

Azimut Investments SFDR Disclosures

Transparency of sustainability risks policies

Azimut Investments Limited (“Azimut Investments”) integrates ESG (Environmental, Social and Governance) criteria in its investment process, on the basis of 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. Further details are available at <https://www.msci.com/esg-ratings>.

Through MSCI analysis and ratings, Azimut Investments is able to continuously monitor, at the individual position level and at the overall portfolio level, the exposure, and the level of ESG risk of a portfolio.

Sustainability Risks are defined as an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investments. Sustainability risks can either represent a risk of their own or have an impact on other risks and may contribute significantly to risks, such as market risks, operational risks, liquidity risks or counterparty risks. Sustainability risks may have an impact on long-term risk adjusted returns for investors. Assessment of sustainability risks is complex and may be based on environmental, social, or governance data, which is difficult to obtain and incomplete, estimated, out of date or otherwise materially inaccurate. Even when identified, there can be no guarantee that these data will be correctly assessed. Consequent impacts to the occurrence of sustainability risk can be many and varied according to a specific risk, region or asset class.

According to the above definition, Sustainability Risks are specific events that are mostly idiosyncratic and company-related (and/or country-related). AI performs the assessment on Sustainability Risks through the analysis of ESG scores. Typically, the higher the ESG scores, the higher the standards adopted by the investee company in its business activity (or by a country in its way of governing a nation), and the lower the risk that an adverse event could occur and lead to a decrease in the value of the investment. Integrating ESG criteria in the investment process therefore reduces the Sustainability Risks.

In addition to ESG Integration, Azimut Investments is committed to avoid investing in companies/issuers whose share of turnover from activities that are considered as non-sustainable and/or may involve significant environmental and social risks (including, but not limited to, controversial weapons, tobacco, or adult entertainment), exceed a specified threshold, as defined in the ESG Policy put in place by Azimut Investments. The list containing all prohibited issuers constitutes the “Exclusion List”, and the related exclusion criteria are provided in the ESG Policy.

As Sustainability Risks are defined as anything that may have a negative impact on the value of a single investment, or on the expected return of an Fund, it should also be assessed whether ESG integration, the application of an Exclusion List and the consideration of PAIs, by reducing the possible investment universe, may prevent investments in securities that might have superior expected returns from a purely financial standpoint (and thus have a negative impact on the portfolio’s expected return).

Notwithstanding the above, in Azimut Investments we consider that Sustainability Risks as low or negligible on the basis of the following key assumptions:

- prohibited investments (in scope of the “Exclusion list”) represent a very limited portion of all investable assets;
- the reduction of the investment universe because of ESG integration, consideration of PAIs and application of an Exclusion List has no net negative impacts on the expected returns;
- by preventing the risk of incurring large unforeseeable losses, ESG integration, consideration of PAIs and application of an Exclusion List should allow for higher returns in the long run.

Transparency of adverse sustainability impacts

Azimut Investments intends to consider the principal adverse impacts of investment decisions on “sustainability factors”, defined as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

Azimut Investments is committed to identifying and measuring principal adverse impacts on sustainability factors through the use of external market research providers which focuses in the area of sustainable investments.

Although information is not always readily available for all of the sustainability indicators at this stage, AI is already considering the principal adverse impacts of investment decisions on sustainability factors indirectly by integrating ESG (Environmental, Social and Governance) criteria into its investment process. The ESG integration process 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. Further details are available at <https://www.msci.com/esg-ratings>.

AI also undertakes to interact with the top management of its investee companies to better understand the risk of adverse impacts on sustainability factors, and to actively vote on the resolutions of AGMs/EGMs in order to promote good environmental, social and governance practices.

Transparency of remuneration policies in relation to the integration of sustainability risks

Azimut Investments will at all times ensure that its remuneration policy is consistent with the integration of Sustainability Risks and will notably ensure that when determining the variable remuneration of the identified staff, the board of directors of Azimut Investments takes into account compliance of the relevant staff member with all procedures and policies of the company, including those relating to the integration of Sustainability Risks. It shall further be noted that Azimut Investments’ remuneration policy seeks to: (i) align the staff’s incentives with asset owners’ long-term interests and the long-term success of the Azimut Investments; and (ii) promote a sound and effective risk management culture to protect the value of the investment portfolio. Integration of ESG/Sustainability Risk considerations, where these are relevant and material for investment performance, are already incentivized by these existing requirements as it should be seen and used as an instrument to enhance investment performance, which would equally benefit the funds (and their investors), Azimut Investments and its employees.