

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE CRITERIA FOR THE ANALYSIS OF COMPANIES IN THE
INVESTMENT FUNDS OF LINEA VALORI RESPONSABILI**

EXCLUSION CRITERIA	
<p>If a company is involved in one of the listed practices or activities, it is excluded from the eligible universe. Any proposal of inclusion of these companies will be evaluated on a case-by-case basis.</p> <p>Furthermore, the funds apply the exclusion criteria set out in Article 12(1)(a) to (c) of Delegated Regulation (EU) 2020/1818, supplementing the Benchmark Regulation.</p>	
<p>Involvement in public allegations</p>	<p>Corporate disputes involving credible allegations of non-compliance with international standards of responsible conduct for which the company has failed to implement adequate and verifiable corrective measures in the following areas:</p> <ul style="list-style-type: none"> ✓ negative impacts to biodiversity or the exploitation of sensitive ecosystems; ✓ illegal deforestation or logging; ✓ soil or water pollution; ✓ environmental issues in the supply chain; ✓ opposition to climate change mitigation; ✓ failure to assess environmental impacts; ✓ violation of fundamental human rights, involvement in cruel, inhuman or degrading treatment; ✓ discrimination and/or harassment in the workplace against stakeholders, including employees and consumers, based on gender, race, national origin, disability, medical condition, religious affiliation, sexual orientation or age; ✓ use of child labour or forced labour; ✓ failure to respect trade union rights, including the adoption of discriminatory, intimidating and surveillance measures against unionised workers; ✓ failure to respect the right to safe, fair and favourable working conditions; ✓ inadequate consumer protection, including privacy violations, misleading, inadequate or insufficient health warnings and safety information; ✓ human rights issues in the supply chain, including failure to exercise due diligence on human rights in the supply chain; ✓ violation of freedom of expression, including legal action against activists and repercussions against whistleblowers;

	<ul style="list-style-type: none"> ✓ opposition to tobacco control regulations, including through lobbying activities; ✓ failure to pay the correct amount of tax, including through tax evasion and avoidance practices; ✓ bribery and/or money laundering; ✓ failure to mitigate the risk that military/security supplies will be used to violate human rights and international law.
Suspended sectors	<p>Companies belonging to:</p> <ul style="list-style-type: none"> ✓ the financial sector, i.e. investment companies, the insurance sector and the banking sector, except for banks that can be defined as “sustainable” due to their history and activities; ✓ sectors such as oil exploration and production, integrated oil and gas, oil and gas refining and marketing, oil and gas equipment and services, coal and consumable fuels, mining and integrated production, excluding iron, aluminium and copper extraction. ✓ casinos and the gaming sectors
Fossil Fuels	<ul style="list-style-type: none"> ✓ Any threshold of Companies' turnover comes from thermal coal mining activities and lack of approved Science-based emission target; ✓ involvement in holding oil and/or coal reserves and lack of approved Science-based emission target; ✓ involvement in sale of electricity generated burning thermal coal with a turnover higher than 5% and lack of approved Science-based emission target.
Climate Assessment	<ul style="list-style-type: none"> ✓ Companies are excluded if they are defined as high-impact and are involved in activities related to fossil fuels, especially natural gas, but do not have a convincing energy transition strategy. The analysis is based on three areas: commitment, objectives and scenario analysis. These areas cover aspects of climate governance, the production of goods and services that contribute to climate mitigation, greenhouse gas emissions, the quality and ambition of climate objectives and scenario analysis.
Nuclear energy	<ul style="list-style-type: none"> ✓ Involvement in the generation of power from nuclear power stations – any turnover threshold.
Pesticides	<ul style="list-style-type: none"> ✓ Production of pesticides classified by the World Health Organisation as "extremely or highly hazardous" – any turnover threshold.

Genetic engineering	<ul style="list-style-type: none"> ✓ Production of genetically modified organisms for agricultural use – any turnover threshold.
Gambling	<ul style="list-style-type: none"> ✓ involvement in activities such as online gambling (including casinos and betting shops) - any turnover threshold. ✓ provision of services to the gambling industry with a turnover above 1%
Tobacco	<ul style="list-style-type: none"> ✓ Tobacco production – any turnover threshold; ✓ tobacco distribution with a turnover above 5%.
Animal Testing	<ul style="list-style-type: none"> ✓ Involvement in animal testing for pharmaceutical and non-pharmaceutical purposes beyond legal requirements or without a 3Rs (Replacement, Reduction, and Refinement) policy; ✓ production or marketing of fur or supply of fur products (including retailers) for a turnover equal to or greater than 5%.
Fiscal Justice	Companies that are incorporated in one of the countries included in the proprietary blacklist are excluded.
Civilian Firearms	Involvement in the production or distribution of civilian firearms with a turnover higher than 5%.
Military production and distribution	<ul style="list-style-type: none"> ✓ Turnover from the production of conventional weapons, subsystems and components directly related to the lethality of weapons – any turnover threshold; ✓ turnover above 5% from the production of subsystems and components not directly related to the lethality of weapons or other products or services intended for military use; ✓ involvement in the development, production, maintenance, use, distribution, storage, transportation or trade of controversial weapons and key parts or services (<i>Anti-Personnel Mines, Cluster Munitions, Chemical Weapons, Biological Weapons, Nuclear Weapons, Incendiary Weapons, Non-Detectable Fragments, Blinding Lasers, White Phosphorous, Depleted Uranium</i>)
UN Global Compact Principles	<ul style="list-style-type: none"> ✓ Companies with significant and credible exposure to ESG risk incidents associated with one or more of the ten principles of the UN Global Compact, including along the supply chain.

Companies are assessed based on environmental, social and governance (ESG) factors, as defined by the data provider and using around 700 indicators. This assessment is supplemented by a sustainability analysis conducted by Sgr, focusing on issues that are strategic according to the Sgr's policies, as described below. The weighting of the underlying indicators within each area depends on the materiality of the topic, its relevance to the sector, and the number of criteria that constitute it.

ENVIRONMENT

Biodiversity and Climate Change

Animal welfare

- measures to ensure and promote animal welfare.

Climate change mitigation:

- emission intensity;
- emission reduction strategy;
- reporting of climate change risks and strategy to mitigate them.

Deforestation

- measures to prevent deforestation;
- percentage of certified palm oil;
- measures to ensure compliance with sustainable sourcing policies.

Environmental management, including the supply chain:

- biodiversity management measures;
- strategy, action plans and quantitative targets for transitioning to a more environmentally friendly product portfolio;
- procedures to ensure compliance with supplier environmental standards.

Plastics

- strategy to prevent marine pollution from microplastics.

Sustainable agriculture

- measures to promote sustainable soil management in the value chain;
- raw materials from organic or certified agriculture.

Sustainable fishing

- measures to ensure sustainable fishing or aquaculture throughout the value chain.

Sustainable packaging

- measures to reduce the impact of packaging.

Waste management and recycling

- waste efficiency

Water management and recycling

	<ul style="list-style-type: none"> - targets for reducing freshwater use and action plans to achieve these targets.
SOCIAL	
Human rights	<p>Decent work</p> <ul style="list-style-type: none"> - the scope and quality of solutions offered to employees to help them balance work demands with caring for dependent family members, such as children, elderly people, and those with disabilities or illnesses; - measures to ensure freedom of association and facilitate collective bargaining. - payment of a living wage to employees, as established by the United Nations Declaration of Human Rights, the United Nations International Covenant on Economic, Social and Cultural Rights, and the ILO; - opportunities for flexibility and reduced working hours offered to employees. <p>Gender diversity</p> <ul style="list-style-type: none"> - women's representation in management positions; - comprehensive measures to promote equal opportunities and diversity. <p>Human Rights in the supply chain</p> <ul style="list-style-type: none"> - implementation of a human rights standard for suppliers and assessment of its quality; - implementation of a standard on workers' rights and working conditions for suppliers and contractors and assessment of its quality; - existence and quality of human rights due diligence procedures to analyse, prevent, reduce and mitigate actual and potential negative impacts on the human rights of stakeholders, including local communities and indigenous peoples; - measures implemented to enable key suppliers to safeguard workers' rights and improve working conditions throughout the supply chain; - measures taken to ensure suppliers' compliance with company standards on workers' rights and working conditions;

	<ul style="list-style-type: none"> - integration of its contractors into the health and safety management system; - accident rate at work among external collaborators.
Fair taxation	<p>Tax policy</p> <ul style="list-style-type: none"> - assessment of the company's policy or position on tax avoidance through transfer pricing, base erosion and profit shifting. <p>Tax reporting</p> <ul style="list-style-type: none"> - publication of payments to public administrations, including figures relating to taxes by country.
Reduction of inequalities	<p>Action to reduce inequalities</p> <ul style="list-style-type: none"> - initiatives to engage the local community; - adoption of effective systems for community engagement and addressing stakeholder concerns; - measures taken to promote the accessibility of infrastructure and services; - actions to reduce the digital divide and improve technology transfer; - measures to improve the economic and social inclusion of farmers, breeders and other raw material suppliers within the value chain; - provision of services to vulnerable and economically disadvantaged groups; - promotion of access to energy and/or water in developing countries and emerging markets; - management of corporate training to improve employee skills in order to meet the ever-changing and transforming needs of the world of work. <p>Pay gap</p> <ul style="list-style-type: none"> - publication of the ratio between the highest remuneration and the median remuneration of employees; - disclosure of data relating to the gender pay gap. <p>Nutrition</p> <ul style="list-style-type: none"> - modifying the key nutritional ingredients in their products to make them healthier, for example by reducing the sugar, calorie, fat or salt content.

Access to medicines	Access to medicines and product safety <ul style="list-style-type: none"> - presence of an ethical framework for research and development activities containing clear and detailed measures to address ethical challenges in its research and development activities; - granting of voluntary licences in developing countries; - innovative research and development activities undertaken in the field of neglected tropical diseases and microbial diseases, mainly in relation to developing countries; - measures to ensure patient and product safety; - product recalls. Antimicrobial resistance <ul style="list-style-type: none"> - assessment of the elimination of active pharmaceutical ingredients from production water by implementing technologies to reduce exposure to APIs to levels that do not pose environmental risks at its own and outsourced production sites. Drugs pricing and availability <ul style="list-style-type: none"> - assessment of the approach to promoting the affordability of medical products and services in developed countries.
Responsible technological development	Privacy and data protection <ul style="list-style-type: none"> - business processes implemented to assess and monitor third-party data processors to ensure information security; - disputes relating to data protection and privacy. Technology and weapons systems <ul style="list-style-type: none"> - public reporting of sales related to defence and/or the military sector, broken down by recipient country and type of product.
GOVERNANCE	
Sustainability governance	Board independence <ul style="list-style-type: none"> - independence of the Board Chairman; - percentage of independent directors.

	<p>Responsible political engagement (lobbying)</p> <ul style="list-style-type: none"> - transparency regarding political contributions, lobbying activities and participation in public policy; - evaluation of policies relating to political contributions. <p>Shareholder rights</p> <ul style="list-style-type: none"> - existence of measures to facilitate shareholder participation, with a focus on minority shareholders. - assessment of the shareholding required for submitting a new resolution to the annual general meeting. - application of the "one share, one vote" principle and absence of restrictions on voting rights. <p>Responsible management of reorganisation.</p> <ul style="list-style-type: none"> - assessment of the existence and quality of a company's commitment to employment security and responsible workforce restructuring; - measures to ensure responsible workforce restructuring, such as avoiding compulsory redundancies, assistance for employees affected by compulsory redundancies, and responsible redundancy processes (adequate notice periods, consultation agreements with employee representatives, and appeal procedures).
REPUTATIONAL RISK	
<ul style="list-style-type: none"> ✓ Current level of companies' exposure to ESG reputational risk ✓ Level of companies' exposure to ESG reputational risks compared to the worst past situation 	
<p>Further detailed analysis is also carried out such as:</p> <ul style="list-style-type: none"> • "ESG" Risk calculation, • assessment of ongoing/completed engagement activities with the issuers using a proprietary methodology that considers willingness to engage in dialogue, timeliness and quality of responses received; • assessment of United Nations High Commissioner for Human Rights (OHCHR) Database's periodic releases on business enterprises involved in certain specified activities related to the Israeli settlements in the Occupied Palestinian Territory (OPT). 	