

STATEMENT

Principles adverse sustainability impact



etica SGR
Responsible Investments

HISTORY OF REVISIONS

| Version | Date | Description of revisions |
|---------|----------------|--------------------------------------------------------------------------------------------------------------------------|
| 01 | March 2021 | First issue |
| 02 | September 2022 | Second issue |
| 03 | 30 June 2023 | Third issue: statement referring to 2022 |
| 04 | 30 June 2024 | Fourth issue - statement referring to 2023 and correction of some typos of 2022 values with the correct measurement unit |

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SUMMARY

Etica Sgr S.p.A. (hereinafter also “AMC” or “Company”) LEI code 984500A0FC4Q4FN04749 considers the principal adverse impact of its investment decisions on sustainability factors. This statement (hereinafter only the “Statement”) is the consolidated statement on the principal adverse impact of investment decisions on the Company’s sustainability factors.

This statement on the principal adverse impacts on sustainability factors concerns the period of reference from 1 January 2023 to 31 December 2023.

Etica Sgr S.p.A., an Italian-registered asset management company, member of the Banca Popolare Etica Group, was created as a sustainable responsible operator. In accordance with its by-laws, *“it proposes representing the values of ethical finance on the financial markets, increasing the public’s awareness regarding socially responsible investments and corporate social responsibility”*.

Etica Sgr was established in 2000, driven by the belief that analysing issues from an environmental, social and governance (ESG) perspective could provide a more long-term view and potential added value in terms of economic performance. 20 years after its founding, it is still the only Italian asset management company to concentrate exclusively on an offering of sustainable and responsible financial investment products.

This document, drafted in accordance with the provisions of Regulation (EU) 2019/2088 (Sustainable Finance Disclosure Regulation or “SFDR”) and Commission Delegated Regulation (EU) 2022/1288¹, contains information relating to the consideration, by the AMC, of the principal adverse impacts of its investment decisions on sustainability factors, implemented in 2023 for all financial products established and/or managed by the Company, including in delegation. During the reporting period, the SGR took into consideration the principal adverse impact of its investment decisions on sustainability factors (hereinafter also referred to as “Principal Adverse Sustainability Impacts” or “PAIs”) referred to in Table 1 of Annex 1 of Delegated Regulation (EU) 2022/1288.

In addition, during the reporting period, the SGR considered a number of PAIs, referred to in Tables 2 and 3 of the same Annex 1, specific per Line or per Fund on the basis of the strategy and objectives of the Line and Fund, as shown below:

¹ Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of ‘do no significant harm’, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in pre-contractual documents, on websites and in periodic reports.

SUMMARY

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

| | | | |
|-------------------------------------|-------------|------------------------------------------------------------------------|----------------------------------------------------------------------|
| Emissions | Indicator 4 | Investments in companies without carbon emission reduction initiatives | Table 2 of Annex 1 of Commission Delegated Regulation (EU) 2022/1288 |
| Water, waste and material emissions | Indicator 7 | Investments in companies without water management policies | Table 2 of Annex 1 of Commission Delegated Regulation (EU) 2022/1288 |

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

| | | | |
|----------------------------------|--------------|---------------------------------------------------|----------------------------------------------------------------------|
| Social and employee matters | Indicator 4 | Lack of a supplier code of conduct | Table 3 of Annex 1 of Commission Delegated Regulation (EU) 2022/1288 |
| Human rights | Indicator 9 | Lack of a human rights policya | Table 3 of Annex 1 of Commission Delegated Regulation (EU) 2022/1288 |
| Anti-corruption and anti-bribery | Indicator 15 | Lack of anti-corruption and anti-bribery policies | Table 3 of Annex 1 of Commission Delegated Regulation (EU) 2022/1288 |

In compliance with the implementing rules of the SFDR, the Statement is also accessible in English within the dedicated section of the website: <https://www.eticasgr.com/en/responsible-investment/sustainability-finance-disclosure-regulation..>

SUMMARY

Etica Sgr S.p.A. (hereinafter also “AMC” or “Company”), LEI code 984500A0FC4Q4FN04749, considers the principal adverse impact of its investment decisions on sustainability factors. This statement is the consolidated statement on the principal adverse impact on the Company’s sustainability factors.

This statement on the principal adverse impact on sustainability factors relates to the reference period 1 January 2023 to 31 December 2023.

Etica Sgr S.p.A., an Italian-registered asset management company, member of the Banca Popolare Etica Group, was created as a sustainable, responsible operator. In accordance with its by-laws, “it aims to represent the values of ethical finance in the financial markets, increasing the public’s awareness regarding socially responsible investments and corporate social responsibility”.

Etica Sgr was established in 2000, driven by the belief that analysing issues from an environmental, social and governance (ESG) perspective could provide a more long-term view and potential added value in terms of economic performance. 20 years since its establishment,

it remains the only Italian asset management company focused solely on providing sustainable and responsible financial investment products.

This document, prepared in accordance with the provisions of Regulation (EU) 2019/2088 (Sustainable Finance Disclosure Regulation or “SFDR”) and Commission Delegated Regulation (EU) 2022/12881, contains information relating to the consideration, by the AMC, of the principal adverse impact of its investment decisions on sustainability factors, implemented in 2023 for all financial products created and/or managed by the Company, including those managed by delegation.

In the reference period, the Sgr considered the principle adverse impact of its investment decisions on sustainability factors (hereinafter also “Principal Adverse Sustainability Impacts” or “PAIs”) referred to in Table 1 of Annex 1 of the Delegated Regulation (EU) 2022/1288.

Furthermore, during the reference period, the Sgr considered specific PAIs, as listed in Tables 2 and 3 of the same Annex 1, specific to each Line or Fund based on their respective strategy and objectives, as outlined below:

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

| | | | |
|-------------------------------------|-------------|------------------------------------------------------------------------|----------------------------------------------------------------------|
| Emissions | Indicator 4 | Investments in companies without carbon emission reduction initiatives | Table 2 of Annex 1 of Commission Delegated Regulation (EU) 2022/1288 |
| Water, waste and material emissions | Indicator 7 | Investments in companies without water management policies | Table 2 of Annex 1 of Commission Delegated Regulation (EU) 2022/1288 |

INDICATORS FOR SOCIAL AND EMPLOYEE MATTERS, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY ISSUES

| | | | |
|----------------------------------|--------------|---------------------------------------------------|----------------------------------------------------------------------|
| Social and employee matters | Indicator 4 | Lack of a supplier code of conduct | Table 3 of Annex 1 of Commission Delegated Regulation (EU) 2022/1288 |
| Human rights | Indicator 9 | Lack of a policy on human rights | Table 3 of Annex 1 of Commission Delegated Regulation (EU) 2022/1288 |
| Anti-corruption and anti-bribery | Indicator 15 | Lack of anti-corruption and anti-bribery policies | Table 3 of Annex 1 of Commission Delegated Regulation (EU) 2022/1288 |

DESCRIPTION OF THE PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

TABLE 1

| INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES | | | | | | |
|------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|-----------------------------------|-------------------------------------|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS | | | | | | |
| Adverse sustainability indicator | Metric | Impact 2023 ² [year n] | Impact 2022 [year n-1] ³ | Explanation | Actions taken, and actions planned and targets set for the next reference period | |
| Greenhouse gas emissions | 1. GHG ⁴ emissions of investee companies expressed in tonnes of CO ₂ eq ⁵ | Scope 1 GHG emissions | 37,394.89 | 62,227.37 | <p>year 2023: coverage 99.88%; in scope of analysis 47.42%</p> <p>year 2022: coverage 93.30%; in scope of analysis 45.51%</p> <p>The 2023 figure varies from the 2022 figure due to updates in the Investment Universe, portfolio turnover, and the use of data from a different information provider.</p> | <p>During 2023, the SGR monitored the PAIs of the Funds' portfolios and the Company's portfolios as a whole on the basis of the updated Investment Universe and portfolio turnover.</p> <p>The Company takes into account the mandatory PAIs listed in Table 1 and commits to monitoring their progress, including through specific monthly reporting shared within the Investment Committee.</p> <p>Similarly, with regard to specific PAI indicators identified as relevant within the investment policy of each Line or Fund for financial products created and/or managed by delegation, Etica Sgr commits to monitoring their monthly impact within the Investment Committee, and if necessary, reviewing target definitions or implementing additional corrective actions, depending on the reliability and coverage of data provided by the information provider and/or issuer.</p> <p>In particular, in 2024, with the aim of mitigating and minimising the adverse impact on the sustainability factors from its investments in companies, the SGR commits to the following ENVIRONMENTAL PAI, as a priority, in Table 1:</p> <p>LISTED COMPANIES</p> <ul style="list-style-type: none"> Greenhouse gas emissions: exposure to fossil fuel companies (indicator 4). |
| | | Scope 2 GHG emissions | 12,308.05 | 35,095.05 | <p>year 2023: coverage 97.92%; in scope of analysis 47.42%</p> <p>year 2022: coverage 93.14%; in scope of analysis 45.51%</p> <p>The 2023 figure varies from the 2022 figure due to updates in the Investment Universe, portfolio turnover, and the use of data from a different information provider.</p> | |
| | | Scope 3 GHG emissions | 401,697.37 | 494,963.81 | <p>year 2023: coverage 99.89%; in scope of analysis 47.42%</p> <p>year 2022: coverage 80.68%; in scope of analysis 45.51%</p> <p>The 2023 figure varies from the 2022 figure due to updates in the Investment Universe, portfolio turnover, and the use of data from a different information provider. The data collected in 2023 is more reliable and comprehensive compared to that collected in 2022, despite the increased coverage by the provider used.</p> | |

² The values are expressed as an average of the impacts at 31 March, 30 June, 30 September and 31 December 2023.

³ This is the second time Etica Sgr has made this statement, comparing data from 2023 with historical figures from 2022, the previous period.

⁴ GHG: GreenHouse Gases such as carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), sulphur hexafluoride (SF₆), nitrogen trifluoride (NF₃), hydrofluorocarbons (HFCs) and perfluorocarbons (PFCs).

⁵ CO₂eq (CO₂ equivalent) is the measurement that expresses the impact on global warming of a certain quantity of greenhouse gas compared to the same quantity of carbon dioxide.

DESCRIPTION OF THE PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

| Adverse sustainability indicator | Metric | Impact 2023 ² [year n] | Impact 2022 [year n-1] ³ | Explanation | Actions taken, and actions planned and targets set for the next reference period |
|----------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| | Total GHG emissions of investee companies expressed in tonnes of CO ₂ eq | 451,400.31 (Total Scope 1, 2 and 3) | 96,949.87 (Total Scope 1 and 2) | <p>year 2023: coverage 99.89%; in scope of analysis 47.42%</p> <p>year 2022: coverage 94.55%; in scope of analysis 45.51%</p> <p>The 2023 figure varies from the 2022 figure due to updates in the Investment Universe, portfolio turnover, and the use of data from a different information provider. Additionally, in 2022, the total GHG emissions were only made up by Scope 1 and 2 emissions.</p> | |
| 2. Carbon footprint | Carbon footprint in tonnes of CO ₂ eq /M€ compared to total value of investments | 515.92 | 397.02 | <p>year 2023: coverage 99.89%; in scope of analysis 47.42%</p> <p>year 2022: coverage 80.07%; in scope of analysis 45.51%</p> <p>The 2023 figure varies from the 2022 figure due to updates in the Investment Universe, portfolio turnover, and the use of data from a different information provider. The data collected in 2023 is more reliable and comprehensive compared to that collected in 2022, despite the increased coverage by the provider used.</p> | |
| 3. GHG intensity of investee companies | GHG intensity adjusted for revenues of investee companies against the total value of investments expressed in tonnes of CO ₂ eq /M€ | 1,397.89 | 1,132.38 | <p>year 2023: coverage 99.89%; in scope of analysis 47.42%</p> <p>year 2022: coverage 80.16%; in scope of analysis 45.51%</p> <p>The 2023 figure varies from the 2022 figure due to updates in the Investment Universe, portfolio turnover, and the use of data from a different information provider. The data collected in 2023 is more reliable and comprehensive compared to that collected in 2022, despite the increased coverage by the provider used.</p> | |

DESCRIPTION OF THE PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

| Adverse sustainability indicator | Metric | Impact 2023 ² [year n] | Impact 2022 [year n-1 ³] | Explanation | Actions taken, and actions planned and targets set for the next reference period |
|----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| 4. Exposure to companies active in the fossil fuel sector | Share of investments in companies active in the fossil fuel sector expressed as a percentage | 7.6% | 0% (reinstated value using corrected unit of measurement) | year 2023: coverage 99.89%; in scope of analysis 47.42% year 2022: coverage 99.04%; in scope of analysis 45.51% Priority PAI in 2023 The 2023 figure varies from the 2022 figure due to updates in the Investment Universe, portfolio turnover, and the use of data from a different information provider. The 2023 data quality enabled a more precise calculation. According to the methodology applied, companies operating in the fossil fuel sector are classified as utilities when they derive a minimum percentage of their turnover from the sector, and they are not involved in mining activities under any circumstances. | |
| 5. Share of non-renewable energy consumption and production | Share of consumption and production of non-renewable energy of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage in relation to renewable energy sources | 59% (sum of the consumption and production share) | 68% (reinstated value using corrected unit of measurement) (sum of consumption and production) | year 2023: coverage 99.89%; in scope of analysis 47.42% year 2022: coverage 99.04%; in scope of analysis 45.51% The 2023 figure varies from the 2022 figure due to updates in the Investment Universe, portfolio turnover, and the use of data from a different information provider. For entity-level calculations, Q1 data was sourced from the managing agent, with Q2, Q3, and Q4 data sourced from ISS ESG. | |
| 6. Energy consumption intensity per high impact climate sector | Energy consumption in GWh per million € of turnover of investee companies, per high-impact climate sector expressed as a percentage | 35% | 41% (reinstated value using corrected unit of measurement) | year 2023: coverage 66.86%; in scope of analysis 47.42% year 2022: coverage 63.84%; in scope of analysis 45.51% The 2023 figure varies from the 2022 figure due to updates in the Investment Universe, portfolio turnover, and the use of data from a different information provider. | |

DESCRIPTION OF THE PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

| Adverse sustainability indicator | Metric | Impact 2023 ² [year n] | Impact 2022 [year n-1] ³ | Explanation | Actions taken, and actions planned and targets set for the next reference period | |
|----------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| Biodiversity | 7. Activities negatively affecting biodiversity-sensitive areas | Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas, expressed as a percentage | 0% | 51% (reinstated value using corrected unit of measurement) | <p>year 2023: coverage 99.89%; in scope of analysis 47.42%</p> <p>year 2022: coverage 98.50%; in scope of analysis 45.51%</p> <p>The 2023 figure varies from the 2022 figure due to updates in the Investment Universe, portfolio turnover, and the use of data from a different information provider. The data collected in 2023 is more reliable and comprehensive compared to that collected in 2022, despite the increased coverage by the new provider used.</p> | |
| Water | 8. Emissions to water | Tonnes of emissions to water generated by investee companies per million € invested, expressed as a weighted average | 0.01 | 0.20 | <p>year 2023: coverage 6.05%; in scope of analysis 47.42%</p> <p>year 2022: coverage 14.36%; in scope of analysis 45.51%</p> <p>The 2023 figure varies from the 2022 figure due to updates in the Investment Universe, portfolio turnover, and the use of data from a different information provider. The information gathered, which is still unreliable, and the low data coverage does not allow for an accurate assessment of result comparisons.</p> | |
| Waste | 9. Hazardous waste and radioactive waste ratio | Tonnes of hazardous waste and radioactive waste generated by investee companies per million € invested, expressed as a weighted average | 8.90 | 104.07 | <p>year 2023: coverage 65.19%; in scope of analysis 47.42%</p> <p>year 2022: coverage 60.76%; in scope of analysis 45.51%</p> <p>The 2023 figure varies from the 2022 figure as a result of the updated Investment Universe and portfolio turnover. For entity-level calculations, the data for 2022 and 2023 were provided by the delegated manager.</p> | |

DESCRIPTION OF THE PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

INDICATORS FOR SOCIAL AND EMPLOYEE MATTERS, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY ISSUES

| Adverse sustainability indicator | Metric | Impact 2023 ² [year n] | Impact 2022 [year n-1] ³ | Explanation | Actions taken, and actions planned and targets set for the next reference period | |
|------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Social and employee matters | 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises | Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 0% | 0% | <p>year 2023: coverage 99.89%; in scope of analysis 47.42%</p> <p>year 2022: coverage 98.88%; in scope of analysis 45.51%</p> <p>Priority PAI in 2023 The 2023 data is consistent with that of 2022, based on the exclusion criteria.</p> | <p>During 2023, the SGR monitored the PAIs of the Funds' portfolios and the Company's portfolios as a whole on the basis of the updated Investment Universe and portfolio turnover.</p> <p>The Company takes into account the mandatory PAIs listed in Table 1 and commits to monitoring their progress, including through specific monthly reporting shared within the Investment Committee.</p> |
| | 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises | Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises. | 13% | 15% (reinstated value using corrected unit of measurement) | <p>year 2023: coverage 99.80%; in scope of analysis 47.42%</p> <p>year 2022: coverage 98.50%; in scope of analysis 45.51%</p> <p>The 2023 data is consistent with that of 2022, based on the exclusion criteria.</p> | <p>Similarly, with regard to specific PAI indicators identified as relevant within the investment policy of each Line or Fund for financial products created and/or managed by delegation, Etica Sgr commits to monitoring their monthly impact within the Investment Committee, and if necessary, reviewing target definitions or implementing additional corrective actions, depending on the reliability and coverage of data provided by the information provider and/or issuer.</p> |

DESCRIPTION OF THE PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

INDICATORS FOR SOCIAL AND EMPLOYEE MATTERS, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY ISSUES

| Adverse sustainability indicator | Metric | Impact 2023 ² [year n] | Impact 2022 [year n-1] ³ | Explanation | Actions taken, and actions planned and targets set for the next reference period |
|--------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 12. Unadjusted gender pay gap | Average unadjusted gender pay gap of investee companies expressed as a percentage | 1.15% | 4% (reinstated value using corrected unit of measurement) | <p>year 2023: coverage 7.93%; in scope of analysis 47.42%</p> <p>year 2022: coverage 31.85%; in scope of analysis 45.51%</p> <p>The 2023 figure varies from the 2022 figure due to updates in the Investment Universe, portfolio turnover, and the use of data from a different information provider. The information gathered, which is still unavailable, and the low data coverage do not allow an accurate assessment of result comparisons.</p> | <p>In particular, in 2024, with the aim of mitigating and minimising, the adverse impact on the sustainability factors from its investments in companies, the SGR commits to the following SOCIAL PAIs, as a priorities, as per Table 1:</p> <p>LISTED COMPANIES</p> <ul style="list-style-type: none"> Indicators on social and employees issues: violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises (indicator no. 10). Social and employee-related indicators: exposure to controversial weapons (anti-personnel mines, munitions with cluster, chemical and biological weapons - indicator no.14). |
| 13. Board gender diversity | Average ratio of female to male board members in investee companies, expressed as a percentage of all board members | 32% | 32% (reinstated value using corrected unit of measurement) | <p>year 2023: coverage 85.66%; in scope of analysis 47.42%</p> <p>year 2022: coverage 98.45%; in scope of analysis 45.51%</p> <p>The 2023 figure is in line with that of 2022</p> | |
| 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) | Share of investments in investee companies involved in the manufacture or selling of controversial weapons expressed as a percentage | 0% | 0% (reinstated value using corrected unit of measurement) | <p>year 2023: coverage 99.89%; in scope of analysis 47.42%</p> <p>year 2022: coverage 99.63%; in scope of analysis 45.51%</p> <p>Priority PAI in 2023</p> <p>The 2023 data is consistent with that of 2022, based on the exclusion criteria.</p> | |

DESCRIPTION OF THE PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS

| Adverse sustainability indicator | Metric | Impact 2023 ² [year n] | Impact 2022 [year n-1] ³ | Explanation | Actions taken, and actions planned and targets set for the next reference period |
|-------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Environmental 15. GHG intensity ⁴ | GHG intensity of investee countries expressed in tonnes of CO ₂ eq/€ of GDP | 188.86 | 210 (reinstated value using corrected unit of measurement) | <p>year 2023: coverage 88.28%; in scope of analysis 42.24%</p> <p>year 2022: coverage 61.78%; in scope of analysis 42.88%</p> <p>Priority PAI in 2023. The 2023 figure varies from the 2022 figure due to updates in the Investment Universe, portfolio turnover, and the use of data from a different information provider.</p> | <p>During 2023, the SGR monitored the PAIs of the Funds' portfolios and the Company's portfolios as a whole on the basis of the updated Investment Universe and portfolio turnover.</p> <p>The Company takes into account the mandatory PAIs listed in Table 1 and commits to monitoring their progress, including through specific monthly reporting shared within the Investment Committee.</p> <p>Similarly, with regard to specific PAI indicators identified as relevant within the investment policy of each Line or Fund for financial products created and/or managed by delegation, Etica Sgr commits to monitoring their monthly impact within the Investment Committee, and if necessary, reviewing target definitions or implementing additional corrective actions, depending on the reliability and coverage of data provided by the information provider and/or issuer.</p> <p>In particular, in 2024, with the aim of mitigating and minimising, the adverse impact on the sustainability factors of its investments in sovereign issuers and international organisations, the SGR is committing to addressing the following PAIs, as priorities, as per Table 1:</p> <p>SOVEREIGN COUNTRIES</p> <ul style="list-style-type: none"> • GHG intensity (indicator no.15); • Investee countries subject to social violations (indicator no.16). |
| Social 16. Investee countries subject to social violations | Number of countries benefiting from investments and subject to social violations, in accordance with international treaties and conventions, UN principles and, where applicable, national legislation. (absolute and relative number divided by all countries benefiting from the investments) | 0 0,00% | 0 0,00% | <p>year 2023: coverage 100%; in scope of analysis 42.24%</p> <p>year 2022: coverage 7.27%; in scope of analysis 42.21%</p> <p>Priority PAI in 2023. The 2023 data is consistent with that of 2022, based on the exclusion criteria.</p> | |

DESCRIPTION OF THE PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS

| Adverse sustainability indicator | Metric | Impact 2023 ² [year n] | Impact 2022 [year n-1] ³ | Explanation | Actions taken, and actions planned and targets set for the next reference period |
|----------------------------------|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------|----------------------------------------------------------------------------------|
| Fossil fuels | 17. Exposure to fossil fuels through real estate assets | Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels | N/A | N/A | No investments were made in real estate assets |
| Energy efficiency | 18. Exposure to energy-inefficient real estate assets | Share of investments in energy-inefficient real estate assets | N/A | N/A | No investments were made in real estate assets |

TABLE 2

ADDITIONAL CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

| Adverse sustainability indicator | Metric | Impact 2023 ² [year n] | Impact 2022 [year n-1] ³ | Explanation | Actions taken, and actions planned and targets set for the next reference period | |
|----------------------------------|---------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Emissions | 4. Investments in companies without carbon emission reduction initiatives | Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement expressed as a percentage | 7% | 8% (reinstated value using corrected unit of measurement) | year 2023: coverage 99.89%; in scope of analysis 47.42% year 2022: coverage 99.63%; in scope of analysis 45.51% Priority PAI in 2023 | During 2023, the SGR monitored the PAIs of the Funds' portfolios and the Company's portfolios as a whole on the basis of the updated Investment Universe and portfolio turnover. The Company takes into account the mandatory PAIs listed in Table 1 and commits to monitoring their progress, including through specific monthly reporting shared within the Investment Committee. |

DESCRIPTION OF THE PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

CLIMA E ALTRI INDICATORI CONNESSI ALL'AMBIENTE

| Adverse sustainability indicator | Metric | Impact 2023 ² [year n] | Impact 2022 [year n-1] ³ | Explanation | Actions taken, and actions planned and targets set for the next reference period | |
|--------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-------------------------------------|------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Water, waste and material emissions | 7. Investments in companies without water management policies | Share of investments in investee companies without water management policies expressed as a percentage | 12% | 7% (reinstated value using corrected unit of measurement) | <p>year 2023: coverage 69.35%; in scope of analysis 47.42% year 2022: coverage 98.50%; in scope of analysis 45.51% Priority PAI in 2023</p> <p>The 2023 figure varies from the 2022 figure due to updates in the Investment Universe, portfolio turnover, and the use of data from a different information provider. The information gathered, which is still unavailable, and the low data coverage do not allow an accurate assessment of result comparisons.</p> | <p>Similarly, with regard to specific PAI indicators identified as relevant within the investment policy of each Line or Fund for financial products created and/or managed by delegation, Etica Sgr commits to monitoring their monthly impact within the Investment Committee, and if necessary, reviewing target definitions or implementing additional corrective actions, depending on the reliability and coverage of data provided by the information provider and/or issuer.</p> <p>In particular, in 2024, with the aim of mitigating and minimising, the adverse impact on the sustainability factors from its investments in companies, the SGR commits to the following ENVIRONMENTAL PAI, as a priority, in Table 2:</p> <p>LISTED COMPANIES</p> <ul style="list-style-type: none"> Investments in companies without carbon emission reduction initiatives (indicator 4). |

DESCRIPTION OF THE PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

TABLE 3

ADDITIONAL INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

| Adverse sustainability indicator | Metric | Impact 2023 ² [year n] | Impact 2022 [year n-1] ³ | Explanation | Actions taken, and actions planned and targets set for the next reference period | |
|--------------------------------------------------|-------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|--------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Indicators on social and employee matters | 4. Lack of a supplier code of conduct | Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour) expressed as a percentage | 10% | 1% (reinstated value using corrected unit of measurement) | <p>year 2023: coverage 69.35%; in scope of analysis 47.42%</p> <p>year 2022: coverage 98.50%; in scope of analysis 45.51%</p> <p>Priority PAI in 2023 The 2023 figure varies from the 2022 figure due to updates in the Investment Universe, portfolio turnover, and the use of data from a different information provider</p> | <p>During 2023, SGR monitored the PAIs of the Funds' portfolios and the Company as a whole on the basis of its proprietary investment sustainability analysis methodology, which uses exclusion criteria, selection criteria, best-in-class and reputational risk assessments, as well as financial evaluations.</p> <p>The Company takes into account the mandatory PAIs listed in Table 1 and commits to monitoring their progress, including through specific monthly reporting shared within the Investment Committee.</p> |
| Human rights | 9. Lack of a human rights policy | Share of investments in entities without a human rights policy expressed as a percentage | 0.48% | 1% (reinstated value using corrected unit of measurement) (0.009) | <p>year 2023: coverage 98.39%; in scope of analysis 47.42%</p> <p>year 2022: coverage 95.38%; in scope of analysis 45.51%</p> <p>Priority PAI in 2023 The 2023 figure is in line with that of 2022. For entity-level calculations, the data was provided by the delegated manager</p> | <p>Similarly, with regard to specific PAI indicators identified as relevant within the investment policy of each Line or Fund for financial products created and/or managed by delegation, Etica Sgr commits to monitoring their monthly impact within the Investment Committee, and if necessary, reviewing target definitions or implementing additional corrective actions, depending on the reliability and coverage of data provided by the information provider and/or issuer.</p> |
| Anti-corruption and anti-bribery | 15. Lack of anti-corruption and anti-bribery policies | Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption expressed as a percentage | 1% | 1% (reinstated value using corrected unit of measurement) | <p>year 2023: coverage 97.54%; in scope of analysis 47.42%</p> <p>year 2022: coverage 98.50%; in scope of analysis 45.51%</p> <p>Priority PAI in 2023 The 2023 figure is in line with that of 2022.</p> | <p>In particular, in 2024, with the aim of mitigating and minimising, the adverse impact on the sustainability factors from its investments in companies, the SGR commits to the following SOCIAL PAIs, as a priorities, as per Table 3:</p> <p>LISTED COMPANIES</p> <ul style="list-style-type: none"> Lack of a supplier code of conduct - indicator 4; Lack of anti-corruption and anti-bribery policies – indicator 15. |

DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITISE THE PRINCIPAL ADVERSE IMPACT ON SUSTAINABILITY

IDENTIFYING AND PRIORITISING THE PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

The AMC considers the principal adverse sustainability impact of its investment decisions in order to ensure it does no significant harm (DNSH principle) to sustainable investments, thus adopting a strategic approach that also takes account of environmental, social and governance (ESG) indicators and facilitates proper assessment and management of sustainability risks specific to Line and/or Fund.

As a matter of fact, for over twenty years the AMC has made its investment decisions around environmental, social and governance indicators, largely attributable to metrics similar to those described in the PAIs of Commission Delegated Regulation (EU) 2022/1288, applying them to its proprietary methodology for analysing the sustainability of investments, represented by the internationally filed trademark ESG EticApproach®, and to the measurement of the generated impact.

The AMC strives to constantly monitor the negative impact of its investment decisions on sustainability factors in support of the aforesaid proprietary methodology as well as in the asset management activities of the delegated manager.

The Company identified and prioritised PAIs following international standards and its sustainability investment objectives and adopted monthly monitoring procedures to assess the trend in PAI indicator values over time.

Compliance with the principle of not causing significant harm to environmental and social objectives is guaranteed by considering the relevant PAIs listed in Table 1 of Annex 1:

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

| | | | |
|--------------------------|-------------|--------------------------------------------------------|----------------------------------------------------------------------|
| Greenhouse gas emissions | Indicator 4 | Exposure to companies active in the fossil fuel sector | Table 1 of Annex 1 of Commission Delegated Regulation (EU) 2022/1288 |
|--------------------------|-------------|--------------------------------------------------------|----------------------------------------------------------------------|

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

| | | | |
|-----------------------------|--------------|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|
| Social and employee matters | Indicator 14 | Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) | Table 1 of Annex 1 of Commission Delegated Regulation (EU) 2022/1288 |
|-----------------------------|--------------|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|

INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

| | | | |
|---------------|--------------|--------------------------------------------------------------------|----------------------------------------------------------------------|
| Environmental | Indicator 15 | GHG intensity | Table 1 of Annex 1 of Commission Delegated Regulation (EU) 2022/1288 |
| Social | Indicator 16 | Countries benefiting from investments subject to social violations | Table 1 of Annex 1 of Commission Delegated Regulation (EU) 2022/1288 |

DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITISE THE PRINCIPAL ADVERSE IMPACT ON SUSTAINABILITY

As detailed in the Executive Summary, during the reporting period, the SGR incorporated the mandatory indicators listed in Table 1 of Annex I and selected specific optional indicators from Tables 2 and 3 of the same Annex as priorities.

Etica Sgr is committed to mitigating the adverse impact of its investments on sustainability factors, in line with regulatory developments and best practices at the national and international level, taking into consideration all the indicators in Table 1, as well as some indicators, identified as priorities, in Tables 2 and 3 of Annex 1 of Delegated Regulation (EU) 2022/1288, as shown in the column below: **Actions taken, and actions planned and targets set for the next reference period.**

GOVERNANCE OF SUSTAINABILITY ANALYSIS OF ISSUERS

The ESG indicators used in the sustainability analysis of listed companies and governments are listed within specific Guidelines, approved by the Board of Directors on 20 December 2023 at the proposal of an Ethics Committee independent from the Company⁶ and are periodically updated, with the latest version published on the website of the Sgr⁷.

In particular, in order to ensure oversight and correct implementation of the “Sustainable and Responsible Investment Policy,” Etica Sgr has identified the bodies and functions involved, assigning relevant responsibilities as outlined below.

BOARD OF DIRECTORS

the Board of Directors of Etica SGR approves the Sustainable and Responsible Investment Policy, and is responsible for supervising the correct implementation of the strategy detailed therein. Regarding the selection of securities, it is the responsibility of the Board of Directors to approve the issuers’ Investment Universes and to outline the general investment strategies that the delegated/sub-delegated manager should follow in managing investments. Within this framework, the Board of Directors, upon recommendation from the Analysis and Research Department and following consultation with the Ethics Committee, approves publicly accessible lists of companies involved in the production of anti-personnel mines, cluster munitions, and sub-munitions. On the issue of engagement, the Board of Directors is responsible for approving the Engagement Policy and the Engagement Plan.

ANALYSIS AND RESEARCH

Based on information supplied by providers specialising in the ESG analysis of companies and countries, the AMC Analysis and Research Department conducts an initial assessment of issuers in relation to the exclusion criteria, and then the issuers that are not excluded are analysed on the basis of the assessment criteria.

Specific data is then added to the ESG analysis, which takes into account contingencies related to the current position and additional information regarding the discussions held by the AMC with the management team of the issuers themselves.

⁶ For additional information: <https://www.eticasgr.com/en/etica-sgr/governance-and-policy/ethics-committee>

⁷ For additional information <https://www.eticasgr.com/en/responsible-investment/selection-of-securities/linea-valori-responsabili-selection> (also valid for sub-funds of the Multilabel SICAV) – last updated March 2023 https://www.eticasgr.com/en/responsible-investment/selection-of-securities/linea_futuri_responsabili_selection - last updated December 2022

DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITISE THE PRINCIPAL ADVERSE IMPACT ON SUSTAINABILITY

Furthermore, corporate documents published by companies, reports drafted the international partners with which the AMC collaborates, such as UN PRI (Principles for Responsible Investments) and CDP (formerly the Carbon Disclosure Project), and news relating to the reputational risk level of issuers on ESG-related issues are taken into account.

The assessment methods and weighting of these factors are detailed in AMC specific procedures and the relevant operating instructions.

After this analysis process, the reference “Investment Universe” is defined, i.e., the list of issuers complying with the ESG parameters selected by Etica Sgr over a specific time frame. The Investment Universe, which is periodically updated, is sent to the Investment Manager after being approved by the AMC Board of Directors, based on the proposal from the Ethics Committee.

RISK MANAGEMENT FUNCTION

The selection of companies is further supplemented by specific risk indices related to the ESG factors used in the analysis and developed by the Etica Sgr Risk Manager on the basis of the proprietary methodology so as to eliminate companies that are the highest contributors (above the thresholds resolved by the AMC Board of Directors) to the ESG Risk⁸ (R_{ESG}) of the portfolio, i.e. the most significant issuers in terms of the Component R_{ESG} . The purpose is to maintain the Sustainability Risk values (broken down in terms of R_{ESG}) of the new Universes in line with the current Universes, at each update. The R_{ESG} is defined starting with the physical concept of entropy, as the measurement of a system's disorder, and is calculated on the distribution of portfolio securities into ESG score classes, where the frequency is given by their weighting. The distribution concentrated on low score classes is characterised by more risk, compared to those focusing on higher classes. In the case of ESG Risk (R_{ESG}), categorisation of the securities in the portfolio of each sub-fund by risk status or class is carried out on the basis of the ESG score, which simultaneously considers the three aspects: E - environment, S - social, and G - governance, for each issuer.

The achievement of the ESG objectives pursued in the selection of issuers conducted by Etica Sgr, comprises periodic monitoring undertaken in respect of the issuers themselves, namely, in the construction of Investable Universes: while updating the Universes, the entire analysis process is conducted, based on exclusion factors, assessment factors, the assigning of an ESG score and the application of a “best in class” strategy. The data related to each issuer is then updated in view of the improvements or worsening recorded by the companies or countries analysed, in this way determining the inputs and outputs of the Universe itself.

⁸ For additional information see <https://www.eticasgr.com/en/responsible-investment/esg-risk>

DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITISE THE PRINCIPAL ADVERSE IMPACT ON SUSTAINABILITY

Fund investments by Etica Sgr are only permitted in respect of the issuers making up the Universes: any other investment is not allowed, and therefore the Investment Manager is obliged within a reasonable time frame, or in the sole interests of the AMC funds' investors, to adhere to the changes in the Investable Universes, or to sell the securities of issuers that are no longer present and select others within the new baskets.

INVESTMENTS COMMITTEE

Investments Committee: in accordance with the relevant Rules and Regulations provides support to the Board of Directors, formulating proposals on the general investment strategies submitted by the delegated manager and with the support of the Risk Manager, conducts a monthly assessment of exposure to the ESG risk.

ETHICS COMMITTEE

the Ethics Committee, an independent and autonomous body, comprising members with recognised experience in the issues of sustainable finance and corporate social responsibility, i.e. in social, environmental and academic fields; it serves a consulting role and makes proposals to the Board of Directors. More specifically, the Ethics Committee issues opinions relative to the ethics of investments and suggests additional criteria for evaluating companies and governments. With regard to engagement, the Ethics Committee provides an assessment on the Engagement Plan, voting and the interventions required in the shareholders' meetings of investee companies and the outcomes of engagement activities.

The Due Diligence process is based:

- on the application of suitability criteria (both negative and positive screening criteria) to select the Investment Universe and to assess ESG risks, in order to create Investment Universes with an appropriate level of overall sustainability risk;
- on the evaluation of the significant adverse impact on human rights and the environment identified during the selection activities by the investee companies;
- on the prevention, minimisation and monitoring of such negative impact on human rights and the environment;
- on reporting the overall impact generated through preparing reports such as the "Impact Report" and the "Climate Change Report";
- on engagement initiatives aimed at raising awareness among invested company management regarding ongoing commitments to enhancing good governance practices and promoting responsible social and environmental behaviour.

SOURCES OF DATA RELATING TO THE PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

The data relating to the PAIs attributable to the collective investment funds established and/or managed in delegation by Etica Sgr are provided by third-party sources, whereas the calculation of the PAIs at entity level is carried out using the AMC's in-house methodology.

DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITISE THE PRINCIPAL ADVERSE IMPACT ON SUSTAINABILITY

The underlying analyses of sustainable investments are based on information supplied by various data providers, complemented by insights that also consider specific current circumstances.

Data sources used to calculate PAIs:

- ISS ESG;
- Moody's ESG Solutions only for PAI 15 in Table 3 of Appendix 1;
- Anima Sgr S.p.A. (delegated manager) for the following PAIs: PAI 5 (Q1) and PAI 9 from Table 1, PAI 4 from Table 2 and PAI 9 from Table 3 of Annex 1.

Additionally, the SGR consults several specialised databases (such as Moody's ESG, ISS ESG, RepRisk, and Bloomberg), which offer reliable and timely indicators, it also gathers information from affiliated partners such as ICCR (Interfaith Center on Corporate Responsibility), PRI (Principles for Responsible Investments), CDP (formerly Carbon Disclosure Project), and SfC (Shareholders for Change). Moreover, the SGR considers research published in specialised press and companies' corporate documents (such as balance sheets, sustainability reports, etc.) from companies and it evaluates information gathered through direct discussions with investee companies.

DATA QUALITY ASSURANCE MEASURES

Etica Sgr has developed an in-house sustainability data system that uses technologies to monitor the quality of quantitative data, incorporating unit test methodologies during algorithm implementation and automated checks at the output stage, supplemented by manual inspections when necessary.

DATA PROCESSING METHODS

The proprietary system consists of several components such as Data Ingestion, Data Preparation, ETL (extract transform and load) and calculation modules. At its core, there is a flexible and parametric calculation engine that enables the implementation of algorithms and criteria defined by Etica Sgr for the selection process, accommodating various data sources.

PROPORTION OF ESTIMATED DATA

Etica Sgr's sustainability data management methodology involves the exclusive use of data from selected sources, without the use of estimates of missing data.

POSSIBLE MARGINS OF ERROR ASSOCIATED WITH METHODOLOGIES

Possible limitations of methodologies and data sources pertain to certain asset classes not covered by the data scope provided by the information provider and do not affect the achievement of the sustainable investment objective.

Potential margins of error associated with PAI calculation methodologies could be influenced by data from information providers (data scarcity, poor data quality) and the reception of that data. To achieve this, the Sgr engages actively with information providers, suggesting solutions for improvement or exploring alternative, more reliable sources.

ENGAGEMENT POLICY

Engagement forms an integral part of the Etica Sgr approach to sustainable and responsible finance. The AMC adopts a constructive and forward-looking approach to engagement, in the belief that the activities carried out can promote issuers economic sustainability over the long-term, by generating positive effects for all stakeholders.

In this regard, Etica Sgr has adopted a Policy (“Engagement Policy”), the latest version of which was approved by the Board of Directors on 30 November 2021, published on the website of the AMC⁹ and drafted in line with the provisions of:

- Directive 2017/828, known as the “Shareholder Rights II” of the European Parliament and of the Council amending Directive 2007/36/EC to promote long-term shareholder engagement;
- Chapter II of Title III of Part IV, section I-ter “Transparency of institutional investors, of asset managers” of the Consolidated Law on Finance and Chapter III-ter of Title IV of Part III under the heading “Transparency of asset managers and of consultants on voting” of the Issuers Regulation adopted with resolution no. 11971 of 14 May 1999, as amended;
- article 35-decies, paragraph 1, letter e) of the Consolidated Law on Finance, as amended, with particular reference to the exercise of intervention and voting rights.

The Policy defines and governs the strategies for monitoring, dialogue (including collective) and exercise of intervention and voting rights adopted by Etica Sgr in respect of the financial instruments held by the collective investment funds established and/or managed in delegation by Etica Sgr (hereinafter also “UCITS”), in order to ensure that these activities are undertaken in the exclusive interests of the fund investors, i.e. with the objective of increasing the investment value over time through a policy based on the principles of social and environmental responsibility.

In light of the statutory task of Etica Sgr and the methods with which it provides its collective asset management services, the monitoring, dialogue and voting activities governed in the Policy mainly regard the integration, by the issuers in which the UCITS are invested, of social, environmental and corporate governance aspects into their business strategy.

The Policy outlines the main ESG issues that Etica Sgr engages with, linking them to the United Nations Sustainable Development Goals (UN SDG’s).

The AMC Board of Directors defines the issues that are relevant in terms of engagement with issuers, referring to the ESG issues in the Policy, based on the approval of a specific document (Engagement Plan), which is prepared annually by the relevant corporate Areas, and agreed on by the autonomous and independent Ethics Committee.

The AMC monitors the outcomes of these activities. If the results or responses provided by companies are deemed especially negative or concerning by the Etica Sgr Ethics Committee, the Board of Directors may decide to disinvest from the securities of these companies from the perspective of adequately protecting the interests of fund investors.

⁹ <https://www.eticasgr.com/en/responsible-investment/engagement>

ENGAGEMENT POLICY

The Policy undergoes periodic updates, submitted for the approval of the Board of Directors of the AMC, having consulted with the Ethics Committee.

Lastly, the AMC reports on the application of the Policy in an Annual Report on the implementation of art. 124-quinquies, paragraph 2 of the Consolidated Law on Finance, as well as the “Italian Stewardship Principles for the exercise of administrative and voting rights in listed companies”¹⁰. Information is also provided in the context of the Prospectus, in the interim and annual management reports of the Etica System funds, and in the Integrated Report of the AMC.

Finally, the AMC also deems it necessary to have information regarding the impact generated by its engagement activities on ESG issues, both in terms of a monitoring tool to assess possible critical positions, and in terms of transparency in respect of its investors and the relevant stakeholders. In this regard, Etica Sgr provides periodic and public reporting in the Impact Report¹¹ and the Stewardship Report¹², which are subject to the Board of Directors’ approval.

In particular, in the Impact Report, the Company reports the results of the impact indicators, calculated as the delta between the percentage of satisfaction of a given criterion (measured either in number of companies or invested amount) in Etica Sgr’s portfolios (a) and the corresponding percentage in the MSCI World ESG Universal Net Total Return reference index (b). The formula used is: $\text{delta} = ((a - b) / b) * 100$.

In 2023, compared to 2022, the impact analysis revealed a positive delta for the Ethical System funds compared to the benchmark, along with improvement across most impact indicators compared to the previous year. Etica evaluates the impact of dialogue activities, with data processed using qualitative and quantitative evaluations assigned by the Company to responses from companies participating in the dialogue throughout the reporting period.

At the date of publication of this document, the 2024 Impact Report on 2023 data is not yet available.

The current Engagement Policy does not explicitly incorporate indicators of adverse impact on sustainability factors (PAIs) due to their numerous nature, although certain dialogue areas with investee companies align with thematic areas identified for PAI reporting.

In 2023, the Company commenced an initial internal mapping of dialogue indicators in comparison with PAI indicators, with the intention of continuing and completing this mapping activity by 2024.

¹⁰ <https://www.eticasgr.com/en/responsible-investment/engagement/italian-principles-of-stewardship>

¹¹ Annual document, presenting the impacts of equity investments the social, environmental and governance contexts, resulting from the selection of companies in relation to the reference market, and those generated by engagement activities undertaken with issuers.

¹² Annual document providing aggregate information on the Stewardship activities (voting, dialogue and advocacy) and examples of success stories.

REFERENCES TO INTERNATIONAL PRINCIPLES AND STANDARDS

Etica Sgr adheres to international principles and standards that can consolidate its approach as a sustainable and responsible investor.

In particular, we note its adherence to:

- **United Nations' Principles for Responsible Investment (UN PRI):** an initiative established to promote the integration of ESG principles in the traditional management of assets and in investment decisions. The AMC has subscribed from 2009, preparing the Responsible Investment Transparency Report on an annual basis, which is published on the Company's website, relative to the actions undertaken by the AMC in relation to each sustainable and responsible investment principle promoted by the UN;
- **Italian Principles of Stewardship for the exercise of administrative and voting rights in listed companies:** promoted by the Corporate Governance Committee of Assogestioni, the Principles govern the strategies and tools for monitoring, dialogue and exercising intervention and voting rights adopted by Etica Sgr in relation to Italian and foreign issuers. On the basis of its participation, which was approved by the AMC BoD in 2013 and 2015, Etica Sgr reports each year on the implementation of these principles in a report published on its website¹³.

With specific reference to the Principal Adverse Sustainability Impacts **on the climate and the environment** and considered by Etica Sgr in its investment decisions, please note the following:

- **Montreal Carbon Pledge:** initiative promoted by the United Nations Principles for Responsible Investment (UN PRI), launched at the United Nations Conference on Climate Change (COP21) in Paris in 2015 and directed at institutional investors throughout the world. Etica Sgr signed the Pledge in 2015, which requires the calculation of and reporting on the carbon footprint of its investments. In 2023, UN PRI decided to close the Pledge in that it was considered a launch pad for new initiatives dedicated to asset managers and asset owners related to carbon footprint and Net Zero. Despite this, Etica Sgr continues to calculate and report to its stakeholders the metrics related to the management of risks and opportunities related to climate change in its investments, following the recommendations of the TCFD - Task Force on Climate-Related Financial Disclosures¹⁴ and publishing its annual report on climate change¹⁵;
- **Finance for Biodiversity Pledge¹⁶:** document created by a group of European financial institutions that actively worked as members of the Finance and Biodiversity Community of the European Union (F@B Community). In the Pledge, launched during the Nature for Life Hub just after the 75th session of the United Nations General Assembly, the financial institutions invited world leaders to buck the trend of the last decade in relation to environmental exploitation and to collaborate, take action and calculate their impact on biodiversity, by setting specific targets for 2024 and reporting them appropriately. Etica Sgr signed the Pledge in 2020, making a commitment to pursue the five targets of

¹³ <https://www.eticasgr.com/en/responsible-investment/engagement/italian-principles-of-stewardship>

¹⁴ <https://www.fsb-tcf.org/>

¹⁵ <https://www.eticasgr.com/en/responsible-investment/our-impact/impact-report>

¹⁶ <https://www.financeforbiodiversity.org/>

REFERENCES TO INTERNATIONAL PRINCIPLES AND STANDARDS

“Collaborating and sharing knowledge”, “Engaging with companies”, “Assessing impact”, “Setting targets” and “Reporting publicly”¹⁷.

With specific reference to the Principal Adverse Sustainability Impacts **related to controversial weapons** and considered by Etica Sgr in its investment decisions, please note the following:

- Italian Law no. 220 of 9 December 2021 “Measures to counter the funding of companies that manufacture anti-personnel mines, cluster munitions and submunitions”: the AMC has adopted suitable measures to avoid investing in manufacturers of controversial weapons and their strategic partners, and has strengthened the negative screening phase already part of the definition process of the Investment Universes of listed companies; nuclear disarmament advocacy: in 2021, the year of entry into force of the Treaty on the Prohibition of Nuclear Weapons (TPNW)¹⁸, the AMC launched an international campaign to promote divestment from nuclear weapons alongside ICAN, an NGO awarded the Nobel Peace Prize in 2017¹⁹.

The data needed to assess compliance and alignment with these International Standards is obtained from various info providers, including CDP and ISS ESG.

In particular, compliance and alignment is assessed through the calculation and monitoring of the values of PAI indicators deemed relevant and on the adoption of specific adverse impact mitigation actions according to the methodologies described above.

At this time, Etica SGR does not plan to implement a forward-looking climate scenario.

At present, discussions on how to implement this scenario are ongoing. Potentially, more accurate and exhaustive indications will be included within the forthcoming statements on the principal adverse impact of investment activity on sustainability factors.

¹⁷ <https://www.eticasgr.com/en/storie/insights/etica-funds-finance-for-biodiversity-pledge>

¹⁸ <https://www.eticasgr.com/en/storie/insights/etica-funds-finance-for-biodiversity-pledge>

¹⁹ <https://www.eticasgr.com/storie/campagne-internazionali/dire-fare-disarmare-etica-sgr-ican>

HISTORICAL COMPARISON

This statement provides the historical comparison of data between the reference period in 2023 and the preceding period in 2022.

The results for 2023 are comparable to those of 2022. As previously explained, the differences, whether positive or negative, can be attributed to updates in the Investment Universe, portfolio turnover, and the use of data from different information providers compared to the previous assessment. There is no significant evidence to report from the two-year time series at this time.

The following tables summarise the quantitative data obtained.

TABLE 1

| INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES | | | | |
|------------------------------------------------------------|----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|----------------------------------------------------------|
| CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS | | | | |
| Adverse sustainability indicator | Metric | Impact 2022 | Impact 2023 | |
| Greenhouse gas emissions | 1. GHG emissions | Scope 1 GHG emissions of investee companies in tonnes of CO ₂ eq ²⁰ | 62,227.37 | 37,394.89 |
| | | Scope 2 GHG emissions of investee companies in tonnes of CO ₂ eq | 35,095.05 | 12,308.05 |
| | | Scope 3 GHG emissions of investee companies in tonnes of CO ₂ eq | 494,963.81 | 401,697.37 |
| | | Total GHG emissions of investee companies in tonnes of CO ₂ eq | 96,949.87 (Total Scope 1 and 2) | 451,400.31 (Total Scope 1, 2 and 3) |
| | 2. Carbon footprint | Carbon footprint in tonnes of CO ₂ eq /M€ compared to total value of investments | 397.02 | 515.91 |
| | 3. GHG intensity of investee companies | GHG intensity adjusted for revenues of investee companies against the total value of investments expressed in tonnes of CO ₂ eq/€M | 1,132.38 | 1,397.89 |
| | 4. Exposure to companies active in the fossil fuel sector | Share of investments in companies active in the fossil fuel sector expressed as a percentage | 0% (reinstated value using corrected unit of measurement) | 7.60% |
| | 5. Share of non-renewable energy consumption and production | Share of consumption and production of non-renewable energy of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage in relation to renewable energy sources | 68% (reinstated value using corrected unit of measurement) (sum of consumption and production) | 59% (sum of the consumption and production share) |
| | 6. Energy consumption intensity per high impact climate sector | Energy consumption in GWh per million € of turnover of investee companies, per high-impact climate sector expressed as a percentage | 41% (reinstated value using corrected unit of measurement) | 35% |

²⁰ CO₂eq (CO₂ equivalent) is the measurement that expresses the impact on global warming of a certain quantity of greenhouse gas compared to the same quantity of carbon dioxide.

HISTORICAL COMPARISON

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

| Adverse sustainability indicator | Metric | Impact 2022 | Impact 2023 | |
|----------------------------------|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|-------------|
| Biodiversity | 7. Activities negatively affecting biodiversity-sensitive areas | Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas, expressed as a percentage | 51% (reinstated value using corrected unit of measurement) | 0% |
| Water | 8. Emissions to water | Tonnes of emissions to water generated by investee companies per million € invested, expressed as a weighted average | 0.20 | 0.01 |
| Waste | 9. Hazardous waste and radioactive waste ratio | Tonnes of hazardous waste and radioactive waste generated by investee companies per million € invested, expressed as a weighted average | 104.07 | 8.90 |

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

| Adverse sustainability indicator | Metric | Impact 2022 | Impact 2023 | |
|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|--------------|
| Social and employee matters | 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises | Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises | 0% | 0% |
| | 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises | Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance/ complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises. | 15% (reinstated value using corrected unit of measurement) | 13% |
| | 12..Unadjusted gender pay gap | Average unadjusted gender pay gap of investee companies expressed as a percentage | 4% (reinstated value using corrected unit of measurement) | 1.15% |
| | 13..Board gender diversity | Average ratio of female to male board members in investee companies, expressed as a percentage of all board members | 32% (reinstated value using corrected unit of measurement) | 32% |
| 14..Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons) | Share of investments in investee companies involved in the manufacture or selling of controversial weapons expressed as a percentage | 0% (reinstated value using corrected unit of measurement) | 0% | |

HISTORICAL COMPARISON

| INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS | | | | |
|-----------------------------------------------------------------------|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------|--------------------------|
| Adverse sustainability indicator | | Metric | Impact 2022 | Impact 2023 |
| Environment | 15. GHG intensity | GHG intensity of investee countries expressed in tonnes of CO2 eq/€ of GDP | 210 (reinstated value using corrected unit of measurement) | 188.86 |
| Social | 16. Investee countries subject to social violations | Number of countries benefiting from investments and subject to social violations, in accordance with international treaties and conventions, UN principles and, where applicable, national legislation. (absolute and relative number divided by all countries benefiting from the investments) | 0 0.00% | 0 0.00% |

TABLE 2

ADDITIONAL CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

| INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES | | | | |
|------------------------------------------------------------|---------------------------------------------------------------------------|----------------------------------------------------------------------------|------------------------------------------------------------------|-------------|
| CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS | | | | |
| Adverse sustainability indicator | | Metric | Impact 2022 | Impact 2023 |
| Emissions | 4. Investments in companies without carbon emission reduction initiatives | 8% (reinstated value using corrected unit of measurement) 7% | 8% (reinstated value using corrected unit of measurement) | 7% |
| Water, waste and material emissions | 7. Investments in companies without water management policies | 7% (reinstated value using corrected unit of measurement) | 7% (reinstated value using corrected unit of measurement) | 12% |

HISTORICAL COMPARISON

TABLE 3

ADDITIONAL CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS

INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES

| Adverse sustainability indicator | | Metric | Impact 2022 | Impact 2023 |
|-----------------------------------------|-------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|--------------|
| Social and employee matters | 4. Lack of a supplier code of conduct | Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour) expressed as a percentage | 1% (reinstated value using corrected unit of measurement) | 10% |
| Human rights | 9. Lack of a human rights policy | Share of investments in entities without a human rights policy expressed as a percentage | 1% (reinstated value using corrected unit of measurement) | 0.48% |
| Anti-corruption and anti-bribery | 15. Lack of anti-corruption and anti-bribery policies | Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption expressed as a percentage | 1% (reinstated value using corrected unit of measurement) | 1% |

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