

ABSTRACT SUSTAINABILITY REPORT 2024

**Ethical finance for
responsible choices**



etica FUNDS
Responsible Investments

Etica Sgr S.p.A.

Asset management company
of the Banca Popolare Etica Group
and subject to management and
coordination by Banca Popolare
Etica S.c.p.a.

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Tax code and VAT number 13285580158
Economic and Administrative
Index No. 1634082

Registered with the Bank of Italy
Registry under no. 32
of the UCITS section.



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**Ethical finance for
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This abstract is a short version of the **Annual Reports**,
available in Italian on the Etica Sgr website



CORPORATE BODIES AND ORGANIZATION

Board of Directors

Marco Carlizzi	<i>Independent Chairman</i>
Adriana Lamberto Floristan	<i>Deputy Chairwoman</i>
Elisabetta Carla Binacchi	<i>Independent Director</i>
Carlo Capotorti	<i>Independent Director</i>
Paolo Cattarin	<i>Director</i>
Giovanni Ferri	<i>Independent Director</i>
Giacinto Palladino	<i>Director</i>
Cesare Pozzi	<i>Independent Director</i>
Mary Thomson	<i>Director</i>

Board of Statutory Auditors

Massimo Gallina	<i>Chairman</i>
Paolo Salvaderi	<i>Regular Auditor</i>
Alessandra Cuccu	<i>Regular Auditor</i>
Federica Mantini	<i>Alternate Auditor</i>
Tommaso Zanini	<i>Alternate Auditor</i>

General Manager

Luca Mattiazzi

Deputy General Manager

Roberto Grossi

Ethics Committee

Leonardo Becchetti	<i>Chairman</i>
Mariantonietta Intonti	<i>Deputy Chairwoman</i>
Laura Berry	
Roberta Cafarotti	
Carlos Cordero Sanz	
Walter Ganapini	
Mikhail Maslennikov	
Ivana Pais	
Silvia Stefanovichj	



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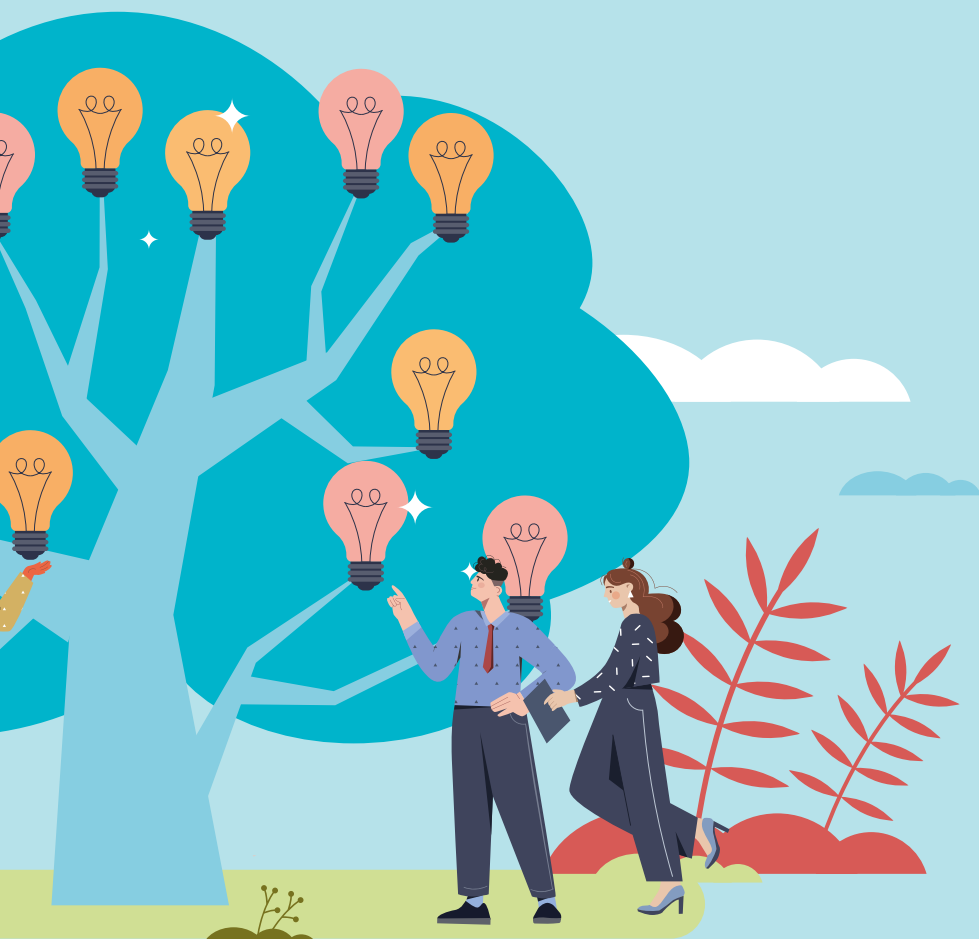
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2024 HIGHLIGHTS



Economic results

7,490,754 €

Net profit

48.25% ROE

59.67% Cost/income

%%
%%
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Social responsibility

Governance

6.65€

Earnings per share distributed

39.95%

Percentage of 2024 profits distributed to shareholders

44%

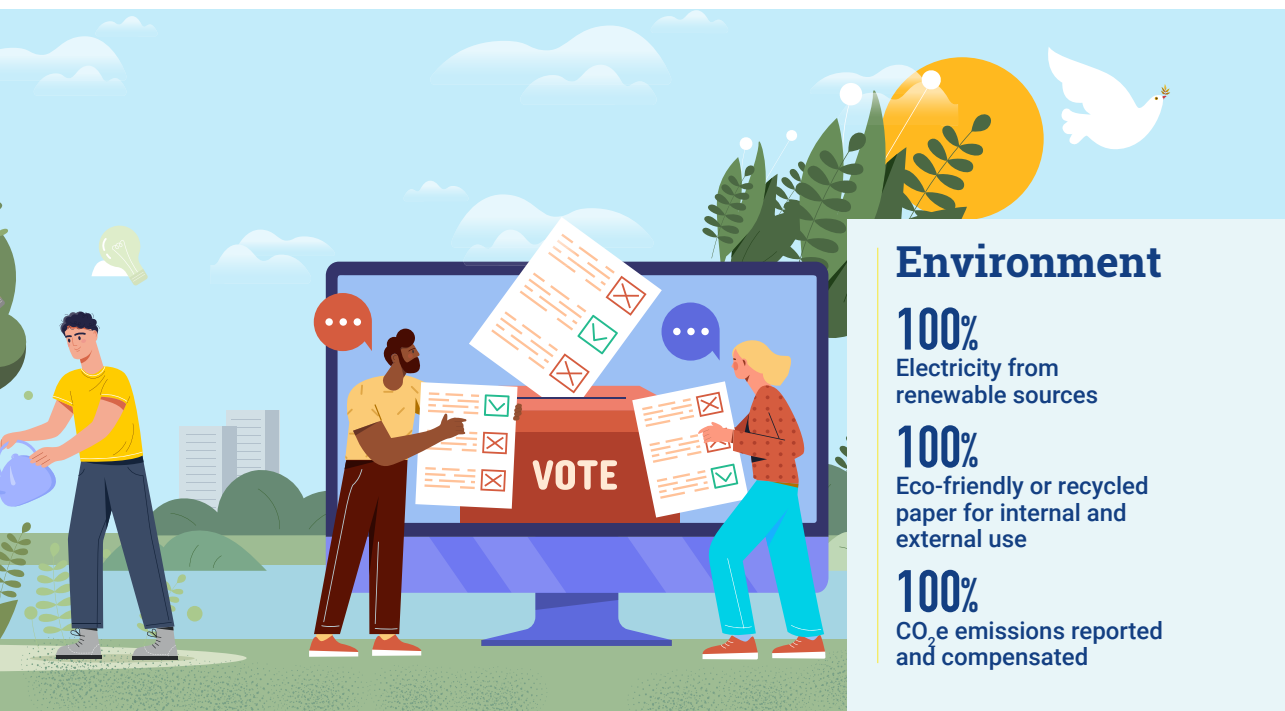
Independent Directors

44%

Female Directors

99%

Attendance rate of Directors at Board meetings



Environment

100%

Electricity from renewable sources

100%

Eco-friendly or recycled paper for internal and external use

100%

CO₂e emissions reported and compensated

Market

436,530

Customers at year end

237,155

Users in the online community and on social networks

3,297,840

Operations on funds

2

Complaints received

7.354 bln €

Etica System Assets

People

51

Employees

26

Female employees

41.9

Average age

6.4

Average length of service

8.33%

Turnover rate

60

Hours of training per capita

Community

90

Votes in shareholders' meetings

6,370,000 €

Microfinancing and crowdfunding fund allocated for 2024

230

New micro loans and credit lines granted thanks to the Etica Sgr guarantee fund

11

Crowdfunding projects supported thanks to the Etica Sgr fund

42

Hours of training carried out at universities, public events and interviews



Since 2000, Etica Sgr has operated as the only Italian asset management company exclusively offering ethical and responsible mutual investment funds with a mission to “represent the values of ethical finance in financial markets, raising the awareness of the public and financial operators in relation to socially responsible investments and corporate social responsibility” (art. 4 of the Bylaws). Over time, the operational scope of the asset management company has broadened and evolved, whilst always upholding its identity and values, as set out in its Social Responsibility Policy. This was updated at the end of 2024 and illustrates the principles and methods of implementation of environmental, social and governance factors, generating value for all stakeholders.



Identity



Values

Etica Sgr's operations are founded on certain core values, which it aims to disseminate both internally and amongst stakeholders. These principles, formalised in the Code of Ethics, are derived both from the asset management company's status as a part of the Banca Etica Group - whose core values are enshrined in its "Ethical Finance Manifesto" - and from its direct efforts to promote socially responsible investment.



2

Products and services



In order to pursue its activity, Etica Sgr is active in three areas:



Responsible Finance

Etica Sgr exclusively promotes financial investments in company stocks and government securities selected on the basis of strict social and environmental criteria. The mission and values of the asset management company find concrete expression in its socially responsible investment products:

- the **Etica System**, formed of seven Italian open-ended mutual investment funds
- **three sub-funds under Luxembourg law** launched for international placement under the name Etica Funds.*



Stewardship

To support the integration of social and environmental sustainability into the strategy of issuers it invests in, Etica Sgr adopts the following approaches:

- **dialogue**
- **active exercise of voting rights**
- **advocacy.**



Microfinance and crowdfunding

Customers subscribing Etica Sgr funds have the option of voluntarily assigning one euro per thousand to a current account where funds remain unavailable that guarantees microfinancing projects in Italy and abroad, run by Italian entities, and supports crowdfunding campaigns.

* Etica Funds, a registered trademark of Etica Sgr, represents the three sub-funds of the MULTILABEL SICAV (operating under Luxembourg law) established by Carne Global Fund Managers (Luxembourg) S.A. on behalf of Etica Sgr S.p.A., which acts as investment manager and global distributor.

The financial products established and/or managed (including under mandate) by Etica Sgr are:

- **classified as sustainable funds pursuant to** art. 9 of **Regulation EU 2019/2088 (SFDR)**.

These are: Etica Azionario, Etica Bilanciato, Etica Impatto Clima and Etica Obiettivo Sociale.

The remainder are classified as funds pursuing environmental and/or social purposes pursuant to art. 8 of the same Regulation

- **consistent with the definition of SRI provided by the Italian Sustainable Investment Forum,**

on the basis of which *"Sustainable and Responsible Investment is represented by an investment strategy focused on the medium/long-term integrating financial analysis with environmental, social and governance assessment, in order to generate value for investors and for society as a whole"*.

SISTEMA ETICA

1. Valori Responsabili Line

- Etica Obbligazionario Breve Termine
- Etica Obbligazionario Misto
- Etica Rendita Bilanciata
- Etica Bilanciato
- Etica Azionario

2. Futuri Responsabili Line

- Etica Transizione Climatica
- Etica Obiettivo Sociale

ETICA FUNDS (under Luxembourg law)

- Etica Global Equity
- Etica Dynamic Allocation
- Etica Conservative Allocation



3

Economic operating results

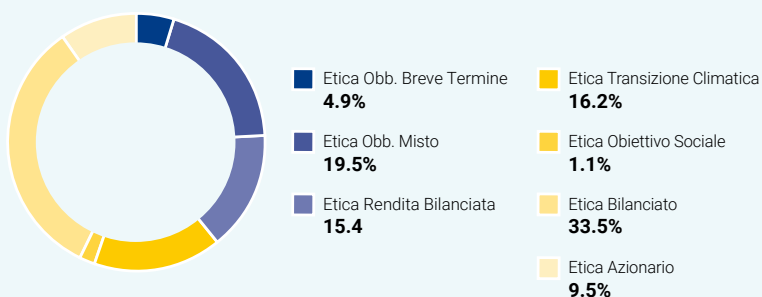


Funding and assets of Funds

At 31 December 2024, due to a net outflow of €427 million and a positive market effect of €356 million, the total equity of funds in the

Etica System stood at €7,354.70 million, down approximately 1% from the 2023 figure, which breaks down as follows:

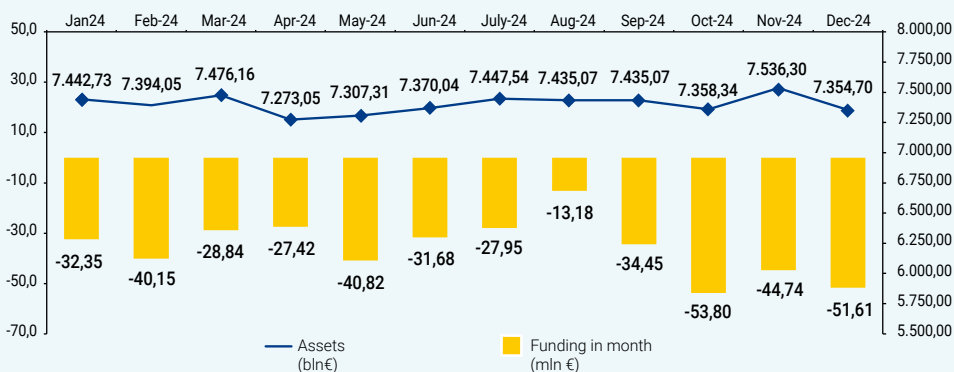
Figure 1.
Etica System Assets: breakdown by Fund



Source: processing of Etica Sgr internal data.

The following Figure displays the performance of the assets and funding of Etica System funds over the course of 2024.

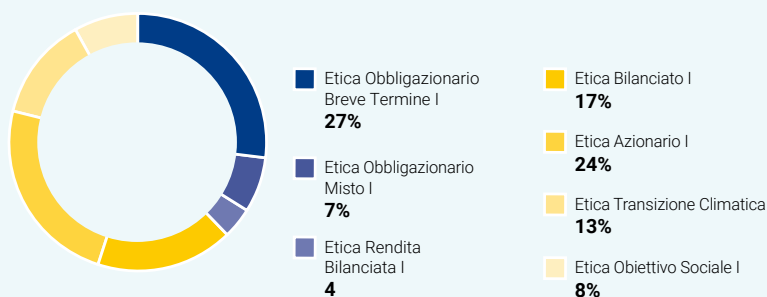
Figure 2.
Performance of Etica System funding and assets in 2024



Source: processing of Etica Sgr internal data.

The funds with a net inflow were Etica Obiettivo Sociale with around €37 million and Etica Obbligazionario Breve Termine with almost €3 million. Those with a net outflow were Etica Obbligazionario Misto with over €-158 million, Etica Impatto Clima with over €-145 million, Etica Rendita Bilanciata with over €-98 million, Etica Azionario with over €-52 million and Etica Bilanciato with over €-11 million.

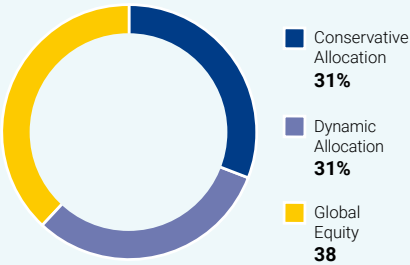
Figure 3.
System distribution of class I assets



Source: processing of Etica Sgr internal data.

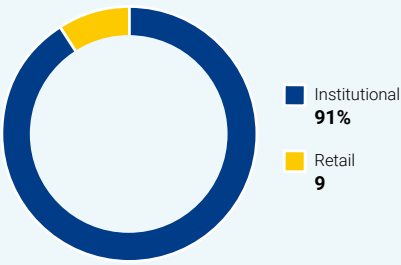
With reference to Luxembourg Etica Funds, total assets under management at the end of 2024 were approximately €84 million, up 8% on the previous year. A breakdown by sub-funds and type of customer is provided in the figures below.

Figure 4.
Breakdown of Etica Funds assets



Source: processing of Etica Sgr internal data.

Figure 5.
Etica Funds AUM by type of investor



There was a slight net outflow of funds in 2024 (approximately €0.5 million), as new subscriptions could not fully cover withdrawals.

Management of the Etica System funds

When selecting the securities in which the sustainable and responsible funds belonging to the Etica System are invested, the ESG analysis is supported by the financial analysis: the investment manager Anima Sgr, an independent asset management company, assesses the financial performances and selects, in the context of the Investable Universes defined by Etica Sgr, the best securities in terms of risk/return ratio, in accordance with the Investment Policy defined by Etica Sgr's Investment Committee and approved by its Board of Directors.

The investment committee is composed of:

- at least two Directors selected from the Board of Directors of Etica Sgr (currently Mary Thomson and Giacinto Palladino)
- the General Manager of the asset management company
- the Head of the Investments Department of the Delegated Manager and/or the portfolio managers
- the Risk Management Manager (without voting rights)
- the Fund Analyst (without voting rights).

The Committee generally meets monthly (unless market requirements dictate otherwise) and prior to the upcoming meeting of the Board of Directors. During meetings, the Committee discusses and drafts proposals regarding the guidelines for investment strategies, expressed in terms of levels of acceptable risk and exposure to the principal risk

factors, to be submitted to the Board of Directors for appropriate assessments and resolutions to be made. All parameters regarding risk and exposure to the different asset classes are defined in line with the regulatory provisions of each Fund.

Below we describe in brief the main investment decisions carried out in the year by the management team, by stock and bond component.

Equity component of Etica System funds

In 2024, equity management recorded absolutely positive performance, yet below the benchmark. This underperformance is attributable to selection and, to a lesser degree, to allocation in the US and Europe, together with an absence of the financial sector from the reference universe and of certain key US and European mega-cap stocks.

Management was affected primarily by stock selection in the US in the technology and telecommunications-services sectors. Whilst the overweight position proved beneficial, the absence of some US mega-cap tech stocks and the high concentration of performance stock in the AI sphere did not support relative performance.

Furthermore, in the industrial sector too, relative performance was negatively impacted by selection and low exposure in the area of the transition to electric in the automotive industry (low representation in the reference universe), which was one of the key drivers in the industry.

The initially more defensive positioning, marked by a significant overweight in the pharmaceuticals sector, further weighed on performance. However, this exposure was gradually reduced over the course of the year, although news coverage of US elections triggered additional profit-taking in the area.

In Europe, stock selection in the pharmaceuticals and materials sectors was positive, but good performance was cancelled out by selection in the

technology sector and the structural underweight in the financial sector.

Finally, Japan made a marginally negative contribution, with good performance generated by selection in the materials sector and the overweight of industrials was partially cancelled out by selection in the technology sector and the consumer-staples sector.

Bond component of Etica System funds

The bond component achieved positive performance in 2024 in absolute terms, although being slightly below the benchmark in relative terms.

After strong performance in the final months of 2023, expectations regarding the speed and entity of cycles of interest-rate cuts in the Euro area and the US collided with macro data for the first quarter and uncertainty regarding a downward trend in inflation. In the second part of the year, following the decision to dissolve the French parliament to call new elections, and a wave of disappointing global macrodata, yields of short-term bonds saw a strong increase in demand, also supported by official interest-rate cuts by the ECB and the Fed.

In the short term, against a backdrop with the German two-year yield rising throughout the first part of the year and monetary curves failing to compensate for extending duration, the portfolio management capitalized on the higher yields offered by ultra-short-term securities, while maintaining a duration below the benchmark.

For longer maturities, on the other hand, the higher yields offered by credit instruments and sovereign issues from Spain, Italy and the European Union partially offset losses stemming from the rise in government-bond yields. This took place with gradually increasing duration starting in February and continuing through the first half of the year, while in the second half, the overweight position with regard to duration was progressively reduced.

Awards

Various recognitions received during the year highlighted the Company's commitment to sustainability and the value of Etica Sgr funds.



2024 ESG Identity Awards - "Boutique Size" category

Etica Sgr took first place in the 2024 ESG Identity Awards in the "Boutique Size" category, as well as second place in the "Italian AMC" category. The awards, presented at the Salone SRI 2024 event, drew on the results of the ESG.IAMA (ESG Identity Asset Manager Assessment) project, the first international analysis developed by ET Group on the ESG identity of asset managers.



Best 300 Funds: CFS Rating picks Etica Obiettivo Sociale

Etica Obiettivo Sociale, the latest fund created by Etica Sgr, was selected as one of the "Best ESG" funds in the balanced category by CFS Rating in its guide to the "Best 300 Funds". This important recognition highlights Etica Sgr's constant commitment to promoting an integrated approach aimed at combining the goals of financial growth and sustainability.



H&K Responsible Investment Brand Index 2024

Inclusion in the H&K RIBI 2024 has confirmed Etica Sgr's status as an "Avant-Gardist" investment company, placing it at the top of the rating scale, along with just 20% of global companies considered. It took second place in the category of Southern European companies. This prestigious recognition is the result of Etica Sgr's commitment and unique approach in promoting sustainable development through its brand.



2023 High Returns Award:

Etica Sgr is Best ESG Manager for the second year running.

During the 26th edition of the High Returns Award, assigned by newspaper Il Sole 24Ore, Etica Sgr was selected as Best ESG Manager in the Small Italian Funds category, for those with assets managed in open funds below € 8 billion (data at IV quarter 2023 published by Assogestioni).



Top Fund Manager 2024 | Italy Medium

For the eighth consecutive year, Etica Sgr is Top Fund Manager in the Italy Medium category (the analysis considers AMCs with 5 to 50 billion under management).



2024 Sustainability Awards: Etica Sgr wins award in Banking and Finance category

Etica Sgr was recognised in the 2024 Sustainability Awards, in the Banking and Finance category. This award was assigned by LC Publishing Group, an international editorial group focused 100% on digital channels and leading market trends. The Sustainability Awards represent an important recognition in the field. Their aim is to recognise the leading sustainability projects in the Italian corporate world.

Economic operating performance

The fundamental components of the operating result are highlighted in Figure 6.

Figure 6.
Fundamental components of the operating result

Relevant components of the operating result	2024	2023		Change	Δ%
Fee income	115,302,180	110,179,658	↑	5,122,522	4.65%
Fee expense	89,683,483	84,174,956	↑	5,508,527	6.54%
Net fees	25,618,697	26,004,702	↓	(386,005)	(1.48%)
Interest income and expense and similar income/charges	359,041	195,922	↑	163,119	83.26%
Result of trading activities	14,362	30,661	↓	(16,299)	(53.16%)
Intermediation margin	25,998,301	26,231,834	↓	(233,533)	(0.89%)
Administrative expenses	15,514,003	14,363,896	↑	1,150,107	8.01%
Amortisation and depreciation	290,577	382,601	↓	(92,024)	(24.05%)
Other income and management fees	553,489	564,697	↓	(11,208)	(1.98%)
Operating costs	15,251,091	14,181,800	↑	1,069,291	7.54%
Gross profit	10,747,165	12,049,989	↓	(1,302,824)	(10.81%)
Income tax	3,256,411	3,649,017	↓	(392,606)	(10.76%)
Net profit	7,490,754	8,400,972	↓	(910,218)	(10.83%)

Source: processing of Etica Sgr internal data.

Amounts in euro

Net fees were down almost 1.5% and, therefore, so was the intermediation margin, which was €25,998,301 (-0.89%), despite significant growth in interest income from investment of liquidity. The 7.5% growth in operating costs also affected gross profit, totalling €10,747,165 and down 10.83% compared to 2023.

4

Engagement with customers regarding dialogue with businesses



Following the success of the 2023 initiative, we decided to repeat it at the start of 2024, extending the scope of consultation to include advocacy with governments. The aim was to gather the opinions and preferences of our customers on sustainability issues that guide Etica Sgr's stewardship activities, particularly regarding dialogue with businesses that our funds invest in.

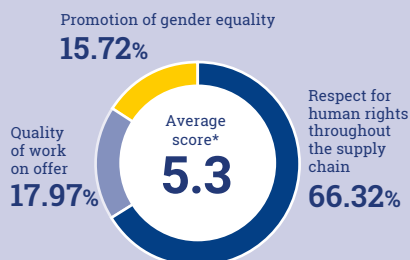
To further explore these aspects, we launched a questionnaire aimed at giving a voice to customers and further increasing the effectiveness of our commitment to dialogue with companies. This project, now in its second edition, is a tangible example of innovation, inclusivity and a unique approach, making us pioneers in Italy. Involving customers in activity for dialogue with companies is a tangible example of participatory economic democracy, a foundational principle of ethical finance.

The results Dialogue and voting activity with businesses

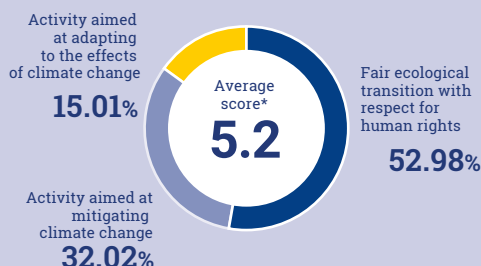
Total resources 2.992

*Average score: on a scale from 1 to 6.

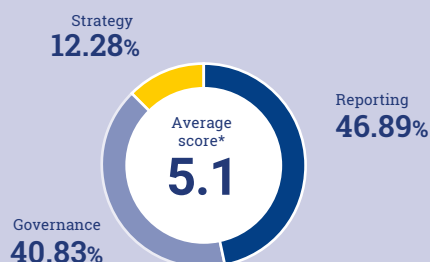
Human rights



Climate change



Fiscal transparency



Biodiversity and management of natural resources

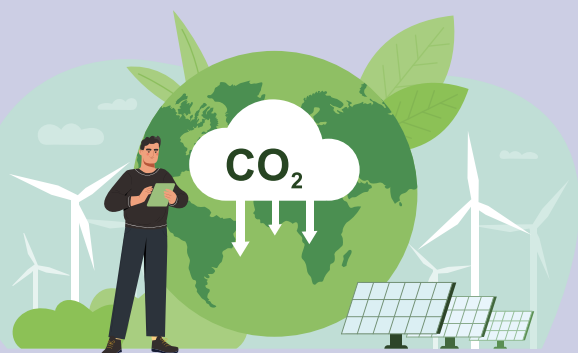


The quick and simple questionnaire was distributed via MyEtica, the private online area for Etica Sgr customers. It focused on strategic and long-term themes regarding company dialogue and voting, including human rights, climate change, fiscal transparency and biodiversity and the management of natural resources. With regard to advocacy in relation to governments and legislators, particular attention was focused on climate change and the issue of nuclear weapons. Customers were able to express their opinion on the importance of each area, ranking them from one to six and evaluating sub-topics.

Almost 3,000 customers completed the questionnaire. Responses highlighted the importance placed on all proposed topics, which were all ranked highly. Specifically, aspects connected to human rights ranked most highly in terms of importance in the context of company dialogue and voting, with an average score of 5.3. This was also identified as a clear priority in relation to advocacy with governments and legislators, alongside climate change, which ranked most highly. Detailed results are presented in the infographic below.

The opinions expressed had a significant impact on definition of the development plan for Etica Sgr's stewardship activity, which includes dialogue with companies in which its funds invest, voting at shareholders' meetings and engagement with governments and legislators to promote responsible behaviour and a sustainable development model.

All of the proposed issues received **high scores** (≥ 5 out of 6).
Of these, **human rights** and **climate change** were ranked as most



ADDITIONAL ISSUES SUGGESTED

Human rights Safety Transparency
Alternative energy Social equity Workers' right
Poverty Education Money laundering Inequality Water
Land use Legality **Peace** Fairness Environment Air
Intensive farming Nuclear Sustainability
Senior citizens Local economies Gender equality
Tax evasion Public health Culture Ethics

Advocacy with governments and legislators

Climate change

Average score*
5.3



Nuclear weapons

Average score*
4.8

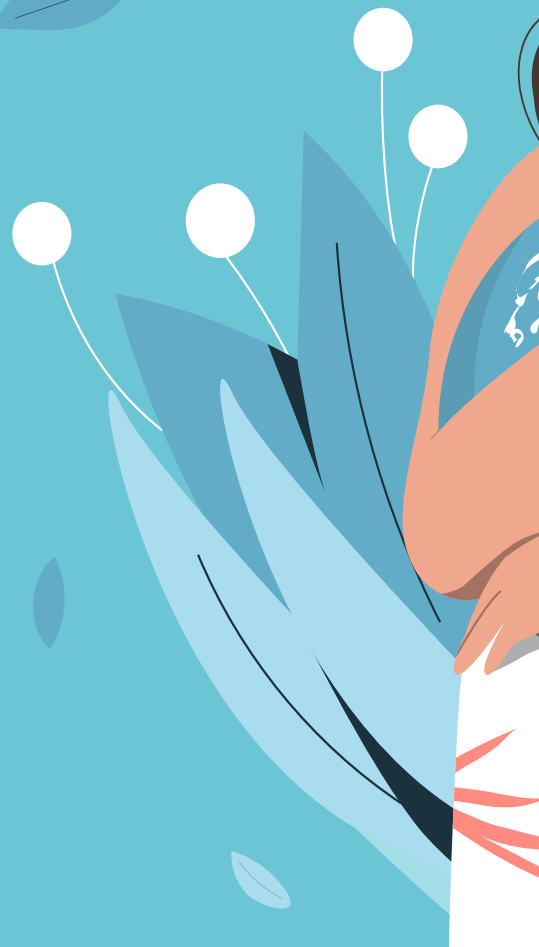


ADDITIONAL ISSUES SUGGESTED

Peace Climate change
Arms Labour Support
Management Human rights **Disarmament**
Resources Development Arms sales
Respect Nuclear Cooperation
Training Transition

In its respect for the environment and its desire to limit its impact as much as possible, Etica Sgr has decided not to print the report.

The interactive and navigable version is available in Italian on the website www.eticasgr.com.



Concept, Graphic design and Development:





www.eticasgr.com