

Etica Sgr compliance with Eurosif transparency code

Data at 12.31.2010

Statement of Commitment

Sustainable and Responsible Investing is the core of the strategic positioning and mission of Etica Sgr, which promotes SRI funds since 2003. Etica SGR was the first Italian company to subscribe, in 2005, the European guidelines about transparency of socially responsible mutual funds developed by **EUROSIF** (*European Social Investment Forum*). In 2010 Etica Sgr became Eurosif member. This is our sixth statement of commitment to the Eurosif transparency code that follows below, that will be uploaded on www.eticasgr.it and included, in general terms, in the 2011 funds reports.

Compliance with the Transparency Code

Etica Sgr is committed to work as transparent as possible, also given the regulatory and competitive environments that exist in the countries in which it operates.

Etica Sgr meets the full recommendations of the European SRI Transparency Code with any exceptions.

ISR European Transparency Code	
Section 1. Basic Data	
The fund management company	
1a - Provide the name of the fund management company managing the funds to which this code apply	Asset management company: Etica Sgr Telephone: 02.67071422 Address: Via Copernico 1, 20125 Milan (ITALY) Web: www.eticasgr.it Email: ricerca@eticasgr.it
1b - Describe, in a general way, the SRI philosophy of the fund management company and the way it is implemented concretely	<p>Etica SGR is an asset management company founded in 2000 and since 2003 is developing and promoting exclusively socially responsible investments with the goal of representing ethical values among the financial markets, making financial players aware of SRI and CSR values. Etica SGR adopts in its analysis both negative criteria and positive criteria (best in class approach). Etica Sgr sends the eligible universe to asset management company, Anima Sgr, which selects stocks and bonds according to financial criteria.</p> <p>Concerning SRI philosophy, Etica Sgr, which is part of Banca Popolare Etica Group, promotes the following ethical finance principles:</p> <ol style="list-style-type: none"> 1. Ethical finance is focused on non economic impact of economic behaviour; 2. Efficiency and simplicity are ethical responsibility components; 3. Profit has to be created for common wealth and it has to be shared with all stakeholders; 4. High transparency in every transactions; 5. Not only shareholders but all stakeholders participation has to be facilitated through shareholders activism; 6. The company which accepts ethical finance principles manages all its operations

	<p>according to ethical criteria.</p> <p>Etica SGR works in order to make sustainable development and environmental respect cultures grow; moreover Etica Sgr wants to encourage best-practice, by stakeholders dialogue in cooperation with institutions, supervisory authority and qualified associations and operators (Consob, Banca d'Italia, ABI, Forum della Finanza Sostenibile, ICCR, EUROSIF, CSR Network, PRI, FEBEA, ecc.).</p> <p>Etica Sgr is the first Italian asset management company in drawing the balance sheet with social, environmental and governance criteria, referring to GRI (<i>Global Reporting Initiative</i>) Sustainability Reporting Guidelines. The 2010 report is uploaded on www.eticasgr.it</p>
The SRI funds	
1c - Provide the name of the funds to which this code apply, and their main characteristics	<p>1.Valori Responsabili Monetario – Short-Term Bond Fund Euro-zone ISIN Code: IT0003409171 Benchmark: 80% JP Morgan EMU 1-3 years, 20% JP Morgan Cash Euro 3 months AUM at 12.31.2010: 185.416.132 million Euros TER 2010: 0,67% Performances: https://www.animasgr.it/ANIMA/IT/Prodotti/Fondietici/81/QuoteRendimenti.htm</p> <p>2.Valori Responsabili Obbligazionario Misto – Medium Term Mixed Fund Euro-zone ISIN Code: IT0003409197 Benchmark: 10% MSCI World - ND in EUR, 25% JPM Euro 3 months cash 65% ,JPM Emu AUM at 12.31.2010: 128.772.280 million Euros TER 2010: 1,27% Performances: https://www.animasgr.it/ANIMA/IT/Prodotti/Fondietici/82/QuoteRendimenti.htm</p> <p>3.Valori Responsabili Bilanciato – Medium-long term Mixed Fund ISIN Code: IT0003409213 Benchmark: 60% MSCI World - ND in EUR 5%, JPM Euro 3 months cash 35%, JPM Emu AUM at 12.31.2010: 103.662.235 million Euros TER 2010: 1,91% Performances: https://www.animasgr.it/ANIMA/IT/Prodotti/Fondietici/83/QuoteRendimenti.htm</p> <p>4.Valori Responsabili Azionario – 100% Equity Fund ISIN code IT0004097405 Benchmark: 90% MSCI World - ND in EUR 10%, JPM Euro 3 months cash AUM at 12.31.2010: 24.240.901 million Euros TER 2010: 1,99% Performances: https://www.animasgr.it/ANIMA/IT/Prodotti/Fondietici/88/QuoteRendimenti.htm</p> <p>Etica funds have got no front or back - end loads. Instead, 0.10% of the invested capital is donated to a guarantee fund for microcredit projects in Italy (managed by Banca Etica).</p>
1d - Provide details on how to find further information regarding the funds	<p>www.eticasgr.it www.animasgr.it www.morningstar.it</p>
1e - Provide details of the content, frequency and means of communicating information to investors	<p>Etica Sgr communicates to its investors constantly and deeply through an annual letter and a quarterly newsletter. On www.eticasgr.it there are uploaded the whole funds' portfolio (quarterly updated), all criteria used in the analysis, all engagement activities done, international initiatives managed by Etica SGR. Moreover there are</p>

	Ethic Code, CSR Policy, GRI balance sheet, etc.
Section 2. ESG criteria	
2a - How does the fund define SRI?	<p>Etica SGR funds (Valori Responsabili) merge traditional financial criteria with environmental and social ones, for instance job safety, environmental respect, transparency and quality of corporate governance. Assets under Management are invested just in companies and countries which have a good CSR profile. They are selected and evaluated through negative and best in class criteria.</p> <p>According to negative criteria the companies which are involved in military production and sales, tobacco, gambling, genetic engineering for not medical uses, nuclear energy, production and sales of pesticides, illegal logging, animal testing for cosmetics, fur and marketing breast-milk substitutes, are excluded from the eligible universe.</p> <p>Moreover Etica Sgr excludes countries which don't guarantee political freedom and civil rights and maintain death penalty.</p> <p>According to best in class criteria, just companies and countries which have a good ESG (environmental, social and governance) profile could be in Valori Responsabili funds.</p>
2b - What are the ESG investment criteria of the funds?	<p>Companies ESG evaluation criteria are:</p> <ul style="list-style-type: none"> - Environment (ex. environmental certifications, environmental performance, energy efficiency, etc.) - Social (ex. health and safety, employees participation, quality of contracts, etc.) - Human rights (ex. human rights policy, reporting, monitoring suppliers, etc.) - Governance (ex. SEE risk management, chairman/CEO separation, codes of ethics, percentage of non executive and independent directors, etc.) <p>Countries ESG evaluation criteria are:</p> <ul style="list-style-type: none"> - Environment (ex. CO2 emissions, renewable energies, quality of water, protected areas, deforestation, etc.) - Social (ex. women in % workforce, public spending for education, access to medical service, etc.) - Governance (ex. press freedom, civil liberties, corruption perception, etc.) <p>Full criteria list is available on Etica Sgr website.</p>
2c - How are the ESG criteria defined?	<p>Etica Sgr's Board of Directors has defined the responsible investment guidelines, which are published in Funds Regulation. Board of Directors has chosen, among many research suppliers, the English company Eiris.</p> <p>ESG criteria can be reviewed by the Board , previous approval by Research Committee and then Ethical Committee of Etica SGR.</p>
2d - How are criteria changes communicated to investors?	Any change is communicated to all funds clients by the annual letter, the website and the newsletters.
Section 3. ESG analysis process	
3a - Describe your ESG research methodology and process	<p>Etica SGR selects its eligible universe through both exclusion and positive evaluation criteria (best in class). The eligible universe is updated (half-year for companies and yearly for Countries) by the Research Committee, after review by the Ethical Committee; then it is finally approved by the Board of Directors. The eligible universe is sent to Anima Sgr which selects both bonds and stock according to financial criteria. The Valori Responsabili bonds and stock selection follows 5 steps:</p> <p>a) EIRIS (English ESG data provider)</p> <ul style="list-style-type: none"> - analyses more than 2800 companies and 68 countries and collects information about their ESG profile. - constantly updates information about companies and yearly about countries. The information is provided in 2 different database systems.

	<p>b) ETICA SGR</p> <ul style="list-style-type: none"> - according to the funds regulation, chooses the ESG criteria and indicators to be applied to Eiris database. - selects 2 lists (one for countries and one for companies) which compose the eligible universe. - updates the companies eligible universe every six months and yearly the countries one. - the update is evaluated and approved by the Research Committee, which submit it for approval to the Ethical Committee. <p>c) Ethical Committee</p> <ul style="list-style-type: none"> - gives opinion about the indicators to be applied and about the companies and countries to be included in the eligible universe. - proposes to Board of Directors possible change of the indicators. - also proposes, if necessary, the inclusion of companies which are not part of Eiris database. <p>d) Board of Directors</p> <ul style="list-style-type: none"> - approves half- year the eligible universe, after approval by the Ethical Committee. - approves possible changes of selection criteria, after approval by the Ethical Committee. <p>e) Asset management company (Anima Sgr)</p> <ul style="list-style-type: none"> - receives the eligible universe from Etica Sgr; - makes the financial analysis and stock and bond picking. - in case of company's exclusion because of ethical reason, Anima Sgr has to sell the stock within 3 months.
<p>3b - Does the fund manager use an in-house ESG research team and/or does he delegate this research to one or several external specialized providers?</p>	<p>Etica Sgr uses an in-house ESG Team which researches on companies and criteria. Etica Sgr uses an external specialized provider named Eiris, based in London. The Research Committee before and the Ethical Committee then analyze the companies, which, if approved, enter in eligible universe. Since 2010 Etica Sgr Research Team has developed an internal evaluation model, in order to analyze the Italian companies in a deeper way.</p>
<p>3c - Is there an external control or external verification process in place for the ESG research process?</p>	<p>In order to guarantee a high SR of its profile, Etica Sgr collaborates with an independent Ethical Committee, proposed by Banca Popolare Etica. Ethical Committee is composed by 7 members from third sector and civil society. Ethical Committee member's curricula are published on: http://www.eticasgr.it/eng/cms/?plid=2&pid=41&ppid=39. The Ethical Committee has an active role in terms of ESG criteria and engagement activities.</p>
<p>3d - Does the ESG research process include stakeholder consultation?</p>	<p>During the whole ESG research process, the Research Area of Etica Sgr keeps in contact the main stakeholders (environmental associations, NGO's, ecc..) and companies analysed (top management, CSR manager, Investor Relator).</p>
<p>3e - Do companies/issuers have the opportunity to see their profile or analysis?</p>	<p>Eiris sends to companies its research yearly; companies can reply constantly in case they disagree with the assessment received.</p>
<p>3f - How frequently is the ESG research process reviewed?</p>	<p>The ESG research process is reviewed by the Research Committee which half-year eligible universe updating, also taking into account the suggestion made by the Ethical Committee.</p>
<p>3g - What research findings are disclosed to the public?</p>	<p>The companies excluded from the funds, the reasons for the exclusion and the new entries are communicated in the half-yearly and annual reports, which are uploaded</p>

	on Etica Sgr web-site.
Section 4. ESG Evaluation and Implementation	
4a - How are the results of ESG research integrated into the investment process, including selection and approval of companies/issuers for investment?	The asset manager (Anima Sgr) can invest just in stock and bonds inserted in the eligible universe approved by Etica Sgr Board of Directors. Anima Sgr doesn't participate in the ESG selection process, because ESG analysis is independent from financial analysis and uses exclusion and best in class criteria.
4b - What internal and/or external measures are in place to ensure portfolio holdings comply (or not comply) with ESG investment criteria?	In order to ensure portfolio compliance with ESG investment criteria, Etica Sgr constantly monitors eligible universe through several data-bases, media, NGO's reports, ecc. Etica Sgr ensures that all components of its funds are in the eligible universe, which is updated every six months.
4c - What is the policy and procedure for divestments on ESG grounds?	Etica Sgr updates every six months the companies eligible universe and annually the countries eligible universe. As a result of the updating, some countries or companies can exit from the eligible universe or in case that Research Committee or/and Ethical Committee notify any critical situation. Anima Sgr has to divest from the stocks within 3 months.
4d - What divestments occurred in the past year related to the SRI fund criteria?	In 2010 Etica Sgr Board decided to suspend the investments in companies that manage water. So United Utilities' equities in Etica SGR funds had been sold by Anima SGR.
4e - Are investors informed about divestments on ESG grounds?	Disinvestment information is given to retail investors by annual letter, annual reports, six-monthly report and newsletter.
4f - Does the fund manager inform companies/issuers of portfolio movements due to non-compliance with its ESG policy and criteria?	Etica Sgr can send a letter to excluded companies in case it has already engaged with them.
4g - To what extent do any results of engagement activities feed into companies/issuers selection?	Etica Sgr evaluates the results of its dialogue with companies. Etica Sgr has appreciated the prompt answers by seven Italian companies involved in Gender Dialogue Initiative (a PRI initiative).
Section 5. Engagement Approach	
5a - What are the aims of the engagement policy?	Etica Sgr has an active engagement approach and votes in companies AGM in order to make companies aware about ESG issues and obtain more information about specific topics (executive remuneration, environmental certification, etc..). Moreover Etica Sgr sends letters, organizes conference calls and meetings with companies in collaboration with partners (PRI, ICCR, Eurosif..) Active ownership policy is described in <i>Linee Guida sull'Azionariato Attivo</i> , uploaded on website www.eticasgr.it .
5b - How does the fund prioritize which companies/issuers it will engage with?	Etica Sgr's active ownership policy approach prioritizes Italian companies. Concerning other companies, Etica Sgr prioritizes companies with whom it has already engaged or companies who has some ESG critical situation.
5c - Who undertakes engagement on behalf of the fund?	Engagement is undertaken directly by Etica Sgr.
5d - What methods of engagement are employed?	In Italy: Etica Sgr votes at AGMs and holds speeches. Abroad: Etica Sgr votes through internet and shareholder resolutions on ESG issues; moreover Etica Sgr holds dialogue in cooperation with PRI and ICCR.
5e - How is the effectiveness of engagement activity monitored/addressed?	Usually after AGM, Etica Sgr contacts companies in order to organize a meeting and understand how the suggestions made by Etica Sgr shall be implemented. If necessary a dialogue is started.
5f - What further steps, if any, are	Despite the unsuccessful result, Etica Sgr continues its activities. In case of serious

taken if engagement is considered unsuccessful?	topics of a company, Etica Sgr can decide to disinvest from it.
5g - How, and how frequently, are engagement activities communicated to investors and other stakeholders?	Etica Sgr communicates engagement activities to investors and other stakeholders through annual letter, annual report, newsletters, half yearly report and the website.
5h - What engagement activity has been carried out on behalf of the fund during the past year?	In 2010 Etica Sgr managed engagement activities with General Mills, Dell, Astrazeneca, British Gas, K+S, BMW, Eli Lilly, Indesit Company and Landi Renzo. In the last two case, Etica had also a speech in AGM. Etica joined the PRI initiative "Gender Dialogue" in order to promote a right gender balance in the companies' Board: Etica sent to about 50 companies (7 of these are Italian ones) a letter and a questionnaire on this issues. All engagement initiatives are available on www.eticasgr.it (http://www.eticasgr.it/cms/?plid=5&pid=187&ppid=34).
Section 6. Voting Policy	
6a - Do the funds have a voting policy?	Etica Sgr has a voting policy, <i>Linee Guida sull'Azionariato Attivo</i> , updated in July 2010, which describe Etica Sgr voting proxy guidelines about ESG issues. The guidelines communicate the engagement strategies to Etica Sgr stakeholders. The guidelines are uploaded on www.eticasgr.it .
6b - Do the funds disclose its voting practices and reasoning for decisions?	Etica Sgr discloses to companies its voting practices and reasoning for decisions on its web site or in its official communications to clients. The speeches given at the companies AGMs are uploaded on the website.
6c - Do the funds sponsor/co-sponsor shareholder resolutions?	Etica Sgr sustains shareholders resolutions in cooperation with international active shareholders (such as members of ICCR) and through PRI. Priority is given to the companies that are in dialogue with Etica SGR.
6d - What voting actions occurred that were related to the SRI fund ESG criteria?	Voting decisions are taken according to the active ownership guidelines which describes voting practices taking into account ESG issues.