers of equities, without prejudice to the clients' ability to authorise the Bank to represent themselves by proxy to be issued in writing, in accordance with the limits and methods by applicable legislation. In such cases, where the customer does not directly specify how to vote with regard to the individual items on shareholders' meeting agenda, Banca Generali and, where applicable, its Subsidiaries shall vote in accordance with these Guidelines.

With specific regard to the provision of the Portfolio Management Service to institutional customers, these Guidelines apply, in accordance with applicable legislation, except as provided for in the agreements (delegated management) signed with each client.

3.3.1 Definition and updating of material topics

The Active Ownership strategy is implemented based on an analysis of issuers' sustainability performance. This analysis offers a guideline for the engagement activities and the exercise of voting rights, while also mitigating risks related to ESG Factors.

The criteria underlying the definition of the Engagement List will be periodically evaluated and defined by the General Counsel & Sustainability and shared with the Chief Risk Office.


The analysis and evaluation of ESG factors leads to the identification by the Product and Service Committee of the so-called "material topics" for each issuer or manager, such as, for example, strategy, risks, social and environmental impact and corporate governance, in line with:

- Banca Generali's materiality matrix that, in identifying ESG material topics, takes into consideration, *inter alia*, the topics identified by Generali Group;
- the European and international regulatory frameworks, such as the consideration of the principal adverse impacts (PAIs) of investment decisions on sustainability factors in accordance with Regulation (EU) No. 1288/2022.

These material topics must be taken into account both in the case of engagement and of the exercise of voting rights by Banca Generali and its Subsidiaries. Engagement activities are described in detail in **Annex 2**, which forms integral part of these

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3.3.2 Engagement strategies and methods

The types of engagement are:

- “**standard engagement**”, aimed at raising the awareness of the issuer and/or manager on a specific topic or gathering further information through normal interactions (e.g., private letter, meeting or conference call request) during the investment process, the financial/non-financial analysis process or the voting process;
- “**impact engagement**”, aimed at influencing the conduct of the issuer and/or the manager through direct interactions with executives or Board members of the issuer or manager on specific material topics, such as, for instance, the strategy, risks, social and environmental impact and corporate governance.

Engagement activities may be carried out **individually** by Banca Generali and its Subsidiaries towards issuers/managers or **collectively** by collaborating with other institutional investors, trade associations of which the Bank is a member, such as for instance Assogestioni, Forum per la Finanza Sostenibile (Italian Sustainable Investment Forum), or with the UN PRI, to maximise the impact of the engagement activities.

The Bank may also enter into **direct or indirect dialogue with supervisory authorities** or other political institutions to contribute to specific regulatory developments, for example by participating in endorsement letters, responding to political consultations and providing technical contributions by taking part in working groups supported by specific supervisory authorities. Engagement activities will be coordinated (and, where applicable, carried out) by the Banking Group Sustainability, consistently with the decisions of the Head of the General Counsel & Sustainability.

3.3.2.1 Engagement with corporate issuers

Banca Generali and its Subsidiaries carry out engagement activities involving **corporate issuers of equities and bonds** that are Direct Assets according to the following methods:

i) *Definition of an Engagement List*


The Banking Group Sustainability forwards its proposal for an Engagement List to the Chief Risk Office and submits it to the Product and Service Committee in Active Ownership session for its opinion, as defined in Annex 2. It then submits the Engagement List to the Head of the General Counsel & Sustainability for approval.

ii) *Execution and Monitoring*

Engagement activities are coordinated and supported by the Banking Group Sustainability and are described in a half-yearly report to the Product and Service Committee in Active Ownership session. The report shall contain a detailed account of the actions in progress/concluded and

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any issues that could influence and/or extend interactions with issuers or managers and that require escalation measures. On the basis of the available information, the Committee will assess the status of each situation and indicate future actions.

3.3.2.2 Institutional Engagement

Banca Generali and its Subsidiaries also carry out institutional standard and impact engagement activities, as defined in paragraph 3.3.2 above, aimed at:

- a) managers of UCITS underlying Portfolio Management;
- b) managers of UCITS underlying collective asset management instruments under own management;
- c) managers of collective asset management instruments with management delegated to third parties.

With half-yearly frequency, institutional engagement activities are submitted for approval to the Product and Service Committee in Active Ownership session by the Banking Group Sustainability, which will coordinate and support the Asset Management and the Subsidiaries in the performance of such activities, in addition to preparing the half-yearly monitoring report.

3.4 EXERCISE OF VOTING RIGHTS

Banca Generali and its Subsidiaries exercise voting rights in shareholders' meetings with regard to the shares of issuers included in directly managed UCITS and, where delegated by the customer, also with regard to portfolio management.


In particular, in the exercise of voting rights, Banca Generali and, where applicable, its Subsidiaries:

- will exercise voting rights whenever reasonably possible, regardless of the size of the holdings, but with possible exclusion of shareholders' meetings in which the exercise of voting rights is administratively, operationally or economically burdensome;
- will adopt the Voting Principles, which are an integral part of these Guidelines (**Annex 1**);
- will undertake to analyse draft resolutions in order to cast an informed vote aligned with their strategy. In this regard, they do not rely solely on the voting recommendations of Proxy Advisors in making voting decisions, but they may also avail of their services and research;
- in case of *securities under lending agreements* with third parties, they will adopt a case-by-case approach to evaluate if shares should be recalled to vote, taking into account the existence of any significant impact justifying the opportunity to recall the shares, and the cost of the foregone lending income.

3.5 MONITORING

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The monitoring phase is essential to protecting and increasing the value of investments, while ensuring that the investee companies operate in a responsible, sustainable manner in line with shareholders' interests, pursued through the Active Ownership strategy.

To this end, the monitoring strategy calls both for supervision and reporting on the performance of engagement activities and the exercise of voting rights and for the possible definition of thresholds that give rise to the adoption of more incisive Active Ownership practices, where necessary ("escalation strategies").

The criteria underlying the definition of thresholds will be periodically assessed and defined by the General Counsel & Sustainability, in consultation with the Chief Risk Office.

3.5.1 Governance, methods and timing of the monitoring activity

Different monitoring methods are used on the basis of the referent responsible for carrying out the engagement activities and exercise of voting rights. The Banking Group Sustainability regularly reports the related outcome to the Product and Service Committee in Active Ownership session.

The monitoring activity is carried out through a constant, active supervision process, based, for example, on the sharing of periodic reports and the assessment of specific metrics predetermined by the *Banking Group Sustainability*, in order to verify whether the ESG performance has improved or worsened following the Active Ownership activities carried out. The monitoring activity may also refer to reporting material shared by any service providers and/or proxy advisors involved with regard to the activities performed.

The monitoring process aims not only to assess the impact of the engagement activities and voting decisions, but also to identify areas or topics that might not have been adequately handled or taken into consideration, while ensuring an increasingly effective approach consistent with the established objectives.

3.5.2 Escalation strategies

Monitoring plays a fundamental role in the process of identifying the most critical situations that *Active Ownership* activities are unable to remedy.

Where engagement activities do not yield the expected results, the Bank reserves the right to adopt escalation strategies, which may be followed by exclusion of the specific issuer or manager in question.


3.6 CONFLICTS OF INTEREST

Conflicts of interest may occur in Active Ownership activities, arising, for instance, from relations with companies of the Banking Group of which the Bank is the Parent Company.

With reference to the management of conflicts of interest, and as envisaged by the Policy on Conflicts of Interest Management or by the Policies on conflicts of interest adopted at local level by the Subsidiaries, the Bank and the Banking Group have included among the general

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measures for managing potential conflicts of interest the adoption of information barriers and of measures to prevent or limit undue influence.

In this context, the Banking Group carries out Active Ownership activities in an objective, independent manner, under its own sole responsibility, in the interest of the portfolios managed and of its customers. It has also provided for the adoption of specific management measures with regard to potential conflicts of interest arising from Active Ownership activities.

The possible cases of conflicts of interest are identified from time to time in the Policy on Conflicts of Interest Management or in the local Policies, which also lay down the related management measures. In this regard, the Bank and its Subsidiaries refrain from carrying out engagement activities and/or exercising voting rights in connection with financial instruments issued by companies in conflict of interest (e.g., due to Group relationships or significant business dealings).

By way of derogation from the above, where engagement activities are to be carried out and/or voting rights are to be exercised in relation to companies in conflict of interest, the decision must be justified and the activity always carried out in the best interest of the assets managed and of customers.

4. REGULATORY OBLIGATIONS IN SUSTAINABLE FINANCE

4.1 SFDR

The Sustainable Finance Disclosure Regulation (SFDR) requires financial market participants to provide pre-contractual and ongoing information to end investors and disclosure of sustainability information with respect to numerous environmental, social, and governance (ESG) metrics at both the financial market participant (entity-level) and financial product and/or service level.

4.1.1 SFDR - Disclosure at Financial Market Participant Level (PAI Statement)


The PAI Statement of the Bank and its Subsidiaries, where applicable, is published on their respective websites in accordance with the obligations set out in Article 4 of the SFDR Regulation. The approach adopted by the Subsidiaries is aligned with the provisions of these Guidelines.

The PAI Statement includes the following information:

- A description of the policies for identifying and prioritizing the principal adverse impacts on Sustainability Factors in investment decisions;
- A description of the main PAI and the actions taken and/or planned in relation to them;
- A brief summary of the engagement policies;
- References to the international standards to which the financial market participant adheres.

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It should be noted that the Bank has established a dedicated internal regulation detailing the process, roles and responsibilities, and controls carried out for the preparation of the PAI Statement.

4.1.2 SFDR – Product-Level Disclosure for Financial Products and/or Services

For products and/or services falling within the scope of the SFDR Regulation, financial market participants are required to provide detailed sustainability-related information in both pre-contractual disclosures and periodic reports.

To this end, as specified by the relevant regulatory framework, the financial product and/or service must be classified under Article 6, 8, or 9 of the SFDR Regulation, and the corresponding disclosures required by the Regulation must be prepared accordingly. In line with the product classification (whether under Article 6, 8, or 9), upon request from the competent department, the pre-contractual, web-based, and periodic documentation required by the Regulation is prepared with the support of Banking Group Sustainability.

On a monthly basis, a working group coordinated by the Client Platforms team verifies the accuracy and currency of the data published on the public website, including those related to sustainability matters, and, where necessary, updates them in coordination with the corporate departments responsible for those data and information.

4.2 TAXONOMY


The EU Taxonomy entered into force in July 2020. It is a classification system that translates the EU’s climate and environmental objectives into criteria for identifying specific economic activities as “green” for investment purposes.

It recognizes as green, or “environmentally sustainable,” those economic activities that make a substantial contribution to at least one of the EU’s climate and environmental objectives, do not significantly harm any of these objectives, and comply with minimum social safeguards.

The Bank is required to publish non-financial information pursuant to Directive 2013/34/EU and will disclose information regarding investments in the eligible portfolio according to the Taxonomy criteria, as well as investments in the Taxonomy-aligned portfolio, in accordance with the implementation phases defined by the Taxonomy Regulation and its delegated acts. Detailed regulations have defined the process, roles and responsibilities, and the controls carried out in the preparation of the disclosure.

5. DISCLOSURE TO STAKEHOLDERS


In line with the principles and obligations laid down in the SFDR, Banca Generali and its

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Subsidiaries, where applicable, undertake to publish on their websites³ a summary of the contents of these **Guidelines**.


The Bank undertakes to prepare the reports on Active Ownership strategies carried out during the year and to make them available to the public and stakeholders. In particular, in accordance with applicable legislation, the Bank's reports offer a general description of voting behaviour, an explanation of the most significant votes, any use of proxy advisory services and engagement advisory services.

³ See for example www.bancagenerali.com and www.bancagenerali.it

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6. ANNEXES

- 1) ANNEX 1 – VOTING PRINCIPLES
- 2) ANNEX 2 – ENGAGEMENT ACTIVITIES

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ANNEX 1 – VOTING PRINCIPLES

1.1 VOTING PRINCIPLES

In implementing the voting strategy described in the paragraph above, Banca Generali and its Subsidiaries (hereafter the “Group”), in accordance with Generali Group’s Active Ownership Guidelines and the guidelines of the Service Provider, take account of the principles illustrated in this Annex with regard to the following areas:

- Shareholder voting rights;
- corporate bodies;
- remuneration;
- transparency and quality of financial and non-financial information;
- environmental risks and factors;
- social risks and factors;
- market-wide and systemic risks;
- special measures for small-sized and unlisted companies;
- related party transactions;
- consistency with engagement activities;
- other factors.


1.2 KEY PRINCIPLES

Upholding shareholder rights

The Group's voting principles emphasize the importance of providing adequate and timely disclosure of resolutions to shareholders for informed voting. The "one share, one vote" principle is supported, and deviations require transparent disclosure of the related reasons. The Group's voting principles also address limitations on shareholder rights, such as the holding of virtual meetings, the anti-takeover mechanisms and the introduction of shareholder proposals. With regard to the latter, the Group recognizes that they are an effective instrument for asking the investee company to integrate policies, greater transparency, and more effective disclosure of material aspects thereof. When exercising its voting rights, the Group will evaluate, on a case-by-case basis, several relevant factors, including, for instance, the existence of a clear link between the proposal and the Company’s short- and long-term value increase/risk mitigation and the investee company’s responsiveness to the proposed items.

Promoting balanced corporate bodies

The Group’s voting principles are oriented towards the Company's sound and balanced governance and directors' accountability towards stakeholders. Although the optimal level of independence depends on several circumstances, the Group generally recommends that the majority or at least one-third of directors of companies listed on regulated markets be independent. The voting principles also address areas such as employee representatives,

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professional skills, diversity, election methods, and directors' terms of office. Board committees should have independent chairs. The Group also recommends that specialised committees be set up to manage material sustainability factors and risks. The duties and composition of the board committees must be fully disclosed.

Ensuring fair remuneration practices

The Group's voting principles emphasize the importance for investee companies of having a remuneration policy aligned with industry best practices. The policy should consider the Company's performance, the Directors' effective contribution, and long-term value creation. It should align management's interests with those of shareholders, with a view to the Company's long-term sustainable growth and should incorporate sustainability risks and non-financial performance criteria. Shareholders' approval is required for any changes to the remuneration policy. The remuneration structure should include fixed and variable components, with a balanced variable remuneration that promotes long-term performance.

Transparency and quality of information


Investee companies' financial and non-financial statements shall be transparent and based on true and complete information. They shall highlight the long-term strategy and outlook, as well as the main risks to which investee companies are exposed; the appointment of external auditors should consider their independence; investee companies shall disclose their dividend policies; the Group's voting principles shall also highlight the importance of disclosure and alignment with shareholders' expectations.

Addressing sustainability risks and factors

The Group expects companies to carefully assess sustainability risks and to disclose the results of this assessment, gradually integrating them into their business models and activities. In case of severe or systematic violations or lack of processes in these areas, the Group may refrain from supporting the reappointment of one or more Directors.

In particular, the sustainability risks related to environmental factors refer to topics such as climate change mitigation and adaptation (e.g., carbon footprint and vulnerability to climate-related physical and transition risks), sustainable use and protection of water and marine resources, transition to a circular economy, pollution control, and protection and restoration of biodiversity and ecosystems.

With specific regard to climate change mitigation and adaptation, the Group exercises its voting rights advocating for, and engaging on, corporate and industry actions in favour of a low-carbon transition.

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With reference to climate-related resolutions proposed by shareholders, the Group will in principle support resolutions requesting the disclosure of a company's GHG emissions levels, as well as the adoption of strategies (including lobbying and political donations) aimed at reducing future emissions, which allow to provide shareholders with the opportunity to periodically express approval or disapproval of the plan.

In addition, sustainability risks linked to social factors refer to human rights, labour, anti-corruption and anti-bribery, consumer interests, science and technology, unfair competition and taxation.

The Group also believes that equality must be ensured in all areas, including employment, work and remuneration. Accordingly, companies are required to implement a diversity and inclusion policy consistent with the Group's business strategy, and to define targets and plans aimed at creating a greater gender balance at all company levels (boards of directors, management and employees). Targets should be appropriate and ambitious, publicly disclosed and subject to revision.

Special measures for market-wide and systemic risks

The Group recognises that investee companies and the entire financial system are exposed to potential market-wide and systemic risks that include changes in interest rates, geopolitical issues, climate change and pandemics. The Group promotes the adoption of a case-by-case approach so as to favour a long-term sustainable recovery and to allow companies to become resilient to changed conditions.

Special measures for small-sized and unlisted companies


The Group is aware of the differences between listed and unlisted companies. However, the Group believes in the promotion of the corporate governance and sustainability practices in unlisted companies. In this sense, a proportional approach will be applied to the principles embedded in this Policy in order to avoid unbearable costs for small-sized and unlisted companies. Transparency is crucial to allow shareholders to adequately assess the feasibility of the resolutions and alignment with the corporate strategic goals.

Related party transactions

The Group requires investee companies to set up a procedure for related party transactions ensuring an adequate level of transparency, supervised by an independent committee, where requested by the relevant legal framework. Related party transactions shall be carried out in a fair and balanced way, disclosing to the market all relevant information useful to enable an informed vote by shareholders.

Consistency with engagement activities


When no progress is identified despite engagement activities, or companies are insufficiently

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responsive to material topics, the Group may vote against proposals connected with the said topics and/or indirectly express its dissent (e.g., by voting against the discharge of the directors, opposing the reappointment of the directors concerned, voting against remuneration that is not linked to the sustainability targets pursued by the Group). The rationale of the dissent vote must be minuted. In voting on a shareholder proposal, the Group does not consider successful engagement initiatives as a reason to vote differently than provided for by the Policy.

Other factors

For the resolutions submitted to investors' vote and not directly falling within the scope of the Policy, the Group votes taking into account the existing circumstances, the rationale provided by the relevant company and/or investor(s) submitting the resolution, evaluating the possible risks and opportunities, the governance framework of the company, the availability of sufficient information, and the alignment with long-term investors' interests.

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ANNEX 2 – ENGAGEMENT ACTIVITIES

The General Counsel & Sustainability establishes the material topics and the underlying criteria for defining the *Engagement List* with a view to pursuing the strategic objectives, mitigating the ESG risk and continuously improving the quality of investment products/services managed on behalf of clients. It also submits the Engagement List and Institutional Engagement activities to the Product and Service Committee in Active Ownership session.

The criteria instrumental to defining the *Engagement List* are shared with the *Chief Risk Office* and revised annually.

1. MATERIAL TOPICS AND MONITORING INDICATORS

Topics deemed material for engagement purposes that may be subject to annual revision are reported here below, together with the related internal monitoring indicators that will identify the engagement criteria for Direct and Indirect Assets:


- I. **evolution of CO₂ emissions;**
- II. **quality of financial instruments based on the ESG score⁴;**
- III. **presence of “red flags”**, namely serious controversies underway related to the application of accounting standards, anti-competition practices, business ethics, corruption and bribery, data protection, environmental damages, health and safety, human rights, workers’ rights, money laundering and product responsibility;
- IV. **quality of Asset Managers.**

2. PREPARATION OF THE ENGAGEMENT LIST

The Banking Group Sustainability monitors with half-yearly frequency the Direct and Indirect Assets included in the scope of application of the Active Ownership strategy, draws up a list of financial instruments that can be subject to engagement based on the indicators set forth in paragraph 1 above and then selects those deemed most relevant in accordance with the following criteria:

- i. relevance of the monitoring indicator (e.g., significant change in the carbon footprint, strong deterioration of the ESG score);
- ii. weight on the individual portfolio and/or at the level of the overall analysis universe;
- iii. Portfolio Managers’ specific considerations.

⁴ “ESG score” refers to the score calculated by the information provider for the purpose of assessing compliance with the MiFID.

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The selection of instruments is illustrated in an Engagement List Report that highlights the indicators monitored, the criteria adopted and a proposal for “standard” or “impact” engagement actions, as described in paragraph 3.2.2 of the *Guidelines on Integrating Sustainability Factors into Investment Services, Collective Asset Management and Active Ownership*. It should be noted that ETFs will be excluded from engagement activities as they are passive instruments.

This Report is first submitted to the *Chief Risk Office* and Portfolio Managers, and is then forwarded to the Product and Service Committee in Active Ownership session for its opinion. The Report is subsequently approved by the Head of the General Counsel & Sustainability.

Monitoring and engagement activities may be performed with the support of an external service provider that represents Banca Generali Group in its interactions and/or participation in institutional initiatives.

3. REPORTING

The *Banking Group Sustainability* monitors the engagement activities executed and the related results and prepares a half-yearly report on the progress of the engagement activities completed, submitting it to the Product and Service Committee in Active Ownership session.

Every year, the *Banking Group Sustainability* draws up a report on engagement activities to be included in the Active Ownership Report, bearing responsibility for its publication on the website www.bancagenerali.com, Responsible Investment section.