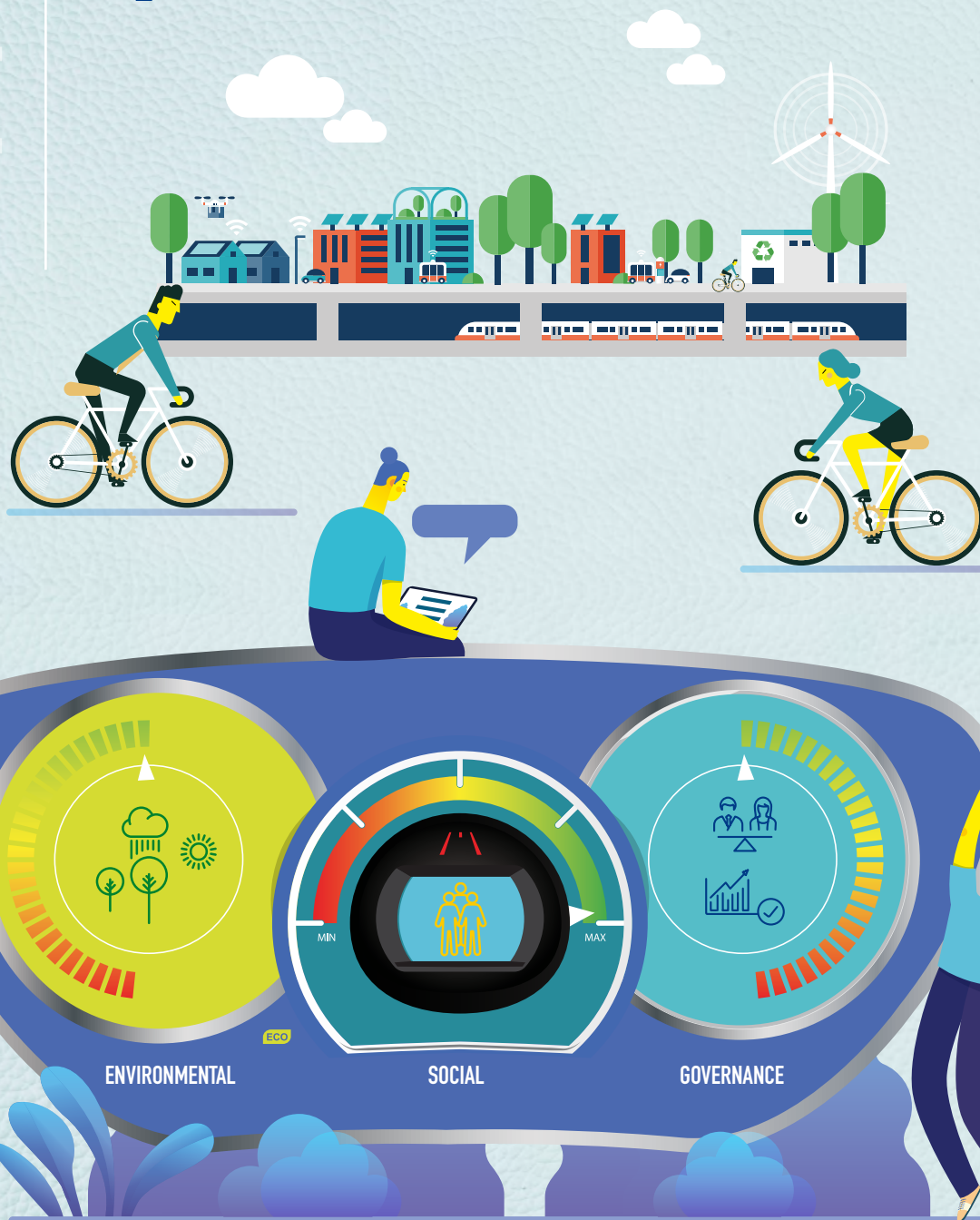


STATEMENT

# Principal adverse sustainability impacts







# HISTORY OF REVISIONS

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| Version | Description of revisions      |
|---------|-------------------------------|
| 01      | First issue - March 2021      |
| 02      | Second issue - September 2022 |
| 03      | Third issue - June 2023       |

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# SUMMARY

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

This statement on the principal adverse impacts on sustainability factors concerns the period of reference from 1 January to 31 December 2022.

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 founded in 2000, based on the conviction 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 returns. 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.

Therefore, the AMC considers the principal adverse impacts of its investment decisions on sustainability factors (hereinafter “Principal Adverse Sustainability Impacts” or “PAI”). This document, drafted in accordance with the provisions of Regulation (EU) 2019/2088 (Sustainable Finance Disclosure Regulation or “SFDR”) and Commission Delegated Regulation (EU) 2022/1288<sup>1</sup>, contains information relating to the consideration, by the AMC, of the principal adverse impacts of its investment decisions on sustainability factors, implemented in 2022 for all financial products established and/or managed by the Company, including in delegation.

Etica Sgr considers certain PAI indicators specific to the Line or Fund on the basis of the strategy and objectives of the Line and Fund, as shown below.

<sup>1</sup> 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

|                                     |             |  |  |
|-------------------------------------|-------------|--|--|
| 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 |
| 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 10 | Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises | Table 1 of Annex 1 of Commission Delegated Regulation (EU) 2022/1288 |
| 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 |
| 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 policy  | 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 |

## INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS

|               |              |   |  |
|---------------|--------------|---|--|
| Environmental | Indicator 15 | GHG intensity                                   | Table 1 of Annex 1 of Commission Delegated Regulation (EU) 2022/1288 |
| Social        | Indicator 16 | Investee countries subject to social violations | Table 1 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 |   |  |                                |             |  |
|--|---|--|--------------------------------|-------------|--|
| Adverse sustainability indicator                           | Metric  | Impact 2022 <sup>2</sup> [year n]  | Impact [year n-1] <sup>3</sup> | Explanation | Actions taken, and actions planned and targets set for the next reference period |
| <b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>    |   |  |                                |             |  |
| <b>Greenhouse gas emissions</b>                            | 1. GHG emissions <sup>4</sup>                             | <b>Scope 1 GHG emissions</b> of investee companies expressed in tonnes of CO <sub>2</sub> eq <sup>5</sup>  | <b>62,227.37</b>               | N/A         | N/A  |
|  |   | <b>Scope 2 GHG emissions</b> of investee companies expressed in tonnes of CO <sub>2</sub> eq   | <b>35,095.05</b>               | N/A         | N/A  |
|  |   | <b>Scope 3 GHG emissions</b> of investee companies expressed in tonnes of CO <sub>2</sub> eq   | <b>494,963.81</b>              | N/A         | N/A  |
|  |   | <b>Total GHG emissions</b> of investee companies expressed in tonnes of CO <sub>2</sub> eq   | <b>96,949.87</b>               | N/A         | N/A  |
|  | 2. Carbon footprint                                       | <b>Carbon footprint</b> expressed in tonnes of CO <sub>2</sub> eq/€M against the total value of investments  | <b>397.02</b>                  | N/A         | N/A  |
|  | 3. GHG intensity of investee companies                    | <b>GHG intensity</b> adjusted for revenues of investee companies against the total value of investments expressed in tonnes of CO <sub>2</sub> eq/€M | <b>1,132.38</b>                | N/A         | N/A  |
|  | 4. Exposure to companies active in the fossil fuel sector | <b>Share of investments</b> in companies active in the fossil fuel sector expressed as a percentage  | <b>0.00%</b>                   | N/A         | N/A  |

For the PAIs relevant for the purposes of the investment policy of the financial products established and/or managed in delegation, the AMC undertakes to monitor their impact, assessing any definition of targets or additional corrective actions.

<sup>2</sup> The values are expressed as an average of the impacts at 31 March, 30 June, 30 September and 31 December 2022.

<sup>3</sup> Etica Sgr prepares this statement for the first time in reference to 2022. From June 2024, referring to 2023, it will be possible to publish a historical data comparison in relation to the previous period.

<sup>4</sup> GHG: GreenHouse Gases such as carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), sulphur hexafluoride (SF<sub>6</sub>), nitrogen trifluoride (NF<sub>3</sub>), hydrofluorocarbons (HFCs) and perfluorocarbons (PFCs).

<sup>5</sup> CO<sub>2</sub>eq (CO<sub>2</sub> 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

| Adverse sustainability indicator                        | Metric  | Impact 2022 <sup>2</sup> [year n]  | Impact [year n-1] <sup>3</sup> | Explanation | Actions taken, and actions planned and targets set for the next reference period |
|---|---|--|--------------------------------|-------------|--|
| <b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b> |   |  |                                |             |  |
| <b>Greenhouse gas emissions</b>                         | 5. Share of non-renewable energy consumption and production     | <b>Share of consumption</b> 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              | <b>0.68%</b>                   | N/A         | N/A  |
|   |   | <b>Share of production</b> 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               | <b>0.57%</b>                   | N/A         | N/A  |
|   | 6. Energy consumption intensity per high impact climate sector  | <b>Energy consumption in GWh</b> per million € of turnover of investee companies, per high-impact climate sector expressed as a percentage   | <b>0.41%</b>                   | N/A         | N/A  |
| <b>Biodiversity</b>                                     | 7. Activities negatively affecting biodiversity-sensitive areas | <b>Share of investments</b> 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 | <b>0.51%</b>                   | N/A         | N/A  |
| <b>Water</b>  | 8. Emissions to water   | <b>Tonnes of emissions</b> to water generated by investee companies per million € invested, expressed as a weighted average  | <b>0.20</b>                    | N/A         | N/A  |
| <b>Waste</b>  | 9. Hazardous waste and radioactive waste ratio                  | <b>Tonnes of hazardous waste and radioactive waste</b> generated by investee companies per million € invested, expressed as a weighted average   | <b>104.07</b>                  | N/A         | N/A  |

For the PAIs relevant for the purposes of the investment policy of the financial products established and/or managed in delegation, the AMC undertakes to monitor their impact, assessing any definition of targets or additional corrective actions.



# DESCRIPTION OF THE PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

| Adverse sustainability indicator  | Metric  | Impact 2022 <sup>2</sup> [year n]   | Impact [year n-1] <sup>3</sup> | Explanation | Actions taken, and actions planned and targets set for the next reference period |   |
|---|---|---|--------------------------------|-------------|--|---|
| <b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b> |   |   |                                |             |  |   |
| <b>Social and employee matters</b>  | 10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises  | <b>Share of investments</b> in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises   | <b>0.00%</b>                   | N/A         | N/A  |   |
|   | 11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises | <b>Share of investments</b> 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 | <b>0.85%</b>                   | N/A         | N/A  | For the PAIs relevant for the purposes of the investment policy of the financial products established and/or managed in delegation, the AMC undertakes to monitor their impact, assessing any definition of targets or additional corrective actions. |
|   | 12. Unadjusted gender pay gap   | <b>Average unadjusted gender pay gap</b> of investee companies expressed as a percentage  | <b>0.04%</b>                   | N/A         | N/A  |   |
|   | 13. Board gender diversity  | <b>Average ratio of female to male</b> board members in investee companies, expressed as a percentage of all board members  | <b>0.32</b>                    | N/A         | N/A  |   |
|   | 14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)                                  | <b>Share of investments</b> in investee companies involved in the manufacture or selling of controversial weapons expressed as a percentage   | <b>0.00%</b>                   | N/A         | N/A  |   |

# DESCRIPTION OF THE PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

## INDICATORS APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS

| Adverse sustainability indicator | Metric  | Impact 2022 <sup>2</sup> [year n]  | Impact [year n-1] <sup>3</sup> | Explanation | Actions taken, and actions planned and targets set for the next reference period |
|----------------------------------|---|--|--------------------------------|-------------|--|
| <b>Environmental</b>             | 15. GHG intensity <sup>4</sup>                      | <b>GHG intensity</b> of investee countries expressed in kg of CO <sub>2</sub> eq/€ of GDP  | 0.21                           | N/A         | N/A  |
| <b>Social</b>                    | 16. Investee countries subject to social violations | <b>Absolute number of countries in relation to all investee countries</b> subject to social violations, pursuant to treaties and international conventions, United Nations principles and, where applicable, national law. | 0                              | N/A         | N/A  |
|                                  |   | <b>Relative number of countries in relation to all investee countries</b> subject to social violations, pursuant to treaties and international conventions, United Nations principles and, where applicable, national law. | 0                              | N/A         | N/A  |

For the PAIs relevant for the purposes of the investment policy of the financial products established and/or managed in delegation, the AMC undertakes to monitor their impact, assessing any definition of targets or additional corrective actions.

## INDICATORS APPLICABLE TO INVESTMENTS IN REAL ESTATE ASSETS

| Adverse sustainability indicator | Metric  | Impact 2022 <sup>2</sup> [year n]  | Impact [year n-1] <sup>3</sup> | Explanation | Actions taken, and actions planned and targets set for the next reference period |
|----------------------------------|---|--|--------------------------------|-------------|--|
| <b>Fossil fuels</b>              | 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                                   |
| <b>Energy efficiency</b>         | 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                                   |

# DESCRIPTION OF THE PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

## TABLE 2

### ADDITIONAL CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

| Adverse sustainability indicator                                  | Metric  | Impact 2022 <sup>2</sup> [year n]  | Impact [year n-1] <sup>3</sup> | Explanation | Actions taken, and actions planned and targets set for the next reference period |   |
|---|---|--|--------------------------------|-------------|--|---|
| <b>INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES</b> |   |  |                                |             |  |   |
| <b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>           |   |  |                                |             |  |   |
| <b>Emissions</b>  | 4. Investments in companies without carbon emission reduction initiatives | <b>Share of investments</b> in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement expressed as a percentage | <b>0.08%</b>                   | N/A         | N/A  | For the PAIs relevant for the purposes of the investment policy of the financial products established and/or managed in delegation, the AMC undertakes to monitor their impact, assessing any definition of targets or additional corrective actions. |
| <b>Water, waste and material emissions</b>                        | 7. Investments in companies without water management policies             | <b>Share of investments</b> in investee companies without water management policies expressed as a percentage  | <b>0.07%</b>                   | N/A         | N/A  |   |

## TABLE 3

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

| Adverse sustainability indicator  | Metric  | Impact 2022 <sup>2</sup> [year n]   | Impact [year n-1] <sup>3</sup> | Explanation | Actions taken, and actions planned and targets set for the next reference period |   |
|---|---|---|--------------------------------|-------------|--|---|
| <b>INDICATORS APPLICABLE TO INVESTMENTS IN INVESTEE COMPANIES</b>   |   |   |                                |             |  |   |
| <b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b> |   |   |                                |             |  |   |
| <b>Social and employee matters</b>  | 4. Lack of a supplier code of conduct                 | <b>Share of investments</b> in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour) expressed as a percentage | <b>0.01%</b>                   | N/A         | N/A  | For the PAIs relevant for the purposes of the investment policy of the financial products established and/or managed in delegation, the AMC undertakes to monitor their impact, assessing any definition of targets or additional corrective actions. |
| <b>Human rights</b>   | 9. Lack of a human rights policy                      | <b>Share of investments</b> in entities without a human rights policy expressed as a percentage   | <b>0.01%</b>                   | N/A         | N/A  |   |
| <b>Anti-corruption and anti-bribery</b>   | 15. Lack of anti-corruption and anti-bribery policies | <b>Share of investments</b> in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption expressed as a percentage               | <b>0.01%</b>                   | N/A         | N/A  |   |

# DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITISE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY

## IDENTIFYING AND PRIORITISING THE PRINCIPAL ADVERSE SUSTAINABILITY IMPACTS

The AMC considers the principal adverse sustainability impacts 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 risk assessment and management.

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 EticaApproach®, 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.

## 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 at the proposal of an Ethics Committee independent from the Company<sup>6</sup> and are periodically updated, with the latest version published on the website of the AMC<sup>7</sup>.

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.

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.

<sup>6</sup> For additional information: [www.eticasgr.com/en/etica-sgr/governance-and-policy/ethics-committee](http://www.eticasgr.com/en/etica-sgr/governance-and-policy/ethics-committee)

<sup>7</sup> For additional information: [www.eticasgr.com/en/responsible-investment/selection-of-securities/linea-valori-responsabili-selection](http://www.eticasgr.com/en/responsible-investment/selection-of-securities/linea-valori-responsabili-selection) - latest version March 2023

[www.eticasgr.com/en/responsible-investment/selection-of-securities/linea\\_futuri\\_responsabili\\_selection](http://www.eticasgr.com/en/responsible-investment/selection-of-securities/linea_futuri_responsabili_selection) - latest version December 2022

# DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITISE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY

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 Risk<sup>8</sup> ( $R_{-ESG}$ ) 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.

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.

Finally, the AMC deems it necessary to have clear and complete information regarding the impact generated by its sustainable and responsible investment strategy, 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 on the impacts generated in documents such as the Impact Report<sup>9</sup> and the Climate Change Report<sup>10</sup>, which are both subject to the Board of Directors' approval.

## 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.

<sup>8</sup> For additional information see [www.eticasgr.com/en/responsible-investment/esg-risk](http://www.eticasgr.com/en/responsible-investment/esg-risk)

<sup>9</sup> 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.

<sup>10</sup> Annual document analysing the impact of Etica Sgr fund investments in relation to issues referring to climate change and in relation to the reference market, following the recommendations of the TCFD - Task Force On Climate-Related Financial Disclosures, an entity established by the Financial Stability Board (FSB) to draft instructions on risk reporting and the opportunities related to climate change.



# 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 AMC<sup>11</sup> and drafted in line with the provisions of:

- Directive 2017/828, "Shareholder Rights II" of the European Parliament and of the Council amending Directive 2007/36/EC as regards the encouragement of 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.

This Policy outlines the main ESG issues that form the subject of engagement by Etica, linking them with the United Nations' sustainable development objectives (UN SDGs).

<sup>11</sup> [www.eticasgr.com/en/responsible-investment/engagement](http://www.eticasgr.com/en/responsible-investment/engagement)

## ENGAGEMENT POLICY

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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.

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"<sup>12</sup>. 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 Report<sup>13</sup> and the Stewardship Report<sup>14</sup>, which are subject to the Board of Directors' approval.

<sup>12</sup> [www.eticasgr.com/en/responsible-investment/engagement/italian-principles-of-stewardship](http://www.eticasgr.com/en/responsible-investment/engagement/italian-principles-of-stewardship)

<sup>13</sup> 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.

<sup>14</sup> 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 website<sup>15</sup>.

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 Disclosures*<sup>16</sup> and publishing its annual report on climate change<sup>17</sup>;

<sup>15</sup> [www.eticasgr.com/en/responsible-investment/engagement/italian-principles-of-stewardship](http://www.eticasgr.com/en/responsible-investment/engagement/italian-principles-of-stewardship)

<sup>16</sup> [www.fsb-tcfd.org/](http://www.fsb-tcfd.org/)

<sup>17</sup> [www.eticasgr.com/en/storie/insights/carbon-footprint-tcfd-report-2022-valori-responsabili](http://www.eticasgr.com/en/storie/insights/carbon-footprint-tcfd-report-2022-valori-responsabili)

## REFERENCES TO INTERNATIONAL PRINCIPLES AND STANDARDS

- **Finance for Biodiversity Pledge<sup>18</sup>**: 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 75<sup>th</sup> 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 “Collaborating and sharing knowledge”, “Engaging with companies”, “Assessing impact”, “Setting targets” and “Reporting publicly”<sup>19</sup>.

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)<sup>20</sup>, the AMC launched an international campaign to promote divestment from nuclear weapons alongside ICAN, an NGO awarded the Nobel Peace Prize in 2017<sup>21</sup>.

<sup>18</sup> [www.financeforbiodiversity.org](http://www.financeforbiodiversity.org)

<sup>19</sup> [www.eticasgr.com/en/storie/insights/etica-funds-finance-for-biodiversity-pledge](http://www.eticasgr.com/en/storie/insights/etica-funds-finance-for-biodiversity-pledge)

<sup>20</sup> [retepasedisarmo.org/disarmo-nucleare/trattato-tpnw-strada-maestra-contro-minaccia-armi-nucleari](http://retepasedisarmo.org/disarmo-nucleare/trattato-tpnw-strada-maestra-contro-minaccia-armi-nucleari)

<sup>21</sup> [www.eticasgr.com/en/storie/insights/dire-fare-disarmare-etica-funds-and-ican-on-the-frontline-against-war](http://www.eticasgr.com/en/storie/insights/dire-fare-disarmare-etica-funds-and-ican-on-the-frontline-against-war)

## HISTORICAL COMPARISON

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This statement is provided for the first time referring to the year 2022, meaning that the historical data comparison between the reporting period and the previous period will be available from the next edition in June 2024.



## FIND OUT MORE:

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