Sustainability – related disclosure

Index

I. Sustainability-related disclosure pursuant art. 23 of Regulation 2022/1288

AZ Allocation – Global Goals

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors (which may include, but are not limited to, for example energy efficiency, green technology, water and air pollution, material recycling, health and safety, labour practices, board diversity and independence, executive compensation) into the investment decision making process: companies with high E, S and G ratings normally have lower adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as nonsustainable and/or may involve significant environmental and social risks. Among the exclusion criteria, there are some that apply directly on a subset of PAIs. For example, PAI 14 under the SFDR Level 2 is "exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)." One of the exclusionary criteria included in the ESG Policy is to exclude from a Fund's portfolio companies/issuers with any revenue from controversial weapons. As a result, PAI 14 is thus minimized by the application of the exclusion list.

The third way in which indicators for adverse impacts on sustainability factors are taken into account is through active ownership. The Manager has also retained ISS an independent third-party proxy voting service provider. ISS provides the Manager with research, voting recommendations and support in relation with voting activities. The Manager has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, the Manager is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment ("PRI"), votes at each resolution are cast in a way intended to incentivize investee companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights and the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Right is based on an investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment of proposed investments carried out by the Manager, controversies marked with a red flag (as identified by MSCI ESG Research) indicate a company's direct involvement in activities with the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders of the investee company.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders of the investee company, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange, or a red flag are not considered by the Manager as a sustainable investment on the basis that they are not aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

To undertake this analysis the Manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Fund promotes environmental and social characteristics by preferring to invest in companies with the best environmental and social practices over those with lower standards allows for positive environmental and social outcomes. Therefore, the environmental and social characteristics promoted by the Fund are wide-ranging. The following characteristics are promoted by the Fund:

Environmental characteristics: companies with the best ratings on the environmental pillar tend to adopt better standards and devote more attention to issues such as: climate change prevention (in terms of for example reduction of carbon emissions, carbon footprint; climate change vulnerability); natural resources (in terms of for example water stress which occurs when the demand for water exceeds the available amount during a certain period or when poor quality restricts its use, biodiversity and land use); pollution and waste prevention (with reference to toxic emissions and waste; packaging materials and waste; electronic waste); environmental opportunities (in clean technology and in renewable energy).

Social characteristics: companies with the best ratings on the social pillar tend to adopt better standards and devote more attention to issues such as: human capital (labour management; health and safety; human capital development; supply chain labour standards); product liability (product safety and quality; chemical safety; consumer financial protection; privacy and data security; responsible investment; health and demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition and health); stakeholder opposition (controversial sourcing; community relations).

The Fund also promotes environmental and social characteristics by committing to make sustainable investments for a minimum proportion of the portfolio.

Additionally, the Fund promotes environmental and social characteristics by preventing any investment in companies operating in sectors that are considered non-sustainable and/or may involve significant environmental and social risks.

A reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

(d) Investment strategy

In addition to traditional financial analysis as further described in the "Investment Strategy" section of the Supplement, the following activities with a focus on promoting environmental and social characteristics are an integral part of the investment process and the Fund's investment strategy:

ESG Integration

ESG scores on each individual investment (as identified by MSCI ESG Research) are taken into consideration by the Manager alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. As part of the portfolio construction process, the Manager aims to favour investing in positions with higher ESG scores/lower PAIs over other investments with lower ESG scores/higher PAIs.

Exclusion list

Investments in companies operating in sectors considered non-sustainable and/or which may involve significant environmental and social risks are not admitted to the portfolio. These companies are those whose share of turnover from the following activities exceeds the below specified thresholds and which the Manager will not invest:

- Nuclear weapons: maximum 1.5% of the annual turnover
- Adult entertainment: maximum 1.5% of the annual turnover
- Tobacco: maximum 5.0% of the annual turnover
- Gambling: maximum 5.0% of the annual turnover
- Thermal Coal: maximum 20% of the annual turnover
- Controversial weapons: no exposure

Active ownership

The Manager exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management of investee companies to adopt sustainable ESG practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, the Manager has retained ISS. ISS provides the Manager with research, voting recommendations and support in relation with voting activities. The Manager has subscribed to ISS's "Sustainability Policy" which is specifically designated for PRI signatories.

Minimum % of sustainable investments

The Manager is committed to maintaining at all times a percentage of sustainable investments (as identified by MSCI ESG Research) equal to 15%, as indicated in the section "Does this financial product have a sustainable investment objective?".

Consideration of PAIs

All mandatory PAIs are considered and monitored by the Manager to ascertain which sub-set of PAIs are relevant to the investment strategy of the Fund, which may change over time. The Manager constantly monitors PAI data through an ad-hoc tool where PAI values can be consulted both at position and aggregate Fund level. The Manager makes the assessment on the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices, which include sound management structures, employee relations, remuneration of staff and tax compliance, is a central pillar of the investment process adopted by the Manager and it is based on the assessment of investee companies (by MSCI ESG Research) against the rules of conduct aligned to international best practices and by the consideration of all stakeholder's interests, as well as the remuneration policy of the investee company.

The Manager uses its proprietary methodology to perform this analysis, which is based on governance scores from some leading ESG data providers, which can be adjusted based on the assessments made by the portfolio management team of the Manager. The scores on the governance pillar are then standardized through a Z-scoring, and the issuers with a Z-score equal to or less than -2 are excluded. In addition, investee companies marked with a red flag (as outlined above) which is based on an assessment of a company's direct involvement in the most serious adverse impacts, which have not yet been mitigated to the satisfaction of all implicated stakeholders, are excluded from the investment scope of the Fund.

(e) Proportion of investments

In accordance with the binding element of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics promoted by the Fund (#1Aligned with E/S characteristics) will be 75% of the Fund's portfolio.

In addition, the Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) of 15% of the Fund's portfolio (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the minimum proportion of investments in sustainable investment (#2 Other) are:

• cash and cash equivalent instruments which may be held as ancillary liquidity;

• derivatives which may be held for hedging, investment purposes and/or efficient portfolio management purposes;

• securities for which relevant data is not available, or they do not meet the requirements mentioned in the binding elements section.

In terms of minimum environmental and social safeguards, on the investments that fall into #1Aligned with E/S characteristics, the Manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated "BBB" or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is "BB" or better;
- Only funds with ESG rating of "BB" or better are admitted;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardized using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental" and "Social "on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)

- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company’s score by their industry. After any overrides are factored in, each company’s Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company’s industry peers.

Government Issuers

The methodology identifies a country’s exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the “environment” pillar, research is carried out to assess the extent to which a country’s long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the “social” pillar, research is carried out to assess the extent to which a country’s long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The “governance” pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The “governance” pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from ‘AAA’ (best) to ‘CCC’ (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers’ scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:
- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better
- Only funds with ESG rating of BB or better are admitted

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardized using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI’s SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,
2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights.
3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardized using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.
2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial

weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

The methodology is relevant for the direct investments in securities while for the indirect investments (through for example other funds) the data are provided directly by each third Asset Manager according to the transparency rules introduced by the SFDR.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.

Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation.

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, The Manager has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides The Manager with research, voting recommendations and support in relation with voting activities. The Manager has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS,

The Manager is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides the Manager with research, voting recommendations and support in relation with voting activities. The Manager has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, The Manager is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

The Fund uses a specific index designated as a reference benchmark to determine whether the Fund is aligned with environmental and social characteristics that it promotes.

The specific index designated as a reference benchmark is combination of:

- 70% MSCI ACWI SRI Issuer Capped Index in USD converted in EUR and
- 30% of Bloomberg Barclays MSCI Global Aggregate Sustainability Index in EUR

<u>MSCI ACWI SRI 5% Issuer Capped Index</u>

MSCI ACWI SRI 5% Issuer Capped Index is a capped version of the MSCI ACWI Index that limits company concentration by constraining the maximum weight of a company to 5% at each index review carried out by MSCI. The index is constructed in two stages. First, securities of companies involved in nuclear power, tobacco, alcohol, gambling, military weapons, civilian firearms, genetically modified organisms ("GMOs"), thermal coal, fossil fuel reserves ownership, fossil fuel extraction and adult entertainment are excluded. Then, MSCI's best-in-class selection process is applied to the remaining universe of securities in the parent index.

The Index is designed to have similar sectoral and regional representation as the MSCI ACWI Index. The methodology targets the securities of companies with the highest ESG ratings making up 25% of the market capitalization in each sector and region of the parent index. Companies must have an MSCI ESG rating above 'A' and the MSCI ESG Controversies score greater than 4 to be eligible for the MSCI SRI indices (which MSCI ACWI SRI 5% Issuer Capped Index forms part of). The selection universe for the MSCI SRI indices is defined by the constituents of the MSCI ESG Leaders indices.

The index applies a maximum 5% weight to the largest holdings at each quarterly Index Review. Securities within the group that is capped are weighted in proportion to their free float-adjusted market capitalization. The weight of the securities outside the capped group will be increased in proportion to their market cap weights. The Index is reconstituted annually at the May Semi-Annual Index Review and rebalanced at the February and August.

As the index excludes certain companies from the index and carries out ESG integration, which are the same two approaches utilised in respect of the Fund, the Manager has determined that the index is continuously aligned with each of the environmental or social characteristics promoted by the Fund.

Please refer to the response in the section “How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?” for further information in respect of alignment of the index with the characteristics promoted by the Fund.

Bloomberg Barclays MSCI Global Aggregate Sustainability Index

The index follows the same general criteria as the Bloomberg Barclays Global Aggregate Index but implements two strict ESG eligibility criteria.

First criteria: Only issuers with an ESG rating greater than or equal to BBB (calculated using Bloomberg’s Corporate or Government ESG model) are included from the index. The screening is applied to treasury, government-related, corporate, and covered bond issuers, however it is not applied to mortgage-backed security, asset-backed security and commercial mortgage-backed security issuers (unrated issuers from sectors with ratings are excluded).

Second criteria: Any issuer with a “Red” MSCI ESG Controversies Score is excluded from the Bloomberg Sustainability indices. The Controversy Score measures an issuer’s involvement in major ESG controversies and how well the issuer adheres to international norms and principles.

As the index applies minimum rating criteria and controversy scoring, similar to the rating criteria applied in respect of the Fund, the Manager has determined that the index is continuously aligned with each of the environmental or social characteristics promoted by the Fund. Please refer to the response in the section “How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?” for further information in respect of alignment of the index with the characteristics promoted by the Fund.

AZ Allocation – Space

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) "Proportion of investment".

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors (which may include, but are not limited to, for example energy efficiency, green technology, water and air pollution, material recycling, health and safety, labour practices, board diversity and independence, executive compensation) into the investment decision making process: companies with high E, S and G ratings normally have lower adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. Among the exclusion criteria, there are some that apply directly on a subset of PAIs. For example, PAI 14 under the SFDR Level 2 is "exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)." One of the exclusionary criteria included in the ESG Policy is to exclude from a Fund’s portfolio companies/issuers with any revenue from controversial weapons. As a result, PAI 14 is thus minimized by the application of the exclusion list.

The third way in which indicators for adverse impacts on sustainability factors are taken into account is through active ownership. The Manager has also retained ISS an independent third-party proxy voting service provider. ISS provides the Manager with research, voting recommendations and support in relation with voting activities. The Manager has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, the Manager is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (“PRI”), votes at each resolution are cast in a way intended to incentivize investee companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

To undertake this analysis the Manager uses data provided by external ESG research providers’ proprietary models Alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights and the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Right is based on an investee company’s exposure to controversies. An investee company’s involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment of proposed investments carried out by the Manager, controversies marked with a red flag (as identified by MSCI ESG Research) indicate a company’s direct involvement in activities with the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders of the investee company.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders of the investee company, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange, or a red flag are not considered by the Manager as a sustainable investment on the basis that they are not aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

To undertake this analysis the Manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Fund promotes environmental and social characteristics by preferring to invest in companies with the best environmental and social practices over those with lower standards allows for positive environmental and social outcomes. Therefore, the environmental and social characteristics promoted by the Fund are wide-ranging. The following characteristics are promoted by the Fund:

Environmental characteristics: companies with the best ratings on the environmental pillar tend to adopt better standards and devote more attention to issues such as: climate change prevention (in terms of for example reduction of carbon emissions, carbon footprint; climate change vulnerability); natural resources (in terms of for example water stress which occurs when the demand for water exceeds the available amount during a certain period or when poor quality restricts its use, biodiversity and land use); pollution and waste prevention (with reference to toxic emissions and waste; packaging materials and waste; electronic waste); environmental opportunities (in clean technology and in renewable energy).

Social characteristics: companies with the best ratings on the social pillar tend to adopt better standards and devote more attention to issues such as: human capital (labour management; health and safety; human capital development; supply chain labour standards); product liability (product safety and quality; chemical safety; consumer financial protection; privacy and data security; responsible investment; health and demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition and health); stakeholder opposition (controversial sourcing; community relations).

The Fund also promotes environmental and social characteristics by committing to make sustainable investments for a minimum proportion of the portfolio.

Additionally, the Fund promotes environmental and social characteristics by preventing any investment in companies operating in sectors that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

(d) Investment strategy

In addition to traditional financial analysis as further described in the “Investment Strategy” section of the Supplement, the following activities with a focus on promoting environmental and social characteristics are an integral part of the investment process and the Fund’s investment strategy:

ESG Integration

ESG scores on each individual investment (as identified by MSCI ESG Research) are taken into consideration by the Manager alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. As part of the portfolio construction process, the Manager aims to favour investing in positions with higher ESG scores/lower PAIs over other investments with lower ESG scores/higher PAIs.

Exclusion list

Investments in companies operating in sectors considered non-sustainable and/or which may involve significant environmental and social risks are not admitted to the portfolio. These companies are those whose share of turnover from the following activities exceeds the below specified thresholds and which the Manager will not invest:

- Nuclear weapons: maximum 1.5% of the annual turnover

- Adult entertainment: maximum 1.5% of the annual turnover

- Tobacco: maximum 5.0% of the annual turnover

- Gambling: maximum 5.0% of the annual turnover

- Thermal Coal: maximum 20% of the annual turnover

- Controversial weapons: no exposure

Active ownership

The Manager exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management of investee companies to adopt sustainable ESG practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, the Manager has retained ISS. ISS provides the Manager with research, voting recommendations and support in relation with voting activities. The Manager has subscribed to ISS’s “Sustainability Policy” which is specifically designated for PRI signatories.

Minimum % of sustainable investments

The Manager is committed to maintaining at all times a percentage of sustainable investments (as identified by MSCI ESG Research) equal to 5%, as indicated in the section "Does this financial product have a sustainable investment objective?".

Consideration of PAIs

All mandatory PAIs are considered and monitored by the Manager to ascertain which sub-set of PAIs are relevant to the investment strategy of the Fund, which may change over time. The Manager constantly monitors PAI data through an ad-hoc tool where PAI values can be consulted both at position and aggregate Fund level. The Manager makes the assessment on the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices, which include sound management structures, employee relations, remuneration of staff and tax compliance, is a central pillar of the investment process adopted by the Manager and it is based on the assessment of investee companies (by MSCI ESG Research) against the rules of conduct aligned to international best practices and by the consideration of all stakeholder's interests, as well as the remuneration policy of the investee company.

The Manager uses its proprietary methodology to perform this analysis, which is based on governance scores from some leading ESG data providers, which can be adjusted based on the assessments made by the portfolio management team of the Manager. The scores on the governance pillar are then standardized through a Z-scoring, and the issuers with a Z-score equal to or less than -2 are excluded. In addition, investee companies marked with a red flag (as outlined above) which is based on an assessment of a company's direct involvement in the most serious adverse impacts, which have not yet been mitigated to the satisfaction of all implicated stakeholders, are excluded from the investment scope of the Fund.

(e) Proportion of investments

In accordance with the binding element of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics promoted by the Fund (#1Aligned with E/S characteristics) will be 75% of the Fund's portfolio.

In addition, the Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) of 5% of the Fund's portfolio (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the minimum proportion of investments in sustainable investment (#2 Other) are:

- cash and cash equivalent instruments which may be held as ancillary liquidity;
- derivatives which may be held for hedging, investment purposes and/or efficient portfolio management purposes;
- securities for which relevant data is not available, or they do not meet the requirements mentioned in the binding elements section.

In terms of minimum environmental and social safeguards, on the investments that fall into #1Aligned with E/S characteristics, the Manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- Only funds with ESG rating of “BB” or better are admitted;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardized using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The “governance” pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The “governance” pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from ‘AAA’ (best) to ‘CCC’ (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers’ scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better
- Only funds with ESG rating of BB or better are admitted

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardized using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI’s SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

4 a measured positive contribution generated by each investment to an environmental or social objective,
5 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights.
6 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

4 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardized using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.
5 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the

leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

6 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

The methodology is relevant for the direct investments in securities while for the indirect investments (through for example other funds) the data are provided directly by each third Asset Manager according to the transparency rules introduced by the SFDR.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation.

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, The Manager has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides The Manager with research, voting recommendations and support in relation with voting activities. The Manager has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, The Manager is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides the Manager with research, voting recommendations and support in relation with voting activities. The Manager has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, The Manager is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

____

AZ Allocation – Next Generation

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors (which may include, but are not limited to, for example energy efficiency, green technology, water and air pollution, material recycling, health and safety, labour practices, board diversity and independence, executive compensation) into the investment decision making process: companies with high E, S and G ratings normally have lower adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as nonsustainable and/or may involve significant environmental and social risks. Among the exclusion criteria, there are some that apply directly on a subset of PAIs. For example, PAI 14 under the SFDR Level 2 is "exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)." One of the exclusionary criteria included in the ESG Policy is to exclude from a Fund’s portfolio companies/issuers with any revenue from controversial weapons. As a result, PAI 14 is thus minimized by the application of the exclusion list.

The third way in which indicators for adverse impacts on sustainability factors are taken into account is through active ownership. The Manager has also retained ISS an independent third-party proxy voting service provider. ISS provides the Manager with research, voting recommendations and support in relation with voting activities. The Manager has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, the Manager is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (“PRI”), votes at each resolution are cast in a way intended to incentivize investee companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights and the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work and the International Bill of Human Right is based on an investee company’s exposure to controversies. An investee company’s involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment of proposed investments carried out by the Manager, controversies marked with a red flag (as identified by MSCI ESG Research) indicate a company’s direct involvement in activities with the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders of the investee company.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders of the investee company, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange, or a red flag are not considered by the Manager as a sustainable investment on the basis that they are not aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

To undertake this analysis the Manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Fund promotes environmental and social characteristics by preferring to invest in companies with the best environmental and social practices over those with lower standards allows for positive environmental and social outcomes. Therefore, the environmental and social characteristics promoted by the Fund are wide-ranging. The following characteristics are promoted by the Fund:

Environmental characteristics: companies with the best ratings on the environmental pillar tend to adopt better standards and devote more attention to issues such as: climate change prevention (in terms of for example reduction of carbon emissions, carbon footprint; climate change vulnerability); natural resources (in terms of for example water stress which occurs when the demand for water exceeds the available amount during a certain period or when poor quality restricts its use, biodiversity and land use); pollution and waste prevention (with reference to toxic emissions and waste; packaging materials and waste; electronic waste); environmental opportunities (in clean technology and in renewable energy).

Social characteristics: companies with the best ratings on the social pillar tend to adopt better standards and devote more attention to issues such as: human capital (labour management; health and safety; human capital development; supply chain labour standards); product liability (product safety and quality; chemical safety; consumer financial protection; privacy and data security; responsible investment; health and demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition and health); stakeholder opposition (controversial sourcing; community relations).

The Fund also promotes environmental and social characteristics by committing to make sustainable investments for a minimum proportion of the portfolio.

Additionally, the Fund promotes environmental and social characteristics by preventing any investment in companies operating in sectors that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

(d) Investment strategy

In addition to traditional financial analysis as further described in the "Investment Strategy" section of the Supplement, the following activities with a focus on promoting environmental and social characteristics are an integral part of the investment process and the Fund's investment strategy:

ESG Integration

ESG scores on each individual investment (as identified by MSCI ESG Research) are taken into consideration by the Manager alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. As part of the portfolio construction process, the Manager aims to favour investing in positions with higher ESG scores/lower PAIs over other investments with lower ESG scores/higher PAIs.

Exclusion list

Investments in companies operating in sectors considered non-sustainable and/or which may involve significant environmental and social risks are not admitted to the portfolio. These companies are those whose share of turnover from the following activities exceeds the below specified thresholds and which the Manager will not invest:

- Nuclear weapons: maximum 1.5% of the annual turnover

- Adult entertainment: maximum 1.5% of the annual turnover

- Tobacco: maximum 5.0% of the annual turnover

- Gambling: maximum 5.0% of the annual turnover

- Thermal Coal: maximum 20% of the annual turnover

- Controversial weapons: no exposure

Active ownership

The Manager exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management of investee companies to adopt sustainable ESG practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, the Manager has retained ISS. ISS provides the Manager with research, voting recommendations and support in relation with voting activities. The Manager has subscribed to ISS's "Sustainability Policy" which is specifically designated for PRI signatories.

Minimum % of sustainable investments

The Manager is committed to maintaining at all times a percentage of sustainable investments (as identified by MSCI ESG Research) equal to 5%, as indicated in the section "Does this financial product have a sustainable investment objective?".

Consideration of PAIs

All mandatory PAIs are considered and monitored by the Manager to ascertain which sub-set of PAIs are relevant to the investment strategy of the Fund, which may change over time. The Manager constantly monitors PAI data through an ad-hoc tool where PAI values can be consulted both at position and aggregate Fund level. The Manager makes the assessment on the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices, which include sound management structures, employee relations, remuneration of staff and tax compliance, is a central pillar of the investment process adopted by the Manager and it is based on the assessment of investee companies (by MSCI ESG Research) against the rules of conduct aligned to international best practices and by the consideration of all stakeholder's interests, as well as the remuneration policy of the investee company.

The Manager uses its proprietary methodology to perform this analysis, which is based on governance scores from some leading ESG data providers, which can be adjusted based on the assessments made by the portfolio management team of the Manager. The scores on the governance pillar are then standardized through a Z-scoring, and the issuers with a Z-score equal to or less than -2 are excluded. In addition, investee companies marked with a red flag (as outlined above) which is based on an assessment of a company's direct involvement in the most serious adverse impacts, which have not yet been mitigated to the satisfaction of all implicated stakeholders, are excluded from the investment scope of the Fund.

(e) Proportion of investments

In accordance with the binding element of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics promoted by the Fund (#1Aligned with E/S characteristics) will be 75% of the Fund's portfolio.

In addition, the Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) of 5% of the Fund's portfolio (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the minimum proportion of investments in sustainable investment (#2 Other) are:

• cash and cash equivalent instruments which may be held as ancillary liquidity;

• derivatives which may be held for hedging, investment purposes and/or efficient portfolio management purposes;

• securities for which relevant data is not available, or they do not meet the requirements mentioned in the binding elements section.

In terms of minimum environmental and social safeguards, on the investments that fall into #1Aligned with E/S characteristics, the Manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- Only funds with ESG rating of “BB” or better are admitted;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardized using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

<u>Determination of the ESG score of an investment portfolio</u>

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better
- Only funds with ESG rating of BB or better are admitted

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardized using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

7 a measured positive contribution generated by each investment to an environmental or social objective,

8 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights.

9 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable “provided that” companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

7 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardized using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

8 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company’s direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s)

may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

9 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

The methodology is relevant for the direct investments in securities while for the indirect investments (through for example other funds) the data are provided directly by each third Asset Manager according to the transparency rules introduced by the SFDR.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation.

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**

The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, The Manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides The Manager with research, voting recommendations and support in relation with voting activities. The Manager has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, The Manager is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides the Manager with research, voting recommendations and support in relation with voting activities. The Manager has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, The Manager is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

____