Sustainability Information

Ljubljana, December 2022

Table of contents

1. Introduction

On 27 November 2019, the European Parliament and the Council adopted Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (“SFDR”) with a view to harmonising disclosures and increasing transparency in the integration of sustainability factors and considering adverse impacts. SFDR entered into force on 29 December 2019 and was supplemented by Regulation (EU) 2020/852 of the European Parliament and the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

With the European Green Deal, Europe has set itself the goal of becoming the first climate-neutral continent by 2050. The financial sector has a key role to play in reaching those goals, as noted in the European Commission’s Action Plan on Financing Sustainable Growth. Climate change and environmental degradation may cause immense economic losses, deeply affecting the real economy and financial system.

Generali Investments, Management Company LLC (“Generali Investments”) is a member of the Generali Group, one of the largest global insurers and asset managers that has committed to a number of important international initiatives aimed at expanding the implementation of sustainability policies and achieving long-term sustainable development.

> The Generali Group (“the Group”) has defined a sustainability model articulated in two pillars:
> - run a sustainable business focusing on excellence in internal business processes, and
> - live the community, playing an active role in which the Group operates, going beyond day-to-day business.

In particular, the Group is committed to ensuring that the strategic choices and their execution are guided by the following criteria:

- multi-stakeholder approach, aimed at generating value for shareholders, for all those contributing to the realization of the Group’s goals and for those who influence or are influenced by the choices or activities of the Group, including employees, clients, agents and other distributors, contractual partners, the financial community and the wider society, as well as the environment;
- long-term perspective, generating value in the present without compromising the capabilities to create value in the future;
- continuous improvement and innovation, with the ambition of pursuing excellence and sustaining the systematic development of economic, environmental and social performances, and the reputation of the Group.

The Generali Group is signatory to the United Nations Global Compact (2007), the Principles for Responsible Investment (2011), the Paris Pledge for Action (2015), and the Net Zero Asset Owner Alliance (2020). In relation to the latter, it has adopted a Strategy on Climate Change, which reflects its orientation on the transition towards a low-carbon future, excluding investments in companies active in thermal coal and tar sands, and focusing on green and sustainable investments. It has committed to gradually decarbonise its portfolio and reach carbon neutrality by 2050.

In line with these initiatives, the Generali Group includes environmental, social and governance criteria in its investment strategies. This helps it to have a positive impact on its stakeholders, reduce risks for its investors and protect its reputation The Group formalized its commitment to responsible investment in 2006 by approving its Group Ethical Guidelines. In 2015, the Group further strengthened its commitment by setting up a Responsible Investment Group Committee, which works according to the Responsible Investment Group Guideline aimed at integrating sustainability factors in the investment decision-making process

In 2020, Generali Group published its Active Ownership Group Guideline, committing, as an institutional investor, to fostering sustainable change through its investment activity.

Being a member of the Generali Group, Generali Investments is aware of its mission as a liability-driven financial market participant, as investments have a significant impact on the economy and society. Taking account of the size, nature and scope of business as well as the types and investment policies of the financial products offered, Generali Investments includes sustainability considerations in its decision- making process, setting the framework for the Company to identify, evaluate and manage the risks and use the opportunities related to sustainability factors in coherence with its goal to foster the sustainable development of business activities and generate value lasting over time.

Consideration and delivery of these orientations is essential for reaching our investors' long-term investment objectives, while it is also key for maintaining competitiveness, ensuring a high level of business performance, employing top experts, and providing long-term support to the local and wider business environment contributing to our joint sustainable growth and quantifiable impact in the environment.

In this document, Generali Investments also publishes the following disclosures:

- information on the integration of sustainability risks in its investment decision-making process (as laid out in Article 3 of the SFDR),
- reasons for not considering the principal adverse impacts on sustainability factors (as laid out in Article 4 of the SFDR), and
- information on consistency of its remuneration policy with the integration of sustainability risks (as laid out in Article 5 of the SFDR).

These disclosures are published on the Company's website www.generali-investments.si. They will be regularly, on an annual basis, reviewed, adjusted and updated to reflect the current situation.

2. Sustainability factors

Sustainability factors are key in assessing sustainability risks. They mean environmental, social and employee matters, respect for human rights, anti- corruption and anti- bribery matters. These factors are often referred to as ESG factors (E for environmental, S for social, and G for governance). The list of sustainability factors is regularly reviewed and updated. The most general factors are listed below:

Category of the factor	Example of factor
E- **ENVIRONMENTAL**	Aspects related to the quality and to the functioning of the environment and natural systems, including: greenhouse effect and climate change; the availability of natural resources, including: energy and water; changes in the use of soil and urbanization; quality of the air, water and soil; the production and management of waste; the protection of natural habitats and biodiversity.
S- **SOCIAL**	Aspects related to the rights, well-being and legitimate interests of people and local communities, including: human rights, diversity and promotion of equal opportunities; demographical changes; occupation and the right to decent working conditions, including child and forced labour, as well as occupational health and safety; the distribution of wealth and inequalities within and among countries; migrations; education and human capital development; digital transformation, artificial intelligence, internet of things and robotics; health and access to social assistance and healthcare; consumer safety; power diffusion and the crisis of traditional elites.
G- **GOVERNANCE**	Aspects related to government of the companies and organizations, including: transparency; ethics and integrity in business practices and compliance with laws; corruption; tax responsibility; board structure, independence and diversity; mechanisms to incentivise the management; stakeholders and stakeholders rights, protection/distortion of competition.

3. Integration of sustainability risks in the investment decision- making process

Sustainability risk means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the financial instruments invested in by the portfolio of assets?? of the Generali Umbrella Fund with its subfunds, the alternative investments funds and assets alternative investment funds and assets of other customers under management.

The extent and manner of addressing sustainability risks in investment decision-making always depends on the commitments set out in the documents based on which Generali Investment manages its clients' assets: fund rules, prospectuses and other offering documents of investments funds, and asset management agreements of other clients.

3.1 Sustainability risk identification and measurement

Sustainability risks that can be detrimental to the value of the investments and thus portfolios are measured in a quantitative manner based on the most updated and reliable figures and parameters, or in a qualitative manner. Where data is not available, other aspects that cannot be measured in quantitative terms are used in addition to the qualitative approach.

Sustainability risks can be measured both in absolute and in relative (vs benchmark) terms. Depending on the portfolio under management, data building leverages on research results, and on scores and data coming from external providers. Where such data cannot be procured, it is possible to make in-house assessments based on publicly available information or information provided by issuers.

3.2 Sustainability risk management and screening

Based on the commitments given in the documents underlying the management of product portfolios of investment funds and other clients, a range of sustainability factor screening strategies may be used, including:

- Negative / exclusionary screening, aimed at limiting investments in sovereign, sectors or companies based on specific sustainability criteria;
- Norms-based screening, to restrict investments in financial instruments issued by issuers not meeting an adequate level of international sustainability standards or good practice of industry or government;
- Positive or Best-in-class screening, where investments in financial instruments of sovereign or corporate issuers (industries, companies or projects) are selected for positive sustainability performance relative to peers (in terms of industry or region);
- engagement with issuers (active ownership).

Issuer lists drawn up on the basis of analysis and/or restrictions defined by portfolio management clients, data of external providers or in-house assessments are periodically reviewed, updated and approved.

Negative / Exclusionary screening

In the context of negative / exclusionary screening, investments in certain issuers are excluded or limited by value or in relative terms based on the involvement in specific business activities or regions (countries) deemed to be inappropriate or less appropriate in view of sustainability, or deemed to be inappropriate per se.

Limitations and prohibitions of investment in financial instruments of certain issuers are laid out in agreements and other portfolio documentation and/or any other internally defined restrictions in asset management. The screening criteria and restrictions applied in the course of due diligence of investments and investment decisions, including risk management, will be upgraded continuously and/or when exhaustive and comprehensive data on issuers (in terms of sustainability) are available

Norms-based screening

Norm-based screening corresponds to the assessment of issuers based on their involvement in any banned or unacceptable activities, for example in:

- Breach of the Treaty on the Non-Proliferation of Nuclear Weapons;
- Breach of the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction;
- Breach of the Ottawa Treaty;
- Breach of the Convention on Cluster Munitions (CCM);
- Breach of the UN Global Compact;
- Breach of human rights principles;
- Severe environmental damages;
- Gross corruption cases.

Issuers breaching the above principles are normally assigned to two lists:

- list of issuers likely to be non-compliant with sustainability criteria, therefore their activities are closely watched, and
- list of issuers assessed as violating sustainability criteria in their activities.

Investments in issuers exceeding the maximum limit of activity in coal and tar sand production are excluded.

Ethical filters and/or limitations or prohibitions of investment in financial instruments of certain issuers are laid out in agreements and other portfolio documentation and/or any other internally defined restrictions in asset management. The manner and scope of application of this method will be upgraded subject to availability of data and further development of the approach.

Positive screening

To mitigate sustainability risk, Generali Investments can define an investable or partly investable universe in a way that investments must match some pre-defined requirements in terms of sustainability performance applying proprietary criteria or threshold.

Engagement policies

Engagement with the issuers / active ownership is presented in detail in the Engagement Policy, which is available on the Generali Investments website.[1]

Sustainability risks and the sustainability aspects of an issuer's business and industry constitute an important part of communication with and due diligence of an issuer. Being an institutional investor, Generali Investments leverages its role as a liability-driven financial market participant through investments, contributing to the greatest extent possible to raising corporate governance standards, including the attitude towards sustainability factors.

[1] https://www.generali-investments.si/dokumenti/

4. Reasons for not considering the principal adverse impacts of investment decisions on sustainability factors (Statement on adverse impacts)

Although Generali Investments integrates sustainability risks in its investment decision-making, it does not yet consider adverse impacts on sustainability factors at either Company or product level. In its view, the quality, extent and availability of data and the measurement of the principal adverse impacts of its investments have not yet reached a level that would allow it to make a judgement on whether the principal adverse impacts can be reliably and fully assessed. The Company will make an assessment of whether to included consideration of the principal adverse impacts of its investment decisions on sustainability factors depending on the development of the methodology and good practice in this area.

5. Remuneration policy

Details of the remuneration policy are available on the Generali Investments website.[2] As a member of the Generali Group, Generali Investments pursues long-term growth, integrating sustainability into the core business and acting as Lifetime Partner to its stakeholders.

The sustainability commitments are a pillar of Generali business priorities, fully embedded in the Group remuneration policy and incentives system linked to long term sustainable value creation. The remuneration policy takes into account the integration of sustainability risks in the investment decision- making process. The continuous improvement of the link between sustainability and remuneration is a primary goal of our Group.

The scope of application concerns all key risk takers in the Generali Group companies. The incentives system is based on a meritocratic approach and a multi-year framework, with a combination of annual cash variable remuneration and their deferred share, integrating sustainability strategic objectives based on the Generali 2021 strategy and the Generali Group Strategy on Climate Change. According to the incentives system, at least 15% of top managers annual cash variable remuneration is linked to sustainability goals and KPIs related to specific perspectives.

2 https://www.generali-investments.si/osebna-izkaznica/