Sustainability – related disclosure

Index

I. Sustainability-related disclosure pursuant art. 23 of Regulation 2022/1288

AZ Allocation - Asset Timing 2024

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in four ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through active ownership. Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

The fourth way is through fund selection, which seeks to favor, where possible and if available, funds that are classified as Article 9 SFDR or, as a second choice, those classified as Article 8 SFDRs (not precluding the possibility of holding Article 6 SFDR funds in the portfolio as well). The greater the weight of funds classified as Article 9 or 8 SFDR, the greater the containment of PAIs is expected to be.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment in companies operating in sectors that are considered non-sustainable and/or may involve significant environmental and social risks. The Sub-Fund also excludes investments in funds with an ESG rating of CCC or B because their underlying investments are likely to be excessively exposed to issuers with poor ESG performance, and therefore more likely to be not sustainable and/or result in significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy). Moreover, investments in funds with an ESG rating of CCC or B calculated according the MSCI ESG Research methodology are excluded.

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are

considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 65% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 5% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated "BBB" or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is "BB" or better;
- Only funds with ESG rating of "BB" or better are admitted;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental" and "Social "on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from ‘AAA’ (best) to ‘CCC’ (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers’ scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better
- Only funds with ESG rating of BB or better are admitted

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI’s SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,

2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the

evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights

3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster

munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

The methodology is relevant for the direct investments in securities while for the indirect investments (through for example other funds) the data are provided directly by each third Asset Manager according to the transparency rules introduced by the SFDR.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

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Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Allocation - Asset Timing 2026

(a) Summary

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  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

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Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

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In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company’s exposure to controversies. An investee company’s involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company’s direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not

considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder’s interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 65% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 5% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental" and "Social "on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.

- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,
2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights
3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag,

according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply

be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)

- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Allocation - Environment Aggressive

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through fund selection, which seeks to favor, where possible and if available, funds that are classified as Article 9 SFDR or, as a second choice, those classified as Article 8 SFDRs (not precluding the possibility of holding Article 6 SFDR funds in the portfolio as well). The greater the weight of funds classified as Article 9 or 8 SFDR, the greater the containment of PAIs is expected to be.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

The Sub-Fund, which is a fund of funds, also promotes environmental characteristics by investing in funds whose investment objective is to invest in environmentally friendly industries. Environmentally friendly industries include, among others, pollution control, waste management, clean technology, sustainable development, renewable energy, and climate change.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment considered non-sustainable and/or may involve significant environmental and social risks. The Sub-Fund also excludes investments in funds with an ESG rating of CCC or B because their underlying investments are likely to be excessively exposed to issuers with poor ESG performance, and therefore more likely to be not sustainable and/or result in significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in funds with an ESG rating of CCC or B calculated according the MSCI ESG Research methodology are excluded.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) "Proportion of investment"

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 80% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 10% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- Only funds with ESG rating of “BB” or better are admitted;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- Only funds with ESG rating of BB or better are admitted

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,
2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights
3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly

harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental

objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

The methodology is relevant for the direct investments in securities while for the indirect investments (through for example other funds) the data are provided directly by each third Asset Manager according to the transparency rules introduced by the SFDR.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized.

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

Since the Sub-Fund is a fund of funds, this section is not applicable

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Allocation - Environment Balanced

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through fund selection, which seeks to favor, where possible and if available, funds that are classified as Article 9 SFDR or, as a second choice, those classified as Article 8 SFDRs (not precluding the possibility of holding Article 6 SFDR funds in the portfolio as well). The greater the weight of funds classified as Article 9 or 8 SFDR, the greater the containment of PAIs is expected to be.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

The Sub-Fund, which is a fund of funds, also promotes environmental characteristics by investing in funds whose investment objective is to invest in environmentally friendly industries. Environmentally friendly industries include, among others, pollution control, waste management, clean technology, sustainable development, renewable energy, and climate change.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment considered non-sustainable and/or may involve significant environmental and social risks. The Sub-Fund also excludes investments in funds with an ESG rating of CCC or B because their underlying investments are likely to be excessively exposed to issuers with poor ESG performance, and therefore more likely to be not sustainable and/or result in significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in funds with an ESG rating of CCC or B calculated according the MSCI ESG Research methodology are excluded.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) "Proportion of investment"

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 80% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 10% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- Only funds with ESG rating of “BB” or better are admitted;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

<u>Corporate Issuers</u>

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

<u>Government Issuers</u>

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

<u>Determination of the ESG score of an investment portfolio</u>

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- Only funds with ESG rating of BB or better are admitted

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,

2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights

3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly

harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1. **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.
2. **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company’s direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers’ disclosure of the indicators and with more regulatory guidance around applicable thresholds.
3. **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental

objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

The methodology is relevant for the direct investments in securities while for the indirect investments (through for example other funds) the data are provided directly by each third Asset Manager according to the transparency rules introduced by the SFDR.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized.

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

Since the Sub-Fund is a fund of funds, this section is not applicable

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

AZ Allocation - Environment Conservative

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through fund selection, which seeks to favor, where possible and if available, funds that are classified as Article 9 SFDR or, as a second choice, those classified as Article 8 SFDRs (not precluding the possibility of holding Article 6 SFDR funds in the portfolio as well). The greater the weight of funds classified as Article 9 or 8 SFDR, the greater the containment of PAIs is expected to be.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

The Sub-Fund, which is a fund of funds, also promotes environmental characteristics by investing in funds whose investment objective is to invest in environmentally friendly industries. Environmentally friendly industries include, among others, pollution control, waste management, clean technology, sustainable development, renewable energy, and climate change.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment considered non-sustainable and/or may involve significant environmental and social risks. The Sub-Fund also excludes investments in funds with an ESG rating of CCC or B because their underlying investments are likely to be excessively exposed to issuers with poor ESG performance, and therefore more likely to be not sustainable and/or result in significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in funds with an ESG rating of CCC or B calculated according the MSCI ESG Research methodology are excluded.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder’s interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 80% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 10% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- Only funds with ESG rating of “BB” or better are admitted;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

<u>Corporate Issuers</u>

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

<u>Government Issuers</u>

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

<u>Determination of the ESG score of an investment portfolio</u>

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- Only funds with ESG rating of BB or better are admitted

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,
2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights
3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly

harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental

objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

The methodology is relevant for the direct investments in securities while for the indirect investments (through for example other funds) the data are provided directly by each third Asset Manager according to the transparency rules introduced by the SFDR.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized.

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

Since the Sub-Fund is a fund of funds, this section is not applicable

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

AZ Allocation - Escalator 2026

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in four ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through active ownership. Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

The fourth way is through fund selection, which seeks to favor, where possible and if available, funds that are classified as Article 9 SFDR or, as a second choice, those classified as Article 8 SFDRs (not precluding the possibility of holding Article 6 SFDR funds in the portfolio as well). The greater the weight of funds classified as Article 9 or 8 SFDR, the greater the containment of PAIs is expected to be.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment in companies operating in sectors that are considered non-sustainable and/or may involve significant environmental and social risks. The Sub-Fund also excludes investments in funds with an ESG rating of CCC or B because their underlying investments are likely to be excessively exposed to issuers with poor ESG performance, and therefore more likely to be not sustainable and/or result in significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy). Moreover, investments in funds with an ESG rating of CCC or B calculated according the MSCI ESG Research methodology are excluded.

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) "Proportion of investment"

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 65% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 5% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- Only funds with ESG rating of “BB” or better are admitted;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better
- Only funds with ESG rating of BB or better are admitted

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,

2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights

3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable “provided that” companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company’s direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s)

may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

The methodology is relevant for the direct investments in securities while for the indirect investments (through for example other funds) the data are provided directly by each third Asset Manager according to the transparency rules introduced by the SFDR.

<u>(h) Data sources and processing</u>

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**

The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

AZ Allocation - Escalator 2028

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through active ownership. Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not

considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) "Proportion of investment"

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 65% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 5% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;

- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

4 a measured positive contribution generated by each investment to an environmental or social objective,

5 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights

6 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts

shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**

The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Allocation - Global Balanced

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through active ownership. Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company’s exposure to controversies. An investee company’s involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company’s direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not

considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) "Proportion of investment"

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 65% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 5% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental" and "Social "on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;

- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

7 a measured positive contribution generated by each investment to an environmental or social objective,

8 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights

9 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts

shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

<u>(h) Data sources and processing</u>

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**

The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Allocation - Global Conservative

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

This Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is “the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions”.

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories.

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 65% of the portfolio.

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;

- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)

- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
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Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the “social” pillar, research is carried out to assess the extent to which a country’s long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The “governance” pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The “governance” pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from ‘AAA’ (best) to ‘CCC’ (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers’ scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:
- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply

be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
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It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Allocation - Global Income

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through active ownership. Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is “the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions”.

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not

considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

<u>Exclusion list</u>

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

<u>Active ownership</u>

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories.

<u>Minimum % of sustainable investments</u>

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) "Proportion of investment"

<u>Consideration of PAIs</u>

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 65% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 5% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental" and "Social "on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.

- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,
2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights
3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag,

according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply

be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)

- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Allocation - Italian Trend

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

This Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is “the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions”.

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories.

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 50% of the portfolio.

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;

- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated "BBB" or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is "BB" or better;

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental" and "Social "on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)

- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the “social” pillar, research is carried out to assess the extent to which a country’s long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The “governance” pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The “governance” pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from ‘AAA’ (best) to ‘CCC’ (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers’ scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply

be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Allocation - Long Term Equity Opportunities

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) "Proportion of investment".

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through active ownership. Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder’s interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 65% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 5% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;

- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated "BBB" or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is "BB" or better;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental" and "Social "on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the “environment” pillar, research is carried out to assess the extent to which a country’s long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the “social” pillar, research is carried out to assess the extent to which a country’s long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The “governance” pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The “governance” pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from ‘AAA’ (best) to ‘CCC’ (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers’ scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,
2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights
3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.
2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business

relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Allocation - Romeo

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in four ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through active ownership. Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

The fourth way is through fund selection, which seeks to favor, where possible and if available, funds that are classified as Article 9 SFDR or, as a second choice, those classified as Article 8 SFDRs (not precluding the possibility of holding Article 6 SFDR funds in the portfolio as well). The greater the weight of funds classified as Article 9 or 8 SFDR, the greater the containment of PAIs is expected to be.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company’s exposure to controversies. An investee company’s involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company’s direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-fund, which is a fund of funds, promotes environmental and social characteristics through the selection of target funds, and is intended to favour, as far as possible and if available, funds classified under Article 9 SFDR or, as a second choice, those classified under Article 8 SFDR (without excluding the possibility of also holding funds falling under Article 6 SFDR in the portfolio)

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment in companies operating in sectors that are considered non-sustainable and/or may involve significant environmental and social risks. The Sub-Fund also excludes investments in funds with an ESG rating of CCC or B because their underlying investments are likely to be excessively exposed to issuers with poor ESG performance, and therefore more likely to be not sustainable and/or result in significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy). Moreover, investments in funds with an ESG rating of CCC or B calculated according the MSCI ESG Research methodology are excluded.

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are

considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 65% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 5% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- Only funds with ESG rating of “BB” or better are admitted;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from ‘AAA’ (best) to ‘CCC’ (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers’ scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better
- Only funds with ESG rating of BB or better are admitted

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI’s SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

4 a measured positive contribution generated by each investment to an environmental or social objective,

5 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the

evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights

6 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

4 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

5 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster

munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

6 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

The methodology is relevant for the direct investments in securities while for the indirect investments (through for example other funds) the data are provided directly by each third Asset Manager according to the transparency rules introduced by the SFDR.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

AZ Allocation - Strategic Balanced Catholic Values

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through active ownership. Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is “the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions”.

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not

considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) "Proportion of investment"

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 65% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 5% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental" and "Social "on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;

- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,
2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights
3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct

involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

<u>(h) Data sources and processing</u>

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply

be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
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It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

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The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
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- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Allocation - Trend

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through active ownership. Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not

considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) "Proportion of investment"

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 50% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 5% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental" and "Social "on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;

- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,
2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights
3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct

involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply

be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)

- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Alternative - Capital Enhanced

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

This Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is “the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions”.

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories.

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder’s interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 50% of the portfolio.

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;

- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)

- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the “social” pillar, research is carried out to assess the extent to which a country’s long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The “governance” pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The “governance” pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from ‘AAA’ (best) to ‘CCC’ (worst).

<u>Determination of the ESG score of an investment portfolio</u>

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers’ scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

<u>(h) Data sources and processing</u>

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply

be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Alternative - Core Brands

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

This Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is “the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions”.

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories.

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder’s interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 50% of the portfolio.

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;

- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated "BBB" or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is "BB" or better;

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental" and "Social "on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
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- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the “social” pillar, research is carried out to assess the extent to which a country’s long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The “governance” pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The “governance” pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from ‘AAA’ (best) to ‘CCC’ (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers’ scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply

be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Bond - Convertible

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through active ownership. Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not

considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) "Proportion of investment"

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 50% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 5% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental" and "Social "on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,
2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights
3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag,

according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply

be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)

- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Bond - Green & Social

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in two ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company’s exposure to controversies. An investee company’s involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company’s direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is “the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions”.

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic

emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder’s interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 80% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 15% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,

2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights

3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal

loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized.

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

Since the Sub-Fund invests primarily in bonds, the section is not applicable.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Bond - Hybrids

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in two ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic

emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder’s interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 65% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 5% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,
2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights
3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar

Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company’s direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers’ disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply

be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized.

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

Since the Sub-Fund invests primarily in bonds, the section is not applicable.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Bond - Patriot

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

(b) No sustainable investment objective

This Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is “the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions”.

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic

emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are

considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 65% of the portfolio.

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the

leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

Since the Sub-Fund invests primarily in bonds, the section is not applicable.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Bond - Sustainable Hybrid

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in two ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic

emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder’s interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 80% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 10% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,

2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights

3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar

Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply

be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized.

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

Since the Sub-Fund invests primarily in bonds, the section is not applicable.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Bond - Target 2024

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

(b) No sustainable investment objective

This Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic

emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are

considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder’s interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 50% of the portfolio.

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the

leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company’s core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

Since the Sub-Fund invests primarily in bonds, the section is not applicable.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

AZ Bond - Target 2025

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

(b) No sustainable investment objective

This Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is “the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions”.

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 50% of the portfolio.

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated "BBB" or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is "BB" or better;

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental" and "Social "on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

<u>Determination of the ESG score of an investment portfolio</u>

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

Since the Sub-Fund invests primarily in bonds, the section is not applicable.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

AZ Bond - Target 2026

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;

- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

(b) No sustainable investment objective

This Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is “the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions”.

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder’s interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 50% of the portfolio.

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental" and "Social "on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the “environment” pillar, research is carried out to assess the extent to which a country’s long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the “social” pillar, research is carried out to assess the extent to which a country’s long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The “governance” pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The “governance” pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from ‘AAA’ (best) to ‘CCC’ (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers’ scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply

be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

Since the Sub-Fund invests primarily in bonds, the section is not applicable.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Bond - Target 2028

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

(b) No sustainable investment objective

This Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is “the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions”.

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic

emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are

considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 50% of the portfolio.

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the

leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

Since the Sub-Fund invests primarily in bonds, the section is not applicable.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Equity - America

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through active ownership. Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not

considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) "Proportion of investment"

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 65% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 5% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental" and "Social "on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:
- The average ESG score at portfolio level is BBB or better.

- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,
2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights
3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag,

according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply

be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)

- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Equity - Biotechnology

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) "Proportion of investment".

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through active ownership. Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not

considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

<u>Exclusion list</u>

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

<u>Active ownership</u>

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories.

<u>Minimum % of sustainable investments</u>

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) "Proportion of investment"

<u>Consideration of PAIs</u>

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 65% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments with a social objective equal to at least the 15% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;

- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,
2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights
3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts

shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**

The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Equity - Borletti Global Lifestyle

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through active ownership. Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not

considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder’s interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 65% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 5% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.

- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,
2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights
3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag,

according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply

be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)

- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Equity - Environmental FoF

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through fund selection, which seeks to favor, where possible and if available, funds that are classified as Article 9 SFDR or, as a second choice, those classified as Article 8 SFDRs (not precluding the possibility of holding Article 6 SFDR funds in the portfolio as well). The greater the weight of funds classified as Article 9 or 8 SFDR, the greater the containment of PAIs is expected to be.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

The Sub-Fund, which is a fund of funds, also promotes environmental characteristics by investing in funds whose investment objective is to invest in environmentally friendly industries. Environmentally friendly industries include, among others, pollution control, waste management, clean technology, sustainable development, renewable energy, and climate change.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment considered non-sustainable and/or may involve significant environmental and social risks. The Sub-Fund also excludes investments in funds with an ESG rating of CCC or B because their underlying investments are likely to be excessively exposed to issuers with poor ESG performance, and therefore more likely to be not sustainable and/or result in significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

<u>(d) Investment strategy</u>

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

<u>ESG Integration</u>

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in funds with an ESG rating of CCC or B calculated according the MSCI ESG Research methodology are excluded.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder’s interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 80% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments with an environmental objective equal to at least the 20% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- Only funds with ESG rating of “BB” or better are admitted;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- Only funds with ESG rating of BB or better are admitted

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,
2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights
3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly

harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1. **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.
2. **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.
3. **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental

objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

The methodology is relevant for the direct investments in securities while for the indirect investments (through for example other funds) the data are provided directly by each third Asset Manager according to the transparency rules introduced by the SFDR.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized.

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

Since the Sub-Fund is a fund of funds, this section is not applicable

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Equity - Escalator

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in four ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through active ownership. Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

The fourth way is through fund selection, which seeks to favor, where possible and if available, funds that are classified as Article 9 SFDR or, as a second choice, those classified as Article 8 SFDRs (not precluding the possibility of holding Article 6 SFDR funds in the portfolio as well). The greater the weight of funds classified as Article 9 or 8 SFDR, the greater the containment of PAIs is expected to be.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment in companies operating in sectors that are considered non-sustainable and/or may involve significant environmental and social risks. The Sub-Fund also excludes investments in funds with an ESG rating of CCC or B because their underlying investments are likely to be excessively exposed to issuers with poor ESG performance, and therefore more likely to be not sustainable and/or result in significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy). Moreover, investments in funds with an ESG rating of CCC or B calculated according the MSCI ESG Research methodology are excluded.

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 65% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 5% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- Only funds with ESG rating of “BB” or better are admitted;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better
- Only funds with ESG rating of BB or better are admitted

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,

2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights

3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s)

may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

The methodology is relevant for the direct investments in securities while for the indirect investments (through for example other funds) the data are provided directly by each third Asset Manager according to the transparency rules introduced by the SFDR.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**

The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Equity - Europe

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

This Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is “the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions”.

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories.

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 50% of the portfolio.

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;

- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)

- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the “social” pillar, research is carried out to assess the extent to which a country’s long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The “governance” pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The “governance” pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from ‘AAA’ (best) to ‘CCC’ (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers’ scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply

be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Equity - Food & Agriculture

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

This Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories.

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 65% of the portfolio.

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;

- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)

- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company’s score by their industry. After any overrides are factored in, each company’s Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company’s industry peers.

Government Issuers

The methodology identifies a country’s exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the “environment” pillar, research is carried out to assess the extent to which a country’s long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the “social” pillar, research is carried out to assess the extent to which a country’s long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The “governance” pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The “governance” pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from ‘AAA’ (best) to ‘CCC’ (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers’ scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply

be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Equity - Global ESG

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through fund selection, which seeks to favor, where possible and if available, funds that are classified as Article 9 SFDR or, as a second choice, those classified as Article 8 SFDRs (not precluding the possibility of holding Article 6 SFDR funds in the portfolio as well). The greater the weight of funds classified as Article 9 or 8 SFDR, the greater the containment of PAIs is expected to be.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment considered non-sustainable and/or may involve significant environmental and social risks. The Sub-Fund also excludes investments in funds with an ESG rating of CCC or B because their underlying investments are likely to be excessively exposed to issuers with poor ESG performance, and therefore more likely to be not sustainable and/or result in significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in funds with an ESG rating of CCC or B calculated according the MSCI ESG Research methodology are excluded.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder’s interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 80% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 5% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;

- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- Only funds with ESG rating of “BB” or better are admitted;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- Only funds with ESG rating of BB or better are admitted

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,
2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights
3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10)**. Controversies marked with a Red Flag under the methodology indicate a company’s direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers’ disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal

loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

The methodology is relevant for the direct investments in securities while for the indirect investments (through for example other funds) the data are provided directly by each third Asset Manager according to the transparency rules introduced by the SFDR.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized.

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

Since the Sub-Fund is a fund of funds, this section is not applicable

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Equity - Global Growth

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through active ownership. Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company’s exposure to controversies. An investee company’s involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company’s direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is “the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions”.

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder’s interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 75% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 10% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental” and “Social “on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

<u>Government Issuers</u>

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

<u>Determination of the ESG score of an investment portfolio</u>

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

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2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights
3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

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involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

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(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
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  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
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- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

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One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

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In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply

be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)

- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Equity - Global Healthcare

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through active ownership. Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not

considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder’s interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 75% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments with a social objective equal to at least the 15% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental" and "Social "on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;

- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

4 a measured positive contribution generated by each investment to an environmental or social objective,
5 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights
6 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct

involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply

be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)

- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Equity - Global Infrastructure

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through active ownership. Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not

considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) "Proportion of investment"

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 65% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 5% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental" and "Social "on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.

- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,
2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights
3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag,

according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply

be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)

- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Equity - Small Cap Europe FoF

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

(b) No sustainable investment objective

This Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is “the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions”.

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks. The Sub-Fund also excludes investments in funds with an ESG rating of CCC or B because their underlying investments are likely to be excessively exposed to issuers with poor ESG performance, and therefore more likely to be not sustainable and/or result in significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in funds with an ESG rating of CCC or B calculated according the MSCI ESG Research methodology are excluded.

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 65% of the portfolio.

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated "BBB" or better;
- Only funds with ESG rating of "BB" or better are admitted;

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental" and "Social "on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.
- Only funds with ESG rating of BB or better are admitted

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition.

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

Since the Sub-Fund is a fund of funds, this section is not applicable

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Equity - Water & Renewable Resources

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) "Proportion of investment".

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through active ownership. Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company’s exposure to controversies. An investee company’s involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company’s direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not

considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder’s interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 80% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 25% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental" and "Social "on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.

- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,
2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights
3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag,

according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply

be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)

- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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AZ Equity - World Minimum Volatility

(a) Summary

The Sub-Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- selects investments with scores on pillars E (Environmental), S (Social) above a certain threshold;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- takes into account PAI indicators in its investment decisions.
  To this end, although all mandatory PAIs are calculated and monitored, the Company prioritizes a specific subset of PAIs, which may increase over time. However, given the still limited availability of reliable data on many PAIs, the high variability of PAI data at sectoral and geographical level, as well as their retrospective nature, no threshold or strict limit is set.

The abovementioned strategies are based on the products and services offered by MSCI ESG Research. The compliance of investments that promote environmental and / or social characteristics with the limits set, is ensured by the portfolio manager and by the Risk Management Function on a continuous basis.

Furthermore, the portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance). In order to reach this goal, the portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider.

(b) No sustainable investment objective

Although the Sub-Fund does not have as its objective sustainable investments, it is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) “Proportion of investment”.

Sustainable investments are focused on generating positive contribution to one or more objectives do not significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis the portfolio manager uses data provided by external ESG research providers’ proprietary models (e.g. MSCI) to test the DNSH principle.

Principal adverse impacts are also used, to the extent that reliable date is available, to test the DNSH principle.

Adverse impacts on sustainability factors are taken into account by the portfolio manager and mitigated in three ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For example, in the case of PAI 14 ("Exposure to controversial weapons"), adverse impacts are minimized through the simple application of the exclusion lists, considering that among the excluded investments are those in companies exposed to controversial weapons. Moreover, exclusions criteria are applied also on a subset of other PAIs. Additional information could be found in the website disclosure.

The third way is through active ownership. Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

In order to further ensure the respect of the DNSH principle, alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights is based on investee company's exposure to controversies. An investee company's involvement in serious and widespread controversies may indicate a violation of OECD Guidelines for Multinational Enterprises and/or UNGC Principles and therefore cannot be considered a sustainable investment.

As a part of the internal assessment provided by the portfolio manager, controversies marked with a red flag indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders.

An orange flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties).

Investee companies marked with an orange or a red flag are not considered a sustainable investments.

To undertake this analysis the portfolio manager uses data provided by external ESG research providers' proprietary models (e.g. MSCI).

(c) Environmental or social characteristics of the financial product

The Sub-Fund promotes environmental and social characteristics by integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the UN PRI, ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions".

ESG integration has a positive fallout on the environment and society, as companies with the best environmental and social practices are favored over those with lower standards.

Companies with the best ratings on the environmental pillar tend to adopt better standards and devote much attention to issues such as: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint; climate change vulnerability); natural resources (in terms for example of water stress, Biodiversity & Land Use); pollution & waste prevention (with reference to toxic emissions & waste; packaging material & waste; electronic waste); environmental opportunities (in clean tech; in renewable energy).

Companies with the best ratings on the social pillar tend to adopt better standards and devote much attention to issues such as: human capital (labor management; health & safety; human capital development; supply chain labor standards); product liability (product safety & quality; chemical safety; consumer financial protection; privacy & data security; responsible investment; health & demographic risk); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition & health); stakeholder opposition (controversial sourcing; community relations).

In addition to the positive impacts on environmental and social aspects, ESG integration also enables better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability, since companies with sound ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, are less exposed to regulatory risks, fines, and sanctions.

Additionally, the Sub-Fund promotes environmental and social characteristics by preventing any investment that are considered non-sustainable and/or may involve significant environmental and social risks.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

(d) Investment strategy

In addition to traditional financial analysis, the following activities with a focus on environmental and social characteristics are an integral part of the investment process:

ESG Integration

Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation, both at single security level and on an aggregate basis. This aim is achieved through an optimization which is made mainly by not

considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores.

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as controversial weapons and tobacco) are not admitted when the share of turnover derived from these activities is above a specific threshold (indicated in the ESG policy).

Active ownership

Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices.

To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories.

Minimum % of sustainable investments

The portfolio manager is committed to maintaining at all times a percentage of sustainable investments equal to or greater than the percentage indicated in section (e) "Proportion of investment"

Consideration of PAIs

The adverse impact of investments on sustainability factors are calculated and monitored, focusing on a specific sub-set of PAIs. The portfolio manager makes the assessment of the subset of the PAIs that are considered first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy.

The Manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

(e) Proportion of investments

In accordance with the binding elements of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments aligned with environmental and social characteristics (#1Aligned with E/S characteristics) will be at least 65% of the portfolio.

In addition the Sub-Fund commits to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least the 7,5% of the overall investments (#Investments).

The remaining portion of the investments not included in the investments for promoting environmental or social characteristics or in the classification of sustainable investment (#2 Other) should be limited to:

- cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives which may be held for risk balancing purposes and efficiency portfolio management but not for promoting environmental and social characteristic;
- securities for which relevant data is not available or for which the binding elements established for the promotion of environmental characteristics are not met

In terms of minimum environmental and social safeguards, the portfolio manager monitors any relevant aspect for each investee company including violation to OECD Guidelines for Multi-national Enterprises and UN Guiding Principles on Business and Human Rights via third party data.

(f) Monitoring of environmental or social characteristics

The portfolio manager puts in place the following controls mechanisms to monitor compliance on a continuous basis of the promotion of environmental and / or social characteristics of the Sub-Fund. The portfolio manager ensures that:

- The average ESG rating at portfolio level is rated “BBB” or better;
- The rating on either pillar E (Environmental) or S (Social) for each investment is “BB” or better;
- The compliance with the minimum um commitment in sustainable investment ex art. 2(17) SFDR.

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

The Risk Management function:

- Monitors the average ESG rating level of the portfolio and the minimum rating on pillar Environmental" and "Social "on an ongoing basis
- Monitors *ex-post* compliance with the ESG limits (including for the financial products which declares a minimum commitment in Sustainable investment, the compliance with the minimum commitment)
- Prepares periodic reports to the Investment Committee and the Sustainability Committee with regard to the average ESG rating level of the portfolio, exposure to the individual ESG risk factors and compliance with ESG limits established.

With particular reference to the active ownership, the portfolio manager monitors investee companies, *inter alia*, also in relation to financial and non-financial performance and risk and to ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)
- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

(g) Methodologies

To ensure the compliance with the strategies adopted in order to promote environmental or social characteristics and sustainable investment objectives, the portfolio manager relies on externally sourced content (MSCI).

The Rating methodology differs between:

- Corporate Issuers (Equity and Corporate Bond): 37 Key Issues are evaluated;
- Government Issuers: 27 sub-factors are evaluated.

Corporate Issuers

The methodology calculates ESG scores by concentrating on the most relevant environmental, social and governance factors and risks for each industry. The main factors taken into account by MSCI ESG Research in each of these themes are as follows:

- Environment: climate change, natural resources, pollution & waste, environmental opportunities;
- Social: human capital, product liability, stakeholder opposition, social opportunities;
- Governance: corporate governance, corporate behaviour.

To arrive at a final letter rating of a company, the methodology aggregates the weighted averages of the Key Issue Scores and normalizes the company's score by their industry. After any overrides are factored in, each company's Final Industry-Adjusted Score corresponds to a rating between best (AAA) and worst (CCC). These assessments of company performance are not absolute but are explicitly intended to be relative to the standards and performance of a company's industry peers.

Government Issuers

The methodology identifies a country's exposure to, and management of, environmental, social, and governance (ESG) risk factors and explain how these factors might impact the long-term sustainability of its economy.

As part of the "environment" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to protect, use and supplement its natural resources and manage environmental externalities and vulnerability risk.

As part of the "social" pillar, research is carried out to assess the extent to which a country's long-term competitiveness is affected by its ability to develop a healthy, stable and productive workforce and skills base and to create a favorable economic environment.

The "governance" pillar assesses the extent to which a country's long-term competitiveness is affected by its institutional capacity to support long-term stability and the functioning of its financial, judicial and political systems, as well as its ability to respond to environmental and social risks. The "governance" pillar has a higher weighting (50%) than the environmental and social pillars because governance offers more effective ways to influence the management of environmental, social and institutional risks.

The methodology scores and rates countries on a seven-points scale from 'AAA' (best) to 'CCC' (worst).

Determination of the ESG score of an investment portfolio

At portfolio level, the scores of each issuer are attributed according to the weight of the issuer in the portfolio.

The weighted score thus obtained is adjusted in order to take into account the performance of the issuers' scores (negative adjustment in the case of Issuers showing a deterioration in their rating and positive adjustment in the case of Issuers showing an improvement in their rating) and in order to take into account the presence in the portfolio of issuers defined as laggards, i.e. Issuers that are in the lower rating brackets (B or CCC) and are therefore generally exposed to greater reputational risk.

The adjusted weighted score is then converted into an ESG Rating according to a specific conversion table.

In order to promote environmental or social characteristics, the portfolio manager ensures that:

- The average ESG score at portfolio level is BBB or better.

- The score on either pillar E (Environmental) or S (Social) for each investment is BB or better

Moreover, in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

In terms of application of the exclusion list, the portfolio manager relies on data from MSCI ESG Research to obtain information about the share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks.

In terms of determination of the sustainable investment component, the portfolio manager adopts the MSCI's SFDR Article 2(17) Sustainable Investment Methodology adjusted in order to be more stringent respect to the principles of the SFDR Regulation. The methodology considers the three conditions established by SFDR Article 2(17) for sustainable investments, which implies:

1 a measured positive contribution generated by each investment to an environmental or social objective,
2 that such investment does not significantly harm any of those objectives (Do Not Significantly Harm principle – DNSH) through the consideration of the negative impacts on sustainability factors and the evaluation of the alignment of the investment to the OECD guidelines for Multinational enterprises and UN guiding principles on business and Human rights
3 the investment in investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance.

SFDR Article 2(17) further stipulates that the positive contribution can only be considered sustainable "provided that" companies follow good governance practices and the investments do not significantly harm to any of those objectives. This provision means that the good governance and do no significant harm criteria are prerequisites for determining eligible investment, while positive contribution to environmental or social objectives are core distinctions of sustainable investment.

The portfolio manager considers the three conditions according to the following rules:

1 **good governance practices**: in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag,

according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

2 **Do not significantly harm any investment objectives**: The methodology considers a subset of the principle adverse impacts on the sustainability factors and the alignment with the OECD Guidelines for Multinational Enterprises and UN Global Compact (UNGC) Principles, as criteria for avoiding harm and meeting minimal social safeguards. According to this methodology the following investment are not consistent with the definition of sustainable investment according to art. 2(17) SFDR: (i) breaches of OECD Guidelines for Multinational Enterprises and/or UNGC Principles **(SFDR PAI 10**). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope; (ii) There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under **SFDR PAI 4**, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR **PAI 14**. According to the application of the exclusion policy investment in such sectors are avoided. Additional SFDR PAI(s) may be considered in defining DNSH criteria of the SFDR Article 2 (17) based on improvements in the issuers' disclosure of the indicators and with more regulatory guidance around applicable thresholds.

3 **Positive contribution**: The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency, pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives.

<u>(h) Data sources and processing</u>

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product;**
  The ESG integration process and the application of the exclusion list is based on the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis.

- **Measures taken to ensure data quality**
  The info provider analysts are aided by Artificial Intelligence and other technologies to increase the timeliness and precision of data collection and analysis, and to review and validate the quality of the data and sources.
  Moreover, the model is frequently recalibrated to capture new and emerging risks most relevant to a company's core business model. The methodology is reviewed annually as part of a formal client consultation

- **How data are processed**
  Data from the info provider are used directly to apply the methodologies described in section (g) Methodologies.
  In terms of ESG Ratings, the portfolio manager converts the scoring provided by the info provider into a rating, using the proper conversion table.

- **The proportion of data that are estimated**
  The info provider does not have estimated data. Where data is not available, the value is conservatively set to 0, so that investments with no data available are not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

One limitation to data source for the promotion of environmental or social characteristics is the lack of disclosure from investee companies or regulatory/government reports. In order not to create a misleading representation of the percentage of investments that promote environmental or social characteristics, where data is missing for specific investments, such investments are considered by default as not promoting environmental or social characteristics.

In terms of principal adverse impact, there are limitations in the methodology and data source.

In fact, the first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply

be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

Moreover, focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition, and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.
To this end, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.
It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Regarding sustainable investments, a potential limitation could be the that only a subset of PAIs is prioritized. This limitation is mitigated through the abovementioned active ownership activity performed from the third-party proxy voting service provider (ISS).

(j) Due diligence

The portfolio manager performs an ongoing Due Diligence on underlying assets through data and methodologies provided by MSCI ESG Research, by verifying that investments promote environmental or social characteristics, according to methodologies explained in section (g) Methodologies.

(k) Engagement policies

The portfolio manager encourages investee companies to engage on the path of sustainability and monitors investee companies, inter alia, also in relation to financial and non-financial performance and risk and ESG issues (such as environmental impact, social impact and corporate governance)

The most important ESG issues on which the portfolio manager focuses are the following:

- Environmental: Environmental policy with particular focus on climate change issues
- Social: corporate social responsibility (CSR)

- Corporate governance: The analysis of the company's corporate governance with particular attention to the composition of the board of directors, the independence of directors and remuneration policies and the rights of minority shareholders

The portfolio manager monitors the sustainability of investee companies using the MSCI ESG Research database.

In actively monitoring the sound management of investee companies, the portfolio manager may also enter into a dialogue with the company to request additional documentation to deepen its analysis.

The portfolio manager considers the decisions taken at general meetings are of the utmost importance for the achievement of investment strategies and the protection of their rights as shareholders. and is committed to exercising voting rights in accordance with its Voting Rights Policy.

The portfolio manager has retained Institutional Shareholder Services, Inc. (“ISS”), an independent third-party proxy voting service provider. ISS provides AI with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS “Sustainability Policy” which is specifically designated for PRI signatories. Through its partnership with ISS, Azimut Investments S.A. is able to vote at shareholder meetings of investee companies. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society

Divestment is an instrument of last resort, to be used only after the path of commitment and communication has been taken without success.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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Azimut SCA-SICAV-RAIF - Automobile Heritage Enhancement

(a) Summary

The Fund is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). The investment strategy of the Fund involves the purchasing of particular automobiles to enhance the underlying cultural and technological heritage with the organization of events and exhibitions.
For the purpose of promoting social and environmental characteristics, the Fund:

- adopts a list of sustainability indicators suitable for measuring the performance with respect to the environmental and/or social characteristics the Fund aims to promote;
- verifies the respect of good governance practices of its suppliers;
- will not invest in sectors included in the exclusion list of the parent company ("Azimut Investments"), throughout the lifetime of the Fund.

The Fund will rely on external experts to verify the authenticity of the car during a possible acquisition or guarantee the car's authenticity after restoration and it will select these parties accordingly to their brand-linked expertise such as "Rossocorsa" (for Ferrari and Maserati) and similar networks for other manufacturers.
The investment team is committed to the monitoring of sustainability indicators and other useful KPIs during the entire lifetime of the Fund.

(b) No sustainable investment objective

This Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

(c) Environmental or social characteristics of the financial product

The investment strategy of the Fund involves the purchasing of particular automobiles to enhance the underlying cultural and technological heritage with the organization of events and exhibitions. As such, the Fund identifies the following as the key environmental and social characteristics that it is able to promote:

- Encourage low-impact logistics to improve supply chain sustainability;
- Improve visibility and awareness of Italian cultural heritage;
- Preserving and restoring historical and/or unique cars;
- Preserve employment of dedicated automobile craftsmen.

The promotion of such characteristics is aimed at contributing to 4 UN Sustainable Development Goals:

8. Decent Work and Economic Growth;

11. Sustainable Cities and Communities;

12. Responsible Consumption and Production;
13. Climate Action.

(d) Investment strategy

The Fund aims to promote environmental and/or social characteristics by investing in historical and/or limited edition automobiles, mainly Ferrari, to stimulate awareness on the cultural and technological heritage of the vehicles and their manufacturing with the organization of events and exhibitions. Investments in activities which are not related to the purchase, storage, restoring of vehicles and to the organization/promotion of events and exhibitions are not allowed.

The Fund is aware that the authenticity of all the cars is key to effectively promoting the social characteristics. Therefore, the Fund is committed to ensure that cars are authentic, historical and/or limited edition by means of verification and/or certification by external technical experts and, in the absence of such certification at the time of purchase, to assess whether there is potential to obtain such certification after restoring the vehicle with the employment of specialized craftsmanship.

The Fund will rely on external experts to conduct above mentioned activities and it will select these parties accordingly to their brand-linked expertise such as “Rossocorsa” (for Ferrari and Maserati) and similar networks for other manufacturers.

The environmental and social characteristics are promoted through the organization of events, showroom and museum exhibitions, car gatherings in collaboration with car dealers, event planners, and the governance of cultural sites. In particular, this plan will focus on considering UNESCO heritage sites for events organization and on the enhancement of the “Made in Italy” brand by prioritizing and privileging locations of outstanding historic, artistic and cultural value as well as by featuring catering solutions that show-case the gastronomic tradition of the territory where the event is hosted.

The Fund is committed to pursuing best practice in responsible management of events, taking into consideration the potential social and environmental impacts of the initiatives, whether these will be organized by the Fund itself or by a third party.

Furthermore, the Fund will appoint a third-party expert on environmental issues to estimate GHG emissions of the event, implement possible corrective and improvement actions and finally calculate the carbon footprint.

(e) Proportion of investments

The asset allocation will consist of cars that satisfy previously described criteria and thus eligible to promote the environmental and social characteristics identified by the Fund. Moreover, also the organization and promotion of events will be considered in respect with the environmental and social characteristics promoted by the Fund. For these reasons, at least the 90% of the portfolio of the Fund will be aligned with E/S characteristics.

(f) Monitoring of environmental or social characteristics

The investment team is committed to the monitoring of sustainability indicators and other useful KPIs during the entire lifetime of the Fund.

(g) Methodologies

The Fund will adopt a list of sustainability indicators suitable for measuring the performance with respect to the environmental and/or social characteristics the Fund aims to promote. In addition, the Fund will not invest in sectors included in the exclusion list of the parent company (“Azimut Investments”), throughout the lifetime of the Fund.

Here below the list of sustainability indicators:

- Emissions avoided by using green transportation means with respect to traditional logistic (data provided by logistic operators);
- Events organized to improve visibility and awareness of Italian cultural heritage;
- Cars defined both “historical” and/or “limited editions” on the total car pool;
    - Historical cars on the total car pool (excluding limited editions);
    - Limited edition cars on the total car pool (excluding historical cars);
    - NAV increase due to refit and restoring of cars;
- Number of craftsmen employed.

A car is considered “historical” if registered for at least 20 years and if certain criteria imposed by automobile associations (i.e. Fédération Internationale de l’Automobile “FIA”, Automobile Club d’Italia “ACI”, etc.) are satisfied. The Fund will rely on car manufacturers’ declaration for the identification of “limited edition” vehicles.

In order to promote environmental or social characteristics, the portfolio manager ensures the respect of the following binding elements:

- The Fund must evaluate sustainable solutions for environmental and social-friendly events in terms of event organization, logistics and catering in collaboration with third-party experts, as mentioned above in the investment strategy;
- Target automobiles must be “historical” and/or “limited edition”;
- At least 5 events per year held in “Italian selected locations”.

The Fund considers “Italian selected locations” such as historical cities, monuments/museums, old boroughs, remarkable environmental sites or UNESCO Heritage sites.

Moreover, the Fund is committed to verifying the adoption and compliance with good governance practices in relation to its suppliers. Also, during the monitoring phase, the Fund will have the ability to take early action if a supplier fails to meet certain requirements: the Fund will prioritize whatever action is necessary to ensure concrete solutions as quickly as possible in the case of significant risks or issues that may arise and negatively affect corporate governance quality and/or environmental and social topics.

(h) Data sources and processing

- **Data sources used to attain each of the environmental or social characteristics promoted by the financial product**
  The Fund will rely on external experts and logistic operators in order to obtain the data necessary to measure the attainment of the environmental or social characteristics promoted by the financial product.

- **Measures taken to ensure data quality**
  The external experts are selected accordingly to their brand-linked expertise such as "Rossocorsa" (for Ferrari and Maserati) and similar networks for other manufacturers.

- **How data are processed**
  Data from the external experts and logistic operators are used directly to apply the methodologies described in section (g) Methodologies.

- **The proportion of data that are estimated**
  Where data is not available, the investment is not considered as promoting environmental and/or social characteristics.

(i) Limitations to methodologies and data

There are possible limitations to methodologies and data due to the peculiarity of the Fund and its underlying assets.

In terms of principal adverse impact, the Fund considers to provide a detailed and meaningful disclosure of PAI at product-level to be unfeasible since the investment strategy is focused on luxury, historical and limited-edition vehicles, for which meaningful data are not available.

(j) Due diligence

The Fund will be supported by Rossocorsa and other automotive experts to assess automobiles authenticity and characteristics, as well as to estimate the economic value. These third parties are likely to be involved into the creation of car-related contents for the events organized by the Fund, to ensure that such events are in line with the social characteristics to be promoted.

In addition, during the event organization phase, the Fund internally pre-assess potential environmental and social impacts and, where relevant, it will appoint qualified third parties to estimate such impacts and to eventually monitor and mitigate them ex-post.

(k) Engagement policies

The current section is not applicable since there are no investee company.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

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Azimut Diversified Corporate Credit ESG-8 SCSp RAIF Sustainability-Related Disclosure

(a) Summary

Azimut Diversified Corporate Credit ESG-8 SCSp RAIF (the "Fund") aims at building a portfolio consisting of different credit/debt instruments issued by or granted to Italian small and medium-sized enterprises ("SMEs") and small-mid cap ("SMCs").

The Fund does not have sustainable investments as an objective, however it promotes environmental and/or social characteristics. As such, the sustainability-related disclosure follows Art. 8 of the SFDR. In this context, at least the 80% of the portfolio must promote environmental and/or social characteristics. The residual 20% must comply with negative screening criteria (as mentioned below) and good governance practices adoption. Furthermore, up to 15% of the Fund's total commitment can be invested on an ancillary basis in cash, cash equivalents, debt securities and money market instruments issued by Italian corporations with a maturity date no longer than 12 (twelve) months.

The ESG criteria related to the investment process, are integrated throughout the phases of the Fund and the promotion of environmental and/or social characteristics derives from (i) a combination of negative and positive ESG screening, and (ii) a positive/negative incentive mechanism tied to ESG goals.

The negative screening consists in the application of an exclusion list that contains controversial sectors and activities; the full list is provided in the document (see from the next page). On the other hand, the positive screening is aimed at selecting companies that demonstrate a good ESG performance with respect to peers/industry average. The ESG evaluation is performed through an ESG Due Diligence Questionnaire ("ESG DDQ") by which sustainability risks and opportunities are identified. The result is an ESG Score assigned to the company which is thereafter classified as "ESG company" if its score is 5 or better on a 1-10 scale (this threshold must be respected during the holding period) and it will be eligible for the proportion of the Fund that promotes environmental and/or social characteristics. Finally, the positive/negative incentive mechanism relies on the adjustment of the loan interest rate according to the progress of the company with respect to ESG goals agreed in the financing contract.

ESG data and KPIs are periodically monitored by the Fund through an IT platform. The objective is to update the ESG scores and evaluate the progress of positive/negative incentive mechanisms. In addition, ESG data is subject to quality assurance from accredited third parties.

(b) No sustainable investment objective

The financial product promotes environmental and/or social characteristics but does not have as its objective sustainable investment.

(c) Environmental or social characteristics of the financial product

The Fund aims to promote environmental and social characteristics clustered under five main topics:

- Energy efficiency strategy;
- Supply chain sustainability – transition to a circular economy;
- Gender equality;

- Improve people knowledge and skills;
- Support growth and development of local communities.

These topics are considered relevant to the Fund given current and future challenges in the context of climate change and human capital. Furthermore, the characteristics and the related indicators are also driven by the acknowledgment of Italian SMEs positioning towards sustainability and corporate responsibility topics which are less developed with respect to other European countries. The promotion of such characteristics contributes to the achievement of 9 out of 17 UN Sustainable Development Goals:

4. Quality Education;
5. Gender Equality;
7. Affordable & Clean Energy;
8. Decent Work & Economic Growth;
9. Industry, Innovation and Infrastructure;
10. Reduced Inequalities;
11. Sustainable Cities & Communities;
12. Responsible Consumption & Production;
13. Climate Action.

(d) Investment strategy

The Fund responsible investment process includes ESG factors during the whole investment life cycle via a thorough ESG screening exercise during the pre-investment stage and a periodic monitoring during the holding phase. The investment strategy relies on two screening mechanisms: the negative screening avoids investing in sectors and activities excluded according to certain criteria while the positive screening is aimed at the identification of the best ESG performers within a list of target companies. The exclusion list adopted for the negative screening is articulated in three sections:

A) The Fund cannot invest in companies that operate in the excluded industries as described in Annex V, Section B of the InvestEU Regulation.

- Activities which limit individual rights and freedoms or that violate human rights.
- Defense activities, if related to the use, development, or production of products and technologies that are prohibited by applicable international law.
- Tobacco related products and activities such as production, distribution, processing, and trade.
- Research on human cloning for reproductive purposes; activities intended to modify the genetic heritage of human beings and activities to create human embryos solely for the purpose of research or for the purpose of stem cell procurement, including by means of somatic cell nuclear transfer.
- Gambling and related activities (i.e., production, construction, distribution, processing, trade or software-related activities).
- Sex trade and related infrastructure, services and media.
- Activities involving live animals for experimental and scientific purposes.

- Real estate development activity, such as an activity with a sole purpose of renovating and re-leasing or re-selling existing buildings.
- Financial activities such as purchasing or trading in financial instruments.
- Activities forbidden by applicable national legislation.
- The decommissioning, operation, adaptation or construction of nuclear power stations.
- The production of nuclear weapons.
- Investments related to mining or to the extraction, processing, distribution, storage or combustion of solid fossil fuels and oil, as well as investments related to the extraction of gas. This exclusion does not apply to:
  - projects where there is no viable alternative technology;
  - projects related to pollution prevention and control;
  - projects equipped with carbon capture and storage or carbon capture and utilization installations; industrial or research projects that lead to substantial reductions of greenhouse gas emissions as compared with the applicable EU Emission Trading System benchmarks.
- Investments in facilities for the disposal of waste in landfill. This exclusion does not apply to investments in:
  - on-site landfill facilities that are an ancillary element of an industrial or mining investment project and where it has been demonstrated that landfilling is the only viable option to treat the industrial or mining waste produced by the concerned activity itself;
  - existing landfill facilities to ensure the utilization of landfill gas and to promote landfill mining and the reprocessing of mining waste.
- Investments in mechanical biological treatment (MBT) plants. This exclusion does not apply to investments to retrofit existing MBT plants for waste-to-energy purposes or recycling operations of separated waste such as composting and anaerobic digestion.
- Investments in incinerators for the treatment of waste. This exclusion does not apply to investments in:
  - plants exclusively dedicated to treating non-recyclable hazardous waste.
  - existing plants, where the investment is for the purpose of increasing energy efficiency, capturing exhaust gases for storage or use or recovering materials from incineration ashes, provided such investments do not result in an increase of the plants' waste processing capacity.

If a potential investment falls within the exceptions to the exclusion list under A) above, it will be submitted to the Investment Committee for discussion. In such cases, a "precautionary principle" approach will apply such that, if the issuer's activity is not deemed to make a substantial contribution to sustainability that clearly outweighs any potential harm that might result, the investment will be rejected.

A) The Fund cannot invest in companies that generate more than 1.5% of the annual turnover in the following sectors.

- Adult entertainment
- Abortifacients
- Controversial weapons

  and in companies that generate more than 20% of revenues from thermal coal.

B) The Fund cannot invest in companies that generate more than 30.0% of the annual turnover in the following sectors, as described in the Guidelines on the EIF Restricted Sectors and/or in the Paris alignment restrictions.

- Distilled alcoholic beverages and related products;

- Production of and trade in weapons and ammunition. This exclusion does not apply to the extent such activities are part of or accessory to explicit European Union policies;
- The research, development or technical applications relating to electronic data programs or solutions, which aim specifically at:
  - Internet gambling and online casinos;
  - Pornography,

  or are intended to enable to illegally:
  - Enter into electronic data networks;
  - Download electronic data.
- Energy-intensive and/or high CO_2-emitting industries:
  - Manufacture of organic and inorganic basic chemicals;
  - Manufacture of fertilisers and nitrogen compounds;
  - Manufacture of plastics in primary forms;
  - Manufacture of cement;
  - Manufacture of basic iron and steel and of ferro-alloys;
  - Manufacture of tubes, pipes, hollow profiles and related fittings, of steel;
  - Manufacture of other products of first processing of steel;
  - Aluminum production;
  - Manufacture of conventionally-fueled aircraft and related machinery;
  - Conventionally-fueled air transport, airports and service activities incidental to conventionally-fueled air transportation;
- Fossil fuel-based energy production and related activities, as follows:
  - Oil exploration & production, refining, transport, distribution and storage;
  - Natural gas exploration & production, liquefaction, regasification, transport, distribution and storage;
  - Electric power generation exceeding the Emissions Performance Standard (i.e. 250 grams of CO2e per kWh of electricity), applicable to fossil fuel-fired power and cogeneration plants, geothermal and hydropower plants with large reservoirs.

Notwithstanding the above, investments in sectors mentioned in section (vii) items a) – k) included, shall be allowed if the AIFM confirms that the specific final recipient transaction either (i) qualifies as environmentally sustainable investments as defined in the “EU Taxonomy for sustainable activities” (Regulation (EU) 2020/852, as amended from time to time) as supplemented by the technical criteria established under the “EU Taxonomy Delegated Acts” (Commission delegated Regulations (EU) supplementing Regulation (EU) 2020/852 or upcoming Taxonomy Delegated Acts, as amended from time to time, respectively), or (ii) is eligible under EIF’s Climate Action & Environmental Sustainability (CA&ES) objectives for green financing

The positive screening phase, rewards companies that are more developed in the context of environmental and/or social factors. On top of the positive screening exercise, potential portfolio companies need to submit the ESG Due Diligence Questionnaire (ESG DDQ) consisting of approximately 50 questions related to the list of environmental and/or social characteristics that the Fund aims to promote and other relevant topics regarding corporate governance. Furthermore, the questionnaire embeds sector materiality by overweighting certain questions included in the questionnaire according to the SASB materiality matrix. The aim is to:

- Understand potential sustainability risks and opportunities related to the specific investment;
- Create a sustainability risk profile of the target company;
- Identify best performers with respect to investable universe;

- Assess the adoption of good governance practices.

Once the questionnaire is completed, each target company will be assigned a sustainability risk profile on a 1 to 10 scale. Companies must score at least 5 to be classified as “ESG companies” and thus be eligible for ESG-compliant investments. As already mentioned, at least 80% of the portfolio will be allocated to ESG companies.

Finally, an adjustment mechanism on the loan interest rate may be agreed and structured with borrowing companies in order to incentivize their ESG performance. The agreement would include:

- Step-down reduction on the spread applied to the financing and frequency of application. The discount can be spread over multiple years. For each period, the spread reduction can be fixed or floating, with an overall cap at 0.50%.
- Step-back structure if the target is not maintained, provided that the spread can’t exceed the initial spread.
- A minimum of 2 KPIs per company are selected according to the characteristics of the company and to the environmental/social characteristics the Fund promotes.
- Relative weight of the selected KPIs. Multiple KPIs must be weighted to determine the spread reduction.
- Monitoring frequency (annual or consistent with the nature of the project funded).

During the management phase, the Fund is committed to monitor progress on specific KPIs, at both product and portfolio level. As such, the questionnaire, the scores, and changes in selected KPIs are periodically reviewed.

The loans/debt securities will be held by the Fund until expiration of the lending. Although, a sale into the secondary market is a possible solution. In this regard, if required, Azimut Investment S.A. is committed to include relevant ESG data and information into the divestment and vendor due diligence documentation. Finally, the reporting process of ESG information comes to an end following the investment life cycle.

The ESG DDQ used for the positive screening is aimed at assessing the degree of good and proper governance practices related to the management structure, employee relations & compensation and business ethics. The tool embraces high standards, frameworks, and certifications (OECD Guidelines, UN Global Compact) to determine whether good governance practices are being used properly or if any issues may emerge. In addition, during the monitoring phase, the Fund will have the ability to take action if a potential investment fails to meet certain requirements. In this case, the Fund will prioritize whatever action is strictly necessary to ensure concrete resolutions to prevent corporate governance matters.

<u>(e) Proportion of investments</u>

The entire portfolio must comply with the exclusion list (i.e. it must pass the negative screening) but a minimum of 80% of investments has to promote environmental and/or social characteristics. This means 80% of borrowers must be ESG companies (i.e. with an ESG score of at least 5). Up to 15% of the Fund’s total commitment can be invested on an ancillary basis in cash, cash equivalents, debt securities and money market instruments issued by Italian corporations with a maturity date no longer than 12 (twelve) months. Finally, the Fund has direct exposure to all investments.

(f) Monitoring of environmental or social characteristics

The Fund monitors the progress of borrowers with respect to:

- ESG DDQ results (annual basis), and
- ESG KPIs related to environmental and/or social characteristics promoted and possible positive/negative incentive mechanisms (KPIs are reviewed on a quarterly basis).

(g) Methodologies

The main objective of the positive screening is to identify and select the best ESG performers within a list of target companies. Selection criteria are predetermined and included in a proprietary ESG scorecard that considers multiple indicators. This leads to the inclusion of companies based on their positive ESG performance relative to their peers or sector average. As a result, companies must achieve an ESG score of at least 5 to be classified as "ESG companies" in a 1-10 scale. The score must be respected throughout the holding period. During this assessment, a meaningful indicator (ESG KPIs) is selected to represent the ESG overperformance of the company, thus the characteristic promoted by the investment.

In addition, the positive/negative incentive mechanism leads to a direct promotion of one or more environmental and/or social characteristics as the incentive is tied to specific ESG KPIs. The structure is be based on:

- Step-down structure on lending rates (i.e. reduced lending rates) and timeline,
- Step-back structure if the target set is not maintained, provided that the lending rate cannot exceed the original one during holding period.

(h) Data sources and processing

The data collection is processed through an IT platform with the invitation to companies to submit information via VAT codes and emails. This tool is able to:

- centralize and aggregate data at both investment and portfolio level,
- assign an ESG Score to each investment,
- detect inconsistent data.

Data must derive from certified and authoritative sources, a further verification is carried out by interacting with companies to elaborate and discuss the sources and quality of data. All data is intended to be real rather than estimated, however should an estimate be the only option, it will have to be assessed by external technical expertise.

(i) Limitations to methodologies and data

The Fund does not expect severe limitations to the evaluation methodology as the ESG DDQ answers and subsequent ESG KPIs arise from a direct interaction/engagement with the company for data quality verification. A failure in submitting the whole or part of the ESG DDQ would mean that the company is not “ESG compliant” and thus not eligible to promote an environmental and/or social characteristic. Finally, ESG KPIs and goals of the positive/negative incentive mechanism are agreed with the borrowing companies within the financing contract.

(j) Due diligence

The investable universe is primarily shaped by a general creditworthiness valuation and by the exclusion list of the negative screening. Subsequently a “Know Your Customer” (KYC) assessment is performed and the corporate structure of the company is reviewed. The resulting target companies are further evaluated by means of:

- fundamental financial analysis and credit assessment;
- ESG positive screening;
- Virtual/on-site meetings.

The ESG positive screening consists of the ESG DDQ and follow-up interactions with the management of the company. Detailed due diligence activities may be performed on specific topics such as management reputation and reliability, tax and legal, alignment with the Fund’s policy, etc. These activities are intended to be carried out with specialized third parties.

(k) Engagement policies

The engagement is not part of the investment strategy as the interaction with financed companies is limited to the ESG DDQ and the periodic data collection. However, the Fund may support the companies in the definition of goals of the positive/negative incentive mechanism, with no binding opinions or obligations to provide knowledge and expertise regarding sustainability matters.

(l) Designated reference benchmark

The Fund has not selected any index as a reference benchmark to measure the attainment of environmental and /or social characteristics promoted by the Fund.

Azimut Digital Enterprises RAIF SCSp Sustainability-Related Disclosure

(a) Summary

Azimut Digital Enterprises RAIF SCSp aims at building a portfolio consisting of Italian startups and small cap companies. Specifically, the Fund will invest in startups and small cap operating in the following areas: (i) Fintech, (ii) HR & Welfare, (iii) Marketplaces and (iv) AI & Analytics.

The Fund does not have sustainable investments as an objective, however it promotes environmental and/or social characteristics. As such, the sustainability-related disclosure follows Art. 8 of the SFDR.

In this context, at least the 85% of the portfolio investments will contribute to the promotion of environmental and/or social characteristics. The residual part of the portfolio (up to 15%) may be held for liquidity purposes and can be invested, on an ancillary basis, in cash, cash equivalents, equity and semi-equity instruments, including convertible bonds.

The ESG criteria related to the investment process, are integrated throughout the phases of the Fund and the promotion of environmental and/or social characteristics derives from a combination of (i) negative screening and (ii) preliminary valuation.

The negative screening consists in the application of an exclusion list that contains controversial sectors and activities; the full list is provided in the document (see from the next page).

On the other hand, the preliminary valuation is aimed to identity and select the companies that are more advanced regarding environmental and social aspects and have a potentially higher sustainability performance than the industry and/or competitors. The preliminary valuation is performed through an ESG Due Diligence Questionnaire (“ESG DDQ”) that includes questions related to (i) the list of environmental and social characteristics that the Fund aims to promote and (ii) additional relevant topics, especially regarding cybersecurity, customer privacy, data security and corporate governance.

The purposes of the ESG DDQ are to:

- Identify potential sustainability risks and opportunities related to the specific investment.
- Draw a sustainability risk profile of the target company.
- Identify room for improvements with respect to environmental and social issues.
- Assess whether target company follows good governance practices.

The result is an ESG Score assigned to the company which is thereafter classified as “ESG company” if its score is 5 or better on a 1-10 scale (this threshold must be respected during the holding period), and it will be eligible for the proportion of the Fund that promotes environmental and/or social characteristics.

ESG KPIs are defined considering the peculiarities of the company's business model and are periodically monitored by the Fund through an IT platform. The objective is to update the ESG scores and evaluate the progress of ESG performance of the companies.

(b) No sustainable investment objective

The financial product promotes environmental and/or social characteristics but does not have as its objective sustainable investment.

(c) Environmental or social characteristics of the financial product

The Fund aims to promote environmental and social characteristics clustered under three main topics:

- Energy efficiency.
- Gender equality.
- Customer privacy and data security.

The promoted environmental and social characteristics are intended to contribute to the following five UN Sustainable Development Goals (SDGs):

- Characteristic 1 aims to contribute to the following SDGs:
    - 7. Affordable & Clean Energy.
    - 12. Responsible Consumption & Production.

The promotion of energy efficiency measures and programmes will increase the share of renewable energy consumption from auto-production and/or from new supply contracts. Additional solutions can be implemented in the context of heating and cooling management to reduce energy needs without affecting people's well-being. An extensive energy efficiency program also optimizes the production cycle and reduces waste generation.

- Characteristic 2 aims to contribute to the following SDGs:
    - 5. Gender Equality.
    - 10. Reduced Inequalities.

This characteristic represents the ambition of achieving gender equality and empowering women and girls. The promotion of such goals is attained by introducing policies and programmes aimed at reducing the gender pay-gap, avoiding discrimination and sexual harassment, and ensuring equal professional and personal treatment in the workplace.

- Characteristic 3 aims to contribute to the following SDG:
    - 9. Industry, Innovation and Infrastructure.

In the context of digitalization and information technology, the implementation of cutting-edge solutions to improve and preserve user privacy and data security is key, regardless of the sector or end-use of a product. For this reason, such approach will primarily foster innovation and sustainable industrialization, as well as contributing to upgrading, building and maintaining sustainable and resilient digital infrastructures.

All investments made by the Fund aim to contribute to at least one of the above-mentioned characteristics and thus to one or more SDGs.

The Fund has not designated a reference benchmark for the purpose of attaining the promoted environmental and/or social characteristics.

(d) Investment strategy

The Fund responsible investment process includes ESG factors during the whole investment life cycle via a thorough ESG screening exercise during the pre-investment stage and a periodic monitoring during the holding phase. The investment strategy relies on a two-step mechanism: the negative screening avoids investing in sectors and activities excluded according to certain criteria and a preliminary valuation is aimed at the identification of the best ESG performers within a list of target companies.

The exclusion list adopted for the negative screening is articulated in four sections:

A) The Fund shall not invest or otherwise provide financial or other support, directly or indirectly, to companies that operate in the excluded industries as described into the "Guidelines on the EIF Restricted Sectors". That is:

- Any production, trade or other activity, which is illegal under the laws or regulations of the home jurisdiction for such production, trade or activity.
- Tobacco and Distilled Alcoholic Beverages.
- Production of and Trade in Weapons and Ammunition.
- Casinos and equivalent enterprises.
- Research, development or technical applications relating to electronic data programs or solutions, which:
  - aim specifically at:
    - supporting any activity descripted above;
    - internet gambling and online casinos; or
    - pornography,
  - or which are intended to enable to illegally
    - enter into electronic data networks; or
    - download electronic data.
- Human cloning for reproduction purposes (such activity is allowed only for research or therapeutic purposes).
- Genetically Modified Organisms ("GMOs") unless an appropriate specific assurance on the control of legal, regulatory and ethical issues can be provided.

B) The Fund cannot also invest in companies whose activities are excluded as per Annex V, Section B of the InvestEU Regulation:

- Activities which limit individual rights and freedoms or that violate human rights.
- Defense activities, if related to the use, development, or production of products and technologies that are prohibited by applicable international law.
- Activities intended to modify the genetic heritage of human beings which could make such changes heritable and activities to create human embryos solely for the purpose of research or for the purpose of stem cell procurement, including by means of somatic cell nuclear transfer.
- Sex trade and related infrastructure, services and media.
- Activities involving live animals for experimental and scientific purposes insofar as compliance with the European Convention for the Protection of Vertebrate Animals used for Experimental and other Scientific Purposes cannot be guaranteed.
- Real estate development activity, such as an activity with a sole purpose of renovating and re-leasing or re-selling existing buildings as well as building new projects;
- Financial activities such as purchasing or trading in financial instruments. In particular, interventions targeting buy-out intended for asset stripping or replacement capital intended for asset stripping shall be excluded;
- The decommissioning, operation, adaptation or construction of nuclear power stations.
- The production of nuclear weapons.
- Investments related to mining or to the extraction, processing, distribution, storage or combustion of solid fossil fuels and oil, as well as investments related to the extraction of gas. This exclusion does not apply to:

- projects where there is no viable alternative technology;
- projects related to pollution prevention and control;
- projects equipped with carbon capture and storage or carbon capture and utilization installations; industrial or research projects that lead to substantial reductions of greenhouse gas emissions as compared with the applicable EU Emission Trading System benchmarks.

▪ Investments in facilities for the disposal of waste in landfill. This exclusion does not apply to investments in:
  - on-site landfill facilities that are an ancillary element of an industrial or mining investment project and where it has been demonstrated that landfilling is the only viable option to treat the industrial or mining waste produced by the concerned activity itself;
  - existing landfill facilities to ensure the utilization of landfill gas and to promote landfill mining and the reprocessing of mining waste.

▪ Investments in mechanical biological treatment (MBT) plants. This exclusion does not apply to investments to retrofit existing MBT plants for waste-to-energy purposes or recycling operations of separated waste such as composting and anaerobic digestion.

▪ Investments in incinerators for the treatment of waste. This exclusion does not apply to investments in:
  - plants exclusively dedicated to treating non-recyclable hazardous waste.
  - existing plants, where the investment is for the purpose of increasing energy efficiency, capturing exhaust gases for storage or use or recovering materials from incineration ashes, provided such investments do not result in an increase of the plants' waste processing capacity.

C) The Fund cannot invest in companies that generate more than 1.5% of the annual turnover in the following sectors:

▪ Adult entertainment.
▪ Abortifacients.
▪ Controversial weapons.

and in companies that generate more than 20% of revenues from thermal coal.

D) The Fund shall not invest, guarantee or otherwise provide financial or other support, directly or indirectly, to companies which substantially focus on activities included into the Paris alignment restrictions:

▪ Fossil fuel-based energy production and related activities:
  - Coal mining, processing, transport and storage.
  - Oil exploration & production, refining, transport, distribution and storage.
  - Natural gas exploration & production, liquefaction, regasification, transport, distribution and storage; or
  - Electric power generation exceeding the Emissions Performance Standard (i.e. 250 grams of CO_2e per kWh of electricity), applicable to fossil fuel-fired power and cogeneration plants, geothermal and hydropower plants with large reservoirs.

▪ Energy-intensive and /or high CO_2-emitting industries and sectors (as referred to the NACE regulation):
  - Manufacture of other organic basic chemicals.
  - Manufacture of other inorganic basic chemicals.
  - Manufacture of fertilisers and nitrogen compounds.
  - Manufacture of plastics in primary forms.

- Manufacture of cement.
- Manufacture of basic iron and steel and of ferro-alloys.
- Manufacture of tubes, pipes, hollow profiles and related fittings, of steel.
- Cold drawing of bars.
- Cold rolling of narrow strip.
- Cold forming or folding.
- Cold drawing of wire.
- Aluminum production.
- Manufacture of conventionally-fuelled aircraft and related machinery.
- Conventionally-fuelled passenger air transport.
- Conventionally-fuelled freight air transport.
- Services activities incidental to conventionally-fuelled air transportation.

The preliminary valuation phase, rewards companies that are more developed in the context of environmental and/or social factors. Potential portfolio companies need to submit the ESG DDQ consisting of 38 questions related to the list of environmental and/or social characteristics that the Fund aims to promote and other relevant topics regarding corporate governance. Furthermore, the questionnaire embeds sector materiality by overweighting certain questions included in the questionnaire according to the SASB materiality matrix. The aim is to:

- Understand potential sustainability risks and opportunities related to the specific investment.
- Create a sustainability risk profile of the target company.
- Identify best performers with respect to investable universe.
- Assess the adoption of good governance practices.

Once the questionnaire is completed, each target company will be assigned a sustainability risk profile on a 1 to 10 scale. Companies must score at least 5 to be classified as "ESG companies" and thus be eligible for ESG-compliant investments. As already mentioned, at least 85% of the portfolio will be allocated to ESG companies.

During the management phase, the Fund is committed to monitor progress on specific KPIs, at both product and portfolio level. As such, the questionnaire, the scores, and changes in selected KPIs are periodically reviewed.

The ESG DDQ used for the preliminary valuation is aimed at assessing the degree of good and proper governance practices related to the management structure, employee relations & compensation and business ethics. The tool embraces high standards, frameworks, and certifications (OECD Guidelines, UN Global Compact) to determine whether good governance practices are being used properly or if any issues may emerge. In addition, during the monitoring phase, the Fund will have the ability to take action if a potential investment fails to meet certain requirements. In this case, the Fund will prioritize whatever action is strictly necessary to ensure concrete resolutions to prevent corporate governance matters.

(e) Proportion of investments

The entire portfolio must comply with the exclusion list (i.e. it must pass the negative screening) but a minimum of 85% of investments has to promote environmental and/or social characteristics. This means 85% of portfolio companies must be ESG companies (i.e. with an ESG score of at least 5). Up to 15% of the Fund's total commitment can be invested, on an ancillary basis, in cash, in cash equivalents, equity and semi-equity instruments, including convertible bonds. Finally, the Fund has direct exposure to all investments.

(f) Monitoring of environmental and/or social characteristics

The Fund monitors the progress of portfolio companies with respect to:

- ESG DDQ results (annual basis), and
- ESG KPIs related to environmental and/or social characteristics promoted, and they will be periodically reviewed.

(g) Methodologies of environmental or social characteristics

The main objective of the preliminary valuation is to identify and select the best ESG performers within a list of target companies. Selection criteria are predetermined and included in a proprietary ESG scorecard that considers multiple indicators. This leads to the inclusion of companies based on their positive ESG performance relative to their peers or sector average. As a result, companies must achieve an ESG score of at least 5 to be classified as "ESG companies" in a 1-10 scale. The score must be respected throughout the holding period. During this assessment, a meaningful indicator (ESG KPI) is selected to represent the ESG overperformance of the company, thus the characteristic promoted by the investment.

(h) Data sources and processing

The data collection is processed through an IT platform with the invitation to companies to submit information on such platform. This tool is able to:

- Centralize and aggregate data at both investment and portfolio level.
- Assign an ESG Score to each investment.
- Detect inconsistent data.

Data must derive from certified and authoritative sources; a further verification is carried out by interacting with companies to elaborate and discuss the sources and quality of data. All data is intended to be real rather than estimated, however should an estimate be the only option, it will have to be assessed by external technical expertise.

(i) Limitations to methodologies and data

The Fund does not expect severe limitations to the evaluation methodology as the ESG DDQ answers and subsequent ESG KPIs arise from a direct interaction/engagement with the company for data quality verification. A failure in submitting the whole or part of the ESG DDQ would mean that the company is not "ESG compliant" and thus not eligible to promote an environmental and/or social characteristic.

(j) Due diligence

The investable universe is primarily shaped by a general business valuation and by the exclusion list of the negative screening. Subsequently a "Know Your Customer" (KYC) assessment is performed and the corporate structure of the company is reviewed. The resulting target companies are further evaluated by means of:

- Fundamental financial analysis.
- ESG preliminary valuation.
- Virtual/on-site meetings.

The ESG preliminary valuation consists of the ESG DDQ and follow-up interactions with the management of the company. Detailed due diligence activities may be performed on specific topics such as management reputation and reliability, tax and legal, alignment with the Fund's policy, etc. These activities are intended to be carried out with specialized third parties.

(k) Engagement policies

The continuous support of the investment team towards portfolio companies embraces both purely business-related aspects as well as sustainability factors and ESG performance. Thus, the Fund aims to support the management of the invested companies in integrating sustainability factors within their business models and improving both financial and ESG performance. The periodic monitoring of ESG KPIs allows the Fund to engage with companies for identifying and mitigating sustainability risks and for seizing growth opportunities tied to ESG factors.

(l) Designated reference benchmark

The Fund has not selected any index as a reference benchmark to measure the attainment of environmental and /or social characteristics promoted by the Fund.

AZIMUT ELTIF – Infrastructure & Real Assets ESG

(a) Summary

AZIMUT ELTIF – Infrastructure & Real Assets ESG (the "Sub-fund") is classified as a product that promote environmental and/or social characteristics according to art. 8 of Regulation 2019/2088 (SFDR). For the purpose of promoting social and environmental characteristics, the portfolio manager:

- measures indicators functional for supporting investment decision during the due diligence process and functional to monitor the E/S characteristics during the life of each investment;
- verifies the respect of good governance practices of investee companies;
- excludes investments that are investments in asset that are on the exclusion list as result of the application of the exclusionary criteria;
- takes into account PAI indicators in its investment decisions.

ALI SGR, through the contribution of the Scientific Advisor, carries out an ex-ante ESG sustainability due diligence aimed at establishing the adherence of the targeted investment to the environmental, social and governance characteristics of the Sub-fund, as defined in the ESG Investment Plan of the Sub-fund.

During the whole life of the investment, ALI SGR, with the support of the Scientific Advisor, carries out a monitoring and evaluation activity on the ESG performance of the investee companies on which the Sub-Fund has decided to invest aiming to fund specific infrastructures.

Furthermore, the Sub-fund commits to directly and indirectly engage the stakeholders.

(b) No sustainable investment objective

This Sub-Fund promotes environmental or social characteristics but does not have as its objective sustainable investment.

(c) Environmental or social characteristics of the financial product

The Sub-fund promotes both environmental and social characteristics. Through the investment in innovative entrepreneurial ventures focused on building and/or managing crucial infrastructures, the Sub-fund aims at generating economic and social benefits in Italy, besides contributing to smart, sustainable and inclusive growth and to the EU's energy, regional and cohesion policies.

In particular, it seeks to invest in infrastructure projects aimed at improving real economy and employment, energy and environmental transition, digitalization, accessibility to care services including health services, supporting education, teaching, and development of residential projects with social impact, overall capable of generating therefore an additional, measurable, and favourable social or environmental impact.

Main areas of investments with Environmental (“E”) and Social (“S”) characteristics identified are the following:

- White and Silver Economy (nursing homes - RSA and senior housing; health facilities such as hospitals, outpatient clinics and diagnostics; facilities intended for personal well-being, etc.).
- Young Economy (services in support of education, teaching, and employment).
- Housing and Hospitality (student and senior housing, hostels, hospices, temporary family residences, co-working and co-living, social housing, and affordable housing, etc.).
- Digital and/or environmentally focused investments (assets that have a positive impact in terms of mobility and traffic decongestion; projects in the field of urban regeneration, energy efficiency and finalized to the enhancement of environmental assets and resources like water cycle, waste to energy, waste cycle, reclamation, public green, fiber, data centers, digital transformation, technological infrastructures; electric mobility, etc.).

The good governance practice is pre-assessed by the Sub-fund through the due diligence process. Each investment must respect at least 3 of the following five indicators:

1. Presence of an ethical code and/or specific global policies that regulate management structures, employee relation and remuneration of staff.
2. Gender diversity on the board of directors.
3. Adherence to anti-corruption practices.
4. Adherence to the principles of the UN global compact and the OECD guidelines and/or the absence of severe controversies regarding norm based standard principles (i.e. tax compliance, human rights, employee relation, etc.) are a specific binding element of the good governance process.
5. Definition of social and environmental strategic targets.

For any investment that becomes part of the portfolio, the Sub-fund will monitor the adherence to those indicators with the support of the Investment Manager and the periodical oversight of the Technical Committee. It is possible that more governance indicators will be monitored for each specific investment, according to the specificity of its core business, to better comply with the PAIs periodical consideration.

(d) Investment strategy

The purpose of the Sub-fund is to generate a positive, measurable, and favourable social and/or environmental impact, besides maximizing the net result for its Investors. Thus, main drivers of the Sub-fund's investment strategy are ESG (Environmental, Social and Governance) principles called "sustainability indicators" as well as the SDG (Sustainable Developments Goals) objectives.

The investment strategy of the Sub-fund follows specific criteria established by the Sub-fund's investment policy and by the ESG Investment Plan. Both ranges of criteria apply in terms of single investment as well as in terms of the investment portfolio composition in its entirety.

The Sub-fund is prohibited from investing in (a) publicly traded companies with aim at engaging hostile transactions; (b) companies that do not respect human rights or that produce, distribute or are involved in: (i) tobacco; (ii) pornographic material; (iii) armaments (including parts exclusively intended for them); (iv) electronic solutions or programs that are specifically designed to illegal purposes; (v) gambling; and

(g) corporations established in a Member State which is a high-risk and non-cooperative jurisdiction identified by the financial task force.

In accordance with the ESG Investment Plan, the Sub-fund evaluates the eligibility of each investment via:

a) establishing a due diligence process based on 10 sustainability indicators, 5 per each environmental and social characteristic.

b) constituting an internal "Technical Committee" of the Investment Manager, in order to support the Investment Manager to assess the sustainability profile of each Sub-fund's investment, approve/refuse the proposed investments verifying if they are compliance with the ESG Investment Plan.

(e) Proportion of investments

At the date of this Prospectus, the Sub-fund has not finalized any investment, but it forecasts to invest at least 80% of the entire portfolio in assets thus aligned with E/S characteristics.

Moreover, the Sub-fund does forecast that the remaining proportion of investments, qualified as "Other" will represent 20% or less of the total number of investments that compose the final portfolio.

The Sub-fund guarantees that they will not belong to any excluded sector, and that they will pass through the due diligence process carried out ex-ante to assess the compliance of each investment to the sustainability indicators used to measure the attainment of the environmental and social characteristics.

The due diligence process represents the way in which the Sub-fund considers minimum safeguards* to keep its general E/S characteristics.

In all cases, the "Other" investments must reach at least 2 out of the 10 pre-established sustainability indicators (with a minimum of 1 per each Environmental and Social characteristic) at the time when the Sub-fund will invest whereas the good governance practices must be always assessed passing at least 3 of the 5 governance indicators. Nevertheless, the Sub-fund will ask the investee company if it intends to commit to align with E/S characteristics of the Sub-fund, reaching at least 5 out of the 10 pre-established sustainability indicators, by the end of the investment period.

* Those minimum safeguards are internally related to the Sub-fund sustainability indicators and are not related to the minimum safeguards laid out in Article 18 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088, as may be amended from time to time (the "Taxonomy Regulation") and specified in the Final Report on the Minimum Safeguards released by the Platform on Sustainable Finance.

(f) Monitoring of environmental or social characteristics

During the whole life of the investment, ALI SGR, with the support of the Scientific Advisor, carries out a monitoring and evaluation activity on the ESG performance of the investee companies on which the Sub-Fund has decided to invest aiming to fund specific infrastructures.

This activity is aimed to grasp if, within the years, the investment has a better or worse score compared to the one assigned in the first evaluation and in the following ones. Each investment is evaluated through the following indicators:

- Transversal indicators: the Sub-Fund applies this kind of indicators to all the investee companies to evaluate their ESG performance. They are 8 per dimension (E,S,G); they cover general topics and/or help to monitor the principal adverse impact on the sustainability factors.
- Specific indicators: the Sub-Fund uses this kind of indicators to highlight the social and/or environmental value generated by each investee company. Those indicators also allow the monitoring of the impact objectives chosen by the Sub-Fund for each investment.

The presence of two categories of monitoring indicators is aimed to, on the one hand, create a general picture of the Sub-Fund ESG performance thanks to the transversal indicators; on the other hand, the specific indicators have a specific focus on the Sub-Fund's objectives for each investee company. In the table below, there is the list of transversal indicators divided for each E,S,G dimension, built taking into account the PAIs and the international system of impact metrics IRIS + sponsored by the Global Impact Investing Network.

(g) Methodologies

The attainment of the environmental or social characteristics (E/S) promoted is measured through the following sustainability indicators:

1) Indicators functional for supporting investment decision during the due diligence process

As it is described in the ESG Investment Plan adopted by the Investment Manager, all assets in which the Sub-fund invests must pass through the due diligence process. Each investment is evaluated using the sustainability indicators listed below and clustered per environmental and social characteristic:

Environmental ("E"):

- presence of an environmental management policy;
- presence of plans / policies / certifications for waste management;
- presence of plans / policies / certifications for water management;
- presence of a share of renewable energy in the total energy consumed;
- presence of energy efficiency certificate.

Social ("S"):

- presence of stakeholder engagement activities;
- presence of an occupational health and safety policy;
- presence of a supplier code of conduct;
- presence of actions / policies / certifications for inclusion and gender diversity;
- promotion of economic and social development in marginalized areas and/or areas with high demand.

2) Indicators functional to monitor the E/S characteristics during the life of each investment

In addition to the sustainability indicators of the due diligence process, in order to maintain the Sub-fund aligned with the E/S characteristics, the Investment Manager will be monitoring other additional indicators during the entire investment period, as defined in the ESG Investment Plan.

These indicators are monitored and reported on an annual basis in the financial product disclosures in line with the requirements and timelines of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, as may be amended from time to time ("SFDR").

3) <u>The absence of investments in asset that are on the exclusion list as result of the application of the exclusionary criteria.</u>

The Sub-fund does not invest in activities that do not respect human rights or that are related to the production, commercialization, transport, and storage of tobacco, armaments (including parts exclusively intended for them), electronic solutions or programs that are specifically designed to illegal purposes. In addition, the Sub-fund does not invest in companies involved in gambling, pornographic material, corporations established in a Member State which is a high-risk and non-cooperative jurisdiction identified by the financial task force and publicly traded companies with aim at engaging hostile transactions.

4) <u>The consideration in the investment process of the principal adverse impacts ("PAIs")</u>

The Sub-fund aims to mitigate the negative impacts of each investment decisions on sustainability factors ("PAIs"). The way in which the PAIs are considered in the investment process depends on various factors, such as on the type of asset and availability of reliable data. Considering the specific constituents of the Sub-fund which invests mainly in unlisted companies that hold real assets and infrastructures, the necessary data are not always available by traditional information providers. The Investment Manager can accordingly collect indicators using a best effort approach choosing the information either directly from investee companies or by carrying out additional research, cooperating with third party or external experts or making reasonable assumptions.

Where possible and feasible and in line with the nature of the investments, minimum requirements apply to each investment. The PAIs considered should be one or more of the mandatory indicators included in the Annex 1 of the Commission Delegated Regulation 1288/2022 (RTS). The Investment Manager commits to consider at least three PAIs before and during the life of each investment using the exclusion criteria to mitigate them. By excluding investment in companies operating in specific sectors it is possible to avoid or reduce the principal adverse impacts connected with each specific excluded sector. Actively engaging with investee companies is an alternative method to mitigate PAIs. This is applied by the Investment Manager through the shareholders' voting process, when applicable. The exact application of exclusion and engagement's criteria could differ between each investment and will be documented in the financial product disclosures in line with the requirements and timelines of the SFDR.

<u>Good governance practice</u>

The good governance practice is pre-assessed by the Sub-fund through the due diligence process. Each investment must respect at least 3 of the following five indicators:

1. Presence of an ethical code and/or specific global policies that regulate management structures, employee relation and remuneration of staff.
2. Gender diversity on the board of directors.
3. Adherence to anti-corruption practices.
4. Adherence to the principles of the UN global compact and the OECD guidelines and/or the absence of severe controversies regarding norm based standard principles (i.e. tax compliance, human rights, employee relation, etc.) are a specific binding element of the good governance process.
5. Definition of social and environmental strategic targets.

For any investment that becomes part of the portfolio, the Sub-fund will monitor the adherence to those indicators with the support of the Investment Manager and the periodical oversight of the Technical Committee. It is possible that more governance indicators will be monitored for each specific investment, according to the specificity of its core business, to better comply with the PAIs periodical consideration.

(h) Data sources and processing

ALI SGR, through the contribution of the Scientific Advisor, carries out an ex-ante ESG sustainability due diligence aimed at establishing the adherence of the targeted investment to the environmental, social and governance characteristics of the Sub-fund, as defined in the ESG Investment Plan of the Sub-fund. The Due Diligence phase is extremely important for understanding whether the investment proposed by the Sub-fund can be classified as Flexible or Compatible, according to the dimensions of the non-financial analysis (for more information see section (j) Due diligence).

In relation to PAI consideration, the way in which the PAIs are considered in the investment process depends on various factors, such as on the type of asset and availability of reliable data. Considering the specific constituents of the Sub-fund which invests mainly in unlisted companies that hold real assets and infrastructures, the necessary data are not always available by traditional information providers. The Investment Manager can accordingly collect indicators using a best effort approach choosing the information either directly from investee companies or by carrying out additional research, cooperating with third party or external experts or making reasonable assumptions.

Data are used directly to apply the methodologies described in section (g) Methodologies.

(i) Limitations to methodologies and data

There are possible limitations to methodologies and data due to the peculiarity of the Fund and its underlying assets.

In terms of principal adverse impact consideration, the way in which the PAIs are considered in the investment process depends on various factors, such as on the type of asset and availability of reliable data. Considering the specific constituents of the Sub-fund which invests mainly in unlisted companies that hold real assets and infrastructures, the necessary data are not always available by traditional information providers. The Investment Manager can accordingly collect indicators using a best effort approach choosing the information either directly from investee companies or by carrying out additional research, cooperating with third party or external experts or making reasonable assumptions.

(j) Due diligence

ALI SGR, through the contribution of the Scientific Advisor, carries out an ex-ante ESG sustainability due diligence aimed at establishing the adherence of the targeted investment to the environmental, social and governance characteristics of the Sub-fund, as defined in the ESG Investment Plan of the Sub-fund ("Due Diligence").

The investment must therefore fall into the sector of the exclusion lists. The company in which the Sub-fund invests shall have as its underlying investment asset or feature, the infrastructure or assets as defined in the Sub-fund Prospectus, which enable it to pursue social, environmental and governance results, which have a lasting impact on the relevant community.

In addition to the requirement of the above mentioned characteristics, the Sub-fund verifies that the investment meets the sustainability indicators defined in the following tables.

Environmental (“E”):

- presence of an environmental management policy;
- presence of plans / policies / certifications for waste management;
- presence of plans / policies / certifications for water management;
- presence of a share of renewable energy in the total energy consumed;
- presence of energy efficiency certificate.

Social (“S”):

- presence of stakeholder engagement activities;
- presence of an occupational health and safety policy;
- presence of a supplier code of conduct;
- presence of actions / policies / certifications for inclusion and gender diversity;
- promotion of economic and social development in marginalized areas and/or areas with high demand.

Governance (“G”):

- Presence of the Code of Ethics and/or policies ruling management structures, relations between employees and remuneration
- Gender diversity on boards
- Adherence to anti-corruption practices
- Adherence to UNGP and OECD principles and/or absence of severe controversies
- Setting of environmental and/or social strategic impact objectives

For each investment to be considered "eligible" for the Sub-fund investment, it must:

1. as regards the governance criteria, meet at least 3 of the 5 sustainability indicators set out above and;
2. as regards environmental and social criteria:

a. meet a total of at least 5 of the sustainability indicators in the Environmental and Social dimensions, of which at least 2 for each of the Environmental and Social dimensions; in this case the investment will be defined as "Compatible";
b. satisfy at least 1 of the sustainability indicators for each Environmental and Social dimension: in this case the investment will be defined as "Flexible".

A Compatible investment is more in line with the approved sustainability indicators and has the characteristics to contribute significantly to the achievement of the objectives of the Sub-fund itself.

A Flexible investment possesses the minimum characteristics of adherence to the sustainability indicators approved in the ESG Investment Plan of the Sub-fund and in any case has the ability to partially contribute to the achievement of the overall objectives of the Sub-fund.

Investment thresholds

The Due Diligence phase is extremely important for understanding whether the investment proposed by the Sub-fund can be classified as Flexible or Compatible, according to the dimensions of the non-financial analysis. In this regard, the Sub-fund undertakes to have at least 80% (by number and value of the portfolio) of Compatible investments ("Investment Thresholds"), therefore more aligned already in the Due Diligence phase with the characteristics of the Sub-fund and to its sustainability indicators.

Decision-making process

To determine whether an investment is eligible, according to the Sub-fund ESG Plan of Investments, each targeted investment is subjected to a preliminary assessment, drawn up by the Investment Management team of ALI SGR which also takes into account the above mentioned exclusion criteria. In case of a positive result, the Scientific Advisor draws up the Due Diligence based on the model described above and verifies the adherence to the minimum number of indicators in order for the targeted investment to be eligible: 3 indicators out of 5 for the Governance dimension and at least one indicator for each of the other two dimensions (Environmental and Social), or else that the investment is at least Flexible.

The Due Diligence is then presented to the Technical Committee, for an in-depth discussion and the preparation of a binding opinion for the governance bodies of ALI SGR. The binding opinion concerns the adherence of the targeted investment to the Sub-fund ESG Investment Plan and considers:

I. whether the proposed investment has the characteristics of Compatibility or Flexibility, based on the Due Diligence results;
II. the compliance with the Sub-fund’s Investment Thresholds, as described above.

(k) Engagement policies

The Sub-fund commits to directly and indirectly engage the stakeholders. The latter are the Sub-fund investors, the investee companies, and their beneficiaries.

Direct engagement

The investors are engaged via the Sub-fund’s annual reporting (Sub-fund ESG Performance Report) that describes the Sub-fund results generated due to the investee companies performance. The annual report is also an occasion to engage the investee companies. In fact, ALI SGR, supported by the Scientific Advisor, carries out periodic meetings aimed to monitor the investee companies performance on the sustainability indicators and their specific objectives.

Indirect engagement

The engagement of the final beneficiaries of the Sub-fund action is made through the investee companies. Those beneficiaries are third parties that interact with (receive, purchase or sell goods and services) the investee companies. The Sub-fund monitors the engagement level of these stakeholders through a social indicator (stakeholder engagement activities) during the due diligence phase and with a transversal indicator (number of events with stakeholders and cooperation actions with the local community) to apply to the investee companies.

(l) Designated reference benchmark

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-Fund.

II. Integration of sustainability risks in the investment decision-making process and investment advice

Azimut Investments S.A. (“AI”) integrates ESG (Environmental, Social and Governance) criteria in its investment process, on the basis of the products and services offered by MSCI ESG Research, which provides in-depth research, ratings and analysis on the approach and practices of thousands of companies around the world in relation to environmental, social and governance issues. MSCI ESG Research is part of MSCI, which is one of the leading suppliers of research-based indices and analysis. Further details are available at https://www.msci.com/esg-ratings.

Through MSCI analysis and ratings, AI is able to continuously monitor, at the individual position level and at the overall portfolio level, the exposure and the level of ESG risk of a portfolio.

Sustainability Risks are defined as 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 investments. Sustainability risks can either represent a risk of their own or have an impact on other risks and may contribute significantly to risks, such as market risks, operational risks, liquidity risks or counterparty risks. Sustainability risks may have an impact on long-term risk adjusted returns for investors. Assessment of sustainability risks is complex and may be based on environmental, social, or governance data which is difficult to obtain and incomplete, estimated, out of date or otherwise materially inaccurate. Even when identified, there can be no guarantee that these data will be correctly assessed. Consequent impacts to the occurrence of sustainability risk can be many and varied according to a specific risk, region or asset class.

According to the above definition, Sustainability Risks are specific events that are mostly idiosyncratic and company-related (and/or country-related). AI performs the assessment on Sustainability Risks through the analysis of ESG scores. Typically, the higher the ESG scores, the higher the standards adopted by the investee company in its business activity (or by a country in its way of governing a nation), and the lower the risk that an adverse event could occur and lead to a decrease in the value of the investment. Integrating ESG criteria in the investment process therefore reduces the Sustainability Risks.

In addition to ESG Integration, AI is committed to avoid investing in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. The list containing all prohibited issuers constitutes the “Exclusion List”, and the related exclusion criteria are provided in the ESG Policy put in place by AI.

As Sustainability Risks are defined as anything that may have a negative impact on the value of a single investment, or on the expected return of an investment portfolio, the introduction of an Exclusion List limits the investment universe from which the portfolio management team may select investments. In this sense, the Exclusion Lists may potentially preclude a portfolio manager from investing in a security that may have superior expected returns from a purely financial standpoint.

Notwithstanding the above, in AI we consider that Sustainability Risks as not relevant on the basis of the following key assumptions:

- Prohibited investments (in scope of the “Exclusion list”) represent a very limited portion of all investable assets;
- An adverse sustainability event that may occurs to any of the prohibited investments will likely have a material negative impact on the investments, therefore wiping out (all or even more) of the expected superior return;
- ESG integration significantly reduces such risks.

AI is committed to integrate the environmental, social and governance (ESG) factors in the Advisory service.

The integration of sustainability risks in the advisory process will be done through the selection of products that have ESG characteristics in line with the ESG Policy adopted by Azimut Investment.

III. Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant*:* Azimut Investment (5493008HNU145OGBNV34)

Summary

Azimut Investment (5493008HNU145OGBNV34) considers the main adverse effects of its investment decisions on sustainability factors. This statement is the consolidated statement on the main adverse effects on sustainability factors of Azimut Investment.

This statement on the main negative effects on sustainability factors covers the reporting period from October 1 2022, to December 31 2022.

The document aims to describe:

- the main adverse effects on sustainability factors, including their effects and any actions taken, planned, and targets set for the next reporting period
- the policies related to the identification and prioritization of the main adverse effects on sustainability factors
- the engagement policies adopted to support consideration of key adverse effects on sustainability factors
- compliance with responsible business conduct codes and internationally recognized standards of due diligence and reporting

Description of the principal adverse impacts on sustainability factors

Table I

<table>
<tr><th colspan="7">Indicators applicable to investments in investee companies</th></tr>
<tr><th colspan="2">Adverse sustainability indicator</th><th>Metric</th><th>Impact [year 2022]</th><th>Impact [year 2021]</th><th>Explanation</th><th>Actions taken, and actions planned and targets set for the next reference period</th></tr>
<tr><th colspan="7">CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</th></tr>
<tr><td rowspan="6">Greenhouse gas Emissions</td><td rowspan="4">1. GHG emissions</td><td>Scope 1 GHG emissions</td><td>1.469.590</td><td></td><td></td><td rowspan="4">During the reporting period, the following actions were taken:
- Exclusions:
- Thermal Coal: maximum 20% of the annual turnover
- Active ownership: through the “ISS”, an independent third party proxy voting service provider. More information on actions planned during the next reference period are available in the section: “Engagement policies” of this document
- ESG integration: integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts
- Fund selection: favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs</td></tr>
<tr><td>Scope 2 GHG emissions</td><td>230.696</td><td></td><td></td></tr>
<tr><td>Scope 3 GHG emissions</td><td>6.880.551</td><td></td><td></td></tr>
<tr><td>Total GHG emissions</td><td>8.630.850</td><td></td><td></td></tr>
<tr><td>2. Carbon footprint</td><td>Carbon footprint</td><td>336</td><td></td><td></td><td>During the reporting period, the following actions were taken:
- Exclusions:
- Thermal Coal: maximum 20% of the annual turnover
- Active ownership: through the “ISS”, an independent third party proxy voting service provider. More information on actions planned during the next reference period are available in the section: “Engagement policies” of this document
- ESG integration: integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts
- Fund selection: favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs</td></tr>
<tr><td>3. GHG intensity of investee companies</td><td>GHG intensity of investee companies</td><td>685</td><td></td><td></td><td>During the reporting period, the following actions were taken:
- Exclusions:</td></tr>
</table>

						- Thermal Coal: maximum 20% of the annual turnover - **Active ownership:** through the “ISS”, an independent third party proxy voting service provider. More information on actions planned during the next reference period are available in the section: *“Engagement policies”* of this document - **ESG integration:** integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts - **Fund selection:** favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	8%			During the reporting period, the following actions were taken: - **Exclusions:** - Thermal Coal: maximum 20% of the annual turnover - **Active ownership:** through the “ISS”, an independent third party proxy voting service provider. More information on actions planned during the next reference period are available in the section: *“Engagement policies”* of this document - **ESG integration:** integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts - **Fund selection:** favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	40%			During the reporting period, the following actions were taken: - **Exclusions:** - Thermal Coal: maximum 20% of the annual turnover - **Active ownership:** through the “ISS”, an independent third party proxy voting service provider. More information on actions planned during the next reference period are available in the section: *“Engagement policies”* of this document - **ESG integration:** integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts - **Fund selection:** favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs

	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	SECTION A - AGRICULTURE, FORESTRY AND FISHING	0,0001			During the reporting period, the following actions were taken: - **Active ownership:** through the "ISS", an independent third party proxy voting service provider. More information on actions planned during the next reference period are available in the section: *"Engagement policies"* of this document - **ESG integration:** integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts **Fund selection:** favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs
			SECTION B - MINING AND QUARRYING	0,11			
			SECTION C - MANUFACTURING	0,15			
			SECTION D - ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	0,24			
			SECTION E - WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	0,0097			
			SECTION F - CONSTRUCTION	0,0015			

			SECTION G - WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	0,03			
			SECTION H - TRANSPORTATION AND STORAGE	0,06			
			SECTION L - REAL ESTATE ACTIVITIES	0,01			
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas		0,1%			During the reporting period, the following actions were taken: - **Active ownership:** through the "ISS", an independent third party proxy voting service provider. More information on actions planned during the next reference period are available in the section: *"Engagement policies"* of this document - **ESG integration:** integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts - **Fund selection:** favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs
Water	8. Emission to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average		1,4			During the reporting period, the following actions were taken: - **Active ownership:** through the "ISS", an independent third party proxy voting service provider. More information on actions planned during the next reference period are available in the section: *"Engagement policies"* of this document - **ESG integration:** integration of ESG factors into the investment process:

						companies with high E, S and G ratings normally have lower principal adverse impacts - **Fund selection:** favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs
Water	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	285			During the reporting period, the following actions were taken: - **Active ownership:** through the "ISS", an independent third party proxy voting service provider. More information on actions planned during the next reference period are available in the section: *"Engagement policies"* of this document - **ESG integration:** integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts - **Fund selection:** favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS						
Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0,7%			During the reporting period, the following actions were taken: - **Active ownership:** through the "ISS", an independent third party proxy voting service provider. More information on actions planned during the next reference period are available in the section: *"Engagement policies"* of this document - **ESG integration:** integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts - **Fund selection:** favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs

	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments 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	28,0%			During the reporting period, the following actions were taken: - **Active ownership:** through the "ISS", an independent third party proxy voting service provider. More information on actions planned during the next reference period are available in the section: *"Engagement policies"* of this document - **ESG integration:** integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts - **Fund selection:** favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	1,7%			During the reporting period, the following actions were taken: - **Active ownership:** through the "ISS", an independent third party proxy voting service provider. More information on actions planned during the next reference period are available in the section: *"Engagement policies"* of this document - **ESG integration:** integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts - **Fund selection:** favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	20,5%			During the reporting period, the following actions were taken: - **Active ownership:** through the "ISS", an independent third party proxy voting service provider. More information on actions planned during the next reference period are available in the section: *"Engagement policies"* of this document - **ESG integration:** integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts - **Fund selection:** favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs

	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0,03%			During the reporting period, the following actions were taken:
						- **Exclusions:**
						  - Nuclear weapons: maximum 1.5% of the annual turnover
						  - Controversial weapons: no exposure (Any Tie)
						- **Active ownership:** through the "ISS", an independent third party proxy voting service provider. More information on actions planned during the next reference period are available in the section: *"Engagement policies"* of this document
						- **ESG integration:** integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts
						- **Fund selection:** favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs
						
						Please note that the PAI value is greater than 0 because the exclusion strategy only applies to direct investment and does not apply to third party funds.

Indicators applicable to investments in sovereigns and supranationals						
Environmental	15. GHG intensity	GHG intensity of investee countries	42			During the reporting period, the following actions were taken: - **ESG integration:** integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts - **Fund selection:** favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	6			During the reporting period, the following actions were taken: - **ESG integration:** integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts - **Fund selection:** favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs
Indicators applicable to investments in real estate assets						

Fossil fuels	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
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets				- N/A

Table 2

Additional climate and other environment-related indicators						
Adverse sustainability indicator		**Metric**	**Impact [year 2022]**	**Impact [year 2021]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Indicators applicable to investments in investee companies						
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	16,83%			During the reporting period, the following actions were taken: - **Exclusions:** - Thermal Coal: maximum 20% of the annual turnover - **Active ownership**: through the "ISS", an independent third party proxy voting service provider. More information on actions planned during the next reference period are available in the section: *"Engagement policies"* of this document - **ESG integration:** integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts - **Fund selection:** favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs

Table 3

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters					
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS					
Adverse sustainability indicator	**Metric**	**Impact [year 2022]**	**Impact [year 2021]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
Indicators applicable to investments in investee companies					

Human Rights	14. Number of identified cases of severe human rights issues and incidents	Number of cases of severe human rights issues and incidents connected to investee companies on a weighted average basis	0,00			During the reporting period, the following actions were taken: - **Active ownership**: through the "ISS", an independent third party proxy voting service provider. More information on actions planned during the next reference period are available in the section: *"Engagement policies"* of this document - **ESG integration:** integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts - **Fund selection:** favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs

Description of policies to identify and prioritize principal adverse impacts on sustainability factors

Principal Adverse Impacts PAI(s) should be understood as those impacts of investment decisions that result in negative effects on sustainability factors.

The ESG Policy, describing the policies to identify and prioritize principal adverse impacts on sustainability factors, has been approved from the Board of Directors on 29/03/2023.

Consideration on PAIs is implemented on all Investment Products directly managed by AI, regardless of their classification under the SFDR (Art. 6, Art. 8 or Art. 9 SFDR funds). Each portfolio manager continuously monitors the ESG score of the Investment Product(s) he/she manages, both at single security level and on an aggregate basis. Environmental, Social and Governance scores (at aggregate level, pillar level and/or at a more granular level) are taken into account for each individual investment, together with considerations on PAIs alongside the traditional criteria of financial analysis and evaluation.

This means that each portfolio manager ensures that the Investment Product(s) he/she manages is/are financially efficient and as much sustainable as possible. This aim is achieved through an optimisation which is made mainly by not investing in and/or reducing the exposures to issuers with the lowest ESG scores or the highest PAIs, replacing them with issuers having higher ESG scores and/or lower PAIs, ideally "best in class", i.e. leading companies in sustainable development. To more thoroughly assess the ESG and sustainability aspects of its investments, the portfolio management team can rely on ESG, sustainability, and Sustainable Development Goals (SDGs) alignment data available from providers other than MSCI ESG Research, in addition to the analyses performed internally by the Portfolio Management team.

Adverse impacts on sustainability factors are taken into account and mitigated in four ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks where the particular turnover threshold specified in the information published on the website is exceeded. In addition, investments in funds with an ESG rating of CCC or B are excluded because their underlying investments are likely to be excessively exposed to issuers with poor ESG performance, and therefore more likely to be unsustainable and/or pose significant environmental and social risks. The exclusion of the issuers that are most likely to generate adverse impacts on sustainability factors helps to reduce the PAIs at portfolio level.

The third way is through active ownership. Azimut Investment subscribed into the ISS's Sustainability Policy which is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

The fourth way is through financial products selection (in case of funds of funds), which seeks to favour, where possible and if available, financial products that are classified as Article 9 SFDR or, as a second choice, those classified as Article 8 SFDRs (not precluding the possibility of holding Article 6 SFDR funds in the portfolio as well). The greater the weight of funds classified as Article 9 or 8 SFDR, the greater the containment of PAIs is expected to be.

Whereas all mandatory PAI(s) included in the table 1 of the Annex I of Regulation n 1288/22 (RTS) are calculated and monitored, Azimut Investment focuses on the prioritization of a specific sub-set of PAIs according to each financial product's specific characteristics and in general according to the relevant actions planned and targets set at an Entity Level (ex art. 4 SFDR).

Azimut Investment constantly monitors PAIs data through an ad-hoc tool where PAI(s) values can be consulted both at position and aggregate level, in order to consider them in the investment decision-making process along with ESG scores and traditional financial metrics. However, considering the still limited availability of reliable data on many PAIs, the large variability of PAI data at sectoral and geographical level, as well as their backward-looking nature, no thresholds or stringent limits are set.

The first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

An additional reason why stringent limits on PAIs have not been set is that focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.

It is also possible that investee companies may over the years' experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Calculations of PAI indicators were made according to the following assumptions:

- PAI values for not covered issuers, at numerator level, are considered as equal to 0

- PAI values for derivatives, at numerator level, are considered as equal to 0

Engagement policies

Engagement aims at raising awareness among the management of the companies in which Azimut Investment invest by strengthening their ESG risk management and promoting their sustainability performance. It is an ongoing strategy, which aims at improving practices of good governance and good social and environmental behavior, so as to generate positive impacts in terms of sustainable development.

Where necessary, Azimut Investment interacts with the top management of the companies in which it invests to better understand the risk of negative impacts on sustainability factors and to actively vote on solutions of ordinary and extraordinary shareholders' meetings in order to promote best environmental, social and governance practices.

Azimut Investment pays particular attention to the policies implemented by the issuers in which it invests in the belief that sound corporate policies and practices that incorporate environmental, social and governance issues are capable of creating long-term shareholder value.

Lastly, in line with the provisions of the PRI, Azimut Investment is committed to ensuring full transparency on the approach adopted for responsible investment and is committed to promoting the dissemination of the principles of responsible investment to all its stakeholders: managers, investors and service providers.

As signatories to the UN Principles for Responsible Investment (UN PRI) Azimut Investment seeks to positively influence environmental, corporate and governance behaviors through proxy voting, engagement with management, internal research on governance, and participation in industry surveys and events.

Thanks to the strategic partnership between Azimut and ISS Governance – leading proxy voting advisor – Azimut Investment exercises its voting rights based upon the recommendations of the ISS Governance's Sustainability Policy (the one specifically designed for UN PRI signatories).

For more details refers to the Azimut Investment voting right Policy.

Moreover, during 2023, Azimut Holding plans to participate the Joint engagement sponsored by the Carbon Disclosure Project (CDP), to engage with 1600 international companies with a high carbon footprint and push them to disclose through CDP questionnaire and boost transparency and drive-up rates of corporate disclosure. More information are available to the following link: https://www.cdp.net/en/investor/engage-with-companies/non-disclosure-campaign

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References to international Standards

Azimut Investment, as a member of Azimut Group, signed in 2019 the Principles for Responsible Investment (PRI) on a voluntary basis, a set of investment principles aimed at incorporating ESG issues into investment practices and enriching investor information in this regard.

For more details refers to the Azimut Investment voting right Policy.

Given the ever-changing regulatory scenario and the non-exhaustiveness of the methodologies currently available at the market level, AI does not consider relevant, the use of a forward-looking climate scenario.

IV. Statement on principal adverse impacts of investment advice on sustainability factors

Principal Adverse Impacts PAI(s) should be understood as those impacts of financial advisory that result in negative effects on sustainability factors.

In financial advisory activities, adverse impacts on sustainability factors are taken into account through financial products selection, which seeks to favour, where possible and if available, financial products that are classified as Article 9 SFDR or, as a second choice, those classified as Article 8 SFDRs (not precluding the possibility of holding Article 6 SFDR funds in the portfolio as well). The greater the weight of funds classified as Article 9 or 8 SFDR, the greater the containment of PAIs is expected to be.

As of 30 June 2023, as soon as Financial Market Participants publish indicators of the main adverse effects on sustainability factors for their financial products, Azimut Investment will take them into account in the overall qualitative assessment of these financial products, without providing thresholds or rankings or weightings of the indicators.

V. Transparency of remuneration policies in relation to the integration of sustainability risks

AI will at all times ensure that its remuneration policy is consistent with the integration of Sustainability Risks and will notably ensure that when determining the variable remuneration of the identified staff, the board of directors of AI takes into account compliance of the relevant staff member with all procedures and policies of the company, including those relating to the integration of Sustainability Risks. It shall further be noted that AI's remuneration policy seeks to: (i) align the staff's incentives with asset owners' long-term interests and the long-term success of the AI; and (ii) promote a sound and effective risk management culture to protect the value of the investment portfolio. Integration of ESG/Sustainability Risk considerations, where these are relevant and material for investment performance, are already incentivized by these existing requirements as it should be seen and used as an instrument to enhance investment performance, which would equally benefit the funds (and their investors), AI and its employees.

VI. Annexes

Additional information on art. 8 SFDR products - UCITS

The document aims at:

- Giving deeper insights of the investment strategies adopted for the promotion of environmental or social characteristics or for sustainable investment objective for each product (section I "**Strategies for the promotion of environmental and/or social characteristics or for the pursuit of a sustainable investment objective**").
- Showing how principal adverse impact indicators are taken into account for each art. 8 SFDR product (section II "**Consideration of principal adverse impact for art. 8 SFDR products**").

I. Strategies for the promotion of environmental and/or social characteristics

In order to promote environmental or social characteristics, or to pursue a sustainable investment objective, Azimut Investment S.A. adopts different investment strategies, described below:

ESG integration	Environmental and social characteristics are promoted integrating ESG (Environmental, Social and Governance) factors into the investment process. As reported by the United Nations Principles for Responsible Investments (the "UN PRI"), ESG integration is "the systematic and explicit inclusion of material ESG factors into investment analysis and investment decisions". Companies with the best ratings on the environmental, social and government pillar tend to adopt better standards and devote much attention to issues such as climate change, usage of natural resources, pollution & waste prevention, biodiversity preservation, human capital development, high labour standards, respect of human rights, corruption and bribery prevention. Environmental, Social and Governance scores on each individual investment are taken into consideration alongside the traditional criteria of analysis and evaluation. This means that each portfolio manager ensures that its financial portfolios are financially efficient and as much sustainable as possible. This aim is achieved through an optimisation which is made mainly by not considering and/or reducing positions with the lowest ESG scores, preferring instead companies having higher ESG scores. All the Sub-Funds in scope of Article 8 SFDR must have a minimum weighted average score of "BBB". The rating is calculated using MSCI ESG Research data and methodology. Through MSCI analysis and ratings, Azimut Investment S.A. is able to continuously monitor the rating of a portfolio. Additional information could be found in the Azimut Investments ESG Policy.

Good governance practices	The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists of the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices (like the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights) and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy. in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment
Exclusion list	Azimut Investments S.A. does not invest in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For this purpose, Azimut Investments S.A. defines and updates at least on a semi-annual basis a list of companies that are considered as unsustainable. Azimut Investments S.A. does not invest in companies whose share of turnover from the following activities exceeds the specified thresholds: • Nuclear weapons: maximum 1.5% of the annual turnover • Adult entertainment: maximum 1.5% of the annual turnover • Tobacco: maximum 5.0% of the annual turnover • Gambling: maximum 5.0% of the annual turnover • Thermal Coal: maximum 20% of the annual turnover • Controversial weapons: no exposure (Any Tie) Azimut Investments S.A. relies on data from MSCI ESG Research to obtain information about the proportion of annual turnover that is derived from these activities. Azimut Investments S.A. further excludes any investments in accordance with the sanction / TFS lists adopted by the compliance function and with the OFAC sanction list. The list containing all prohibited issuers constitutes the Azimut Investments S.A. "Exclusion List". Where the product is a fund of funds and not a fund that directly invests in securities, it is not possible to apply a traditional exclusion list that precludes investments into companies whose share of turnover from activities that are considered non-sustainable and/or may involve significant environmental and social risks. Therefore, the exclusion is applied to funds with ESG ratings that are considered too low. More specifically, funds with ESG ratings of CCC or B calculated according to the MSCI ESG Research methodology are excluded from the investment universe.

	Additional information could be found in the Azimut Investments ESG Policy.
Active ownership	Azimut Investments S.A. considers the decisions taken at general meetings are of the utmost importance not only for the achievement of investment strategies and the protection of its rights as shareholders, but also for and the improvement of environmental and social standards of investee companies. Azimut Investments S.A. exercises its duty as a responsible investor by encouraging, through proxy voting and engagement with management, investee companies to adopt sustainable environmental, social and governance practices. To enhance its capability to actively engage, participate to shareholders meetings and exercise of voting rights, Azimut Investments S.A. has retained Institutional Shareholder Services, Inc. ("ISS"), an independent third-party proxy voting service provider. ISS provides Azimut Investments S.A. with research, voting recommendations and support in relation with voting activities. Azimut Investments S.A. has subscribed the ISS "Sustainability Policy" which is specifically designated for PRI signatories. As ISS's Sustainability Policy is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society. More information can be found in Azimut Investments S.A. Voting Rights Policy.
Principal Adverse Impact (PAI) consideration	Please refer to section II "Consideration of principal adverse impact for art. 8 SFDR products".
Alignment with Environmental and/or Social characteristics	Investments aligned with the environmental and social characteristics promoted by the Sub-Funds are those having a minimum score equal or greater than "BB" (considering the following ascending order CCC, B, BB, BBB, A, AA, AAA) on the "Environmental" or "Social" pillars. The rating is calculated using MSCI ESG Research data and methodology.
Minimum % of sustainable investments	Azimut Investments S.A. adopts the MSCI SFDR Article 2(17) Sustainable Investment Methodology. The methodology takes into account the criteria established from Regulation 2019/2088 for sustainable investments, which implies a positive contribution of the investment to an environmental or social objective, the respect of the Do Not Significantly Harm principle - DNSH (the investment must not significantly harm any other environmental or social objective) and the respect of good governance practices. **Positive contribution** The methodology treats companies generating at least 20% of their revenues from products or services contributing to one or more social or environmental objectives as having a positive contribution on such objectives. From the perspective of targeting an environmental objective, the methodology includes activities focused on climate change mitigation and energy efficiency,

	pollution prevention and waste minimization, sustainable management of water, forestry and land resources. Activities focused on social objectives include access to basic needs, such as health care, housing, and nutrition, provision of SME and personal loans, education services, and bridging the digital divide in least developed countries. Accordingly, the methodology uses revenue data to capture positive contribution across both environmental and social objectives. **Do No Significant Harm** The methodology identifies companies involved in the most serious and widespread controversies that may indicate a breach of OECD Guidelines for Multinational Enterprises and/or UNGC Principles (SFDR PAI 10). Controversies marked with a Red Flag under the methodology indicate a company's direct involvement in the most serious adverse impacts (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions), which have not yet been mitigated to the satisfaction of all implicated stakeholders. An Orange Flag may indicate either only partial resolution of such serious concerns with implicated stakeholders, or an indirect role of the company in very serious and extensive controversies (for example through business relationships with directly implicated parties). Companies marked with an orange or red flag are excluded from the investment scope. There is wide multilateral agreement that controversial weapons cause indisputable significant harm; that thermal coal used for power generation constitutes one of the most significant drivers of climate change; and that tobacco is one of the leading causes of avoidable human death. These metrics are also aligned with the focus of SFDR PAIs, which do not provide specific thresholds for harm, but could be leveraged in identifying potentially the most significant harm. For example, thermal coal is the most GHG emission intensive fossil fuel covered under SFDR PAI 4, while exposure to anti-personnel mines, cluster munitions, and biological and chemical weapons is reflected in SFDR PAI 14. According to the MSCI methodology, PAIs prioritized are: • **PAI 4 - Exposure to companies active in the fossil fuel sector** Through the exclusion of issuers that surpass a maximum threshold in terms of percentage of revenues in the Thermal Coal sector. • **PAI 10 - Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises** Through the exclusion of companies involved in the most serious and widespread controversies (e.g., loss of life, destruction of eco-system, economic shakedown affecting multiple jurisdictions). • **PAI 14 - Exposure to controversial weapons (anti - personnel mines, cluster munitions, chemical weapons and biological weapons)** Through the exclusions of issuers exposed to the controversial weapons business. **Good governance**

	The assessment of the good governance practices is a central pillar of the investment process adopted by the portfolio manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy. in order to ensure the respect of good governance practices the portfolio manager uses its own methodology to perform this analysis, which is based on the governance scores of some of the leading ESG data providers (MSCI ESG Research, Morningstar Sustainalytics, Mainstreet Partners and Institutional Shareholder Services); these scores may be adjusted in light of the assessments made by the Manager's portfolio management team. Scores on the governance pillar are then standardised using a Z-score, and issuers with a Z-score of -2 or less are excluded. In addition, companies benefiting from investments marked with a red flag, according to the MSCI ESG Research methodology, for which the assessment of direct involvement in the most serious adverse impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.
Designated reference benchmark	Reference benchmarks have not been designated to meet the environmental and/or social characteristics the sub-funds promote.

One or more of the abovementioned strategies are adopted according to the characteristics of each product, as shown in table below:

Table I – Environmental - and Social-aligned investment strategies adopted by each Sub-Fund

	Investment strategies					
Name of the Sub-Fund	**ESG Integration**	**Good governance practices**	**Exclusion list**	**Principal Adverse Impact (PAI) consideration**	**Minimum % of sustainable investments**	**Active ownership**
AZ Fund 1 - AZ Allocation - Asset Timing 2024	✓	✓	✓	✓	✓	✓
AZ Multi Asset - AZ Allocation - Environment Aggressive	✓	✓	✓	✓	✓	
AZ Multi Asset - AZ Allocation - Environment Balanced	✓	✓	✓	✓	✓	
AZ Multi Asset - AZ Allocation - Environment Conservative	✓	✓	✓	✓	✓	
AZ Fund 1 - AZ Allocation - Escalator 2026	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Allocation - Global Balanced	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Allocation - Global Conservative	✓	✓	✓	✓		✓
AZ Fund 1 - AZ Allocation - Global Income	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Allocation - Italian Trend	✓	✓	✓	✓		✓
AZ Fund 1 - AZ Allocation - Long Term Equity Opportunities	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Allocation - Strategic Balanced Catholic Values	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Allocation – Trend	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Alternative - Capital Enhanced	✓	✓	✓	✓		✓
AZ Fund 1 - AZ Alternative - Core Brands	✓	✓	✓	✓		✓
AZ Fund 1 - AZ Bond – Convertible	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Bond - Green & Social	✓	✓	✓	✓	✓	
AZ Fund 1 - AZ Bond - Hybrids	✓	✓	✓	✓	✓	
AZ Fund 1 - AZ Bond - Patriot	✓	✓	✓	✓		
AZ Fund 1 - AZ Bond - Sustainable Hybrid	✓	✓	✓	✓	✓	
AZ Fund 1 - AZ Bond - Target 2024	✓	✓	✓	✓		
AZ Fund 1 - AZ Bond - Target 2025	✓	✓	✓	✓		
AZ Fund 1 - AZ Bond - Target 2026	✓	✓	✓	✓		
AZ Fund 1 - AZ Equity - America	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Equity - Borletti Global Lifestyle	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Equity - Environmental FoF	✓	✓	✓	✓	✓	
AZ Fund 1 - AZ Equity - Escalator	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Equity - Europe	✓	✓	✓	✓		✓
AZ Fund 1 - AZ Equity - Food & Agriculture	✓	✓	✓	✓		✓
AZ Fund 1 - AZ Equity - Global ESG	✓	✓	✓	✓	✓	
AZ Fund 1 - AZ Equity - Global Growth	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Equity - Global Healthcare	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Equity - Global Infrastructure	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Equity - Small Cap Europe FoF	✓	✓	✓	✓		

AZ Fund 1 - AZ Equity - Water & Renewable Resources	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Equity - World Minimum Volatility	✓	✓	✓	✓	✓	✓

II. Consideration of principal adverse impact for art. 8 SFDR products

Adverse impacts on sustainability factors are taken into account by Azimut Investments S.A. and mitigated in four ways.

The first is through the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts (in absolute terms and/or in relation to their industry) due to higher standards/better operating practices.

The second is through the application of the exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. The exclusion of the issuers that are most likely to generate adverse impacts on sustainability factors helps to reduce the PAIs at portfolio level.

The third way is through active ownership. As Azimut Investments S.A subscribed into the ISS's Sustainability Policy which is in line with the United Nations' Principles for Responsible Investment (PRI), votes at each resolution are cast in a way intended to incentivize invested companies to adopt higher standards, improve their practices, and minimize the PAIs on the environment and society.

The fourth way is through fund selection, which seeks to favour, where possible and if available, funds that are classified as Article 9 SFDR or, as a second choice, those classified as Article 8 SFDRs (not precluding the possibility of holding Article 6 SFDR funds in the portfolio as well). The greater the weight of funds classified as Article 9 or 8 SFDR, the greater the containment of PAIs is expected to be.

Whereas all mandatory PAIs are calculated and monitored, the portfolio manager focused on the prioritization of a specific sub-set of PAIs, which may increase over time.

The Sub-Fund’s portfolio manager constantly monitors PAIs data through an ad-hoc tool where PAIs values can be consulted both at position and aggregate level, in order to consider them in the investment decision-making process along with ESG scores and traditional financial metrics. However, considering the still limited availability of reliable data on many PAIs, the large variability of PAI data at sectoral and geographical level, as well as their backward-looking nature, no thresholds or stringent limits are set.

The first reason why no stringent limits on PAIs are set, is that currently, the percentage of companies reporting on PAIs is at times still very low, and it is reasonable to expect that new companies will begin to report data on PAIs in the future. Since portfolio-level PAIs are calculated only on companies that publish relevant data, it is possible that over time the value of portfolio-level PAIs may rise as companies begin reporting. In this case, the increase in the value at the portfolio level of PAIs does not necessarily imply that the portfolio is invested in companies with worse adverse impacts, but rather simply be an effect of increased coverage. The portfolio manager, therefore, assess the evolution of PAIs adjusted for the distorting effect caused by the increased coverage.

An additional reason why stringent limits on PAIs have not been set is that focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.

It is also possible that investee companies may over the years experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Azimut Investments S.A. constantly monitors PAIs (Principal Adverse Indicators) data through an ad-hoc tool where PAIs values can be consulted both at position and aggregate level, in order to consider them in the investment decision-making process along with ESG scores and traditional financial metrics.

Different PAIs are taken into account, according to the specific nature of each sub-fund, where:

- **PAI 1:** GHG emissions
- **PAI 2:** Carbon footprint
- **PAI 3:** GHG intensity of investee companies
- **PAI 4:** Exposure to companies active in the fossil fuel sector
- **PAI 5:** Share of non-renewable energy consumption and production
- **PAI 6:** Energy consumption intensity per high impact climate sector
- **PAI 7:** Activities negatively affecting biodiversity-sensitive areas
- **PAI 8:** Emissions to water
- **PAI 9:** Hazardous waste and radioactive waste ratio
- **PAI 10:** Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- **PAI 11:** Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
- **PAI 12:** Unadjusted gender pay gap
- **PAI 13:** Board gender diversity
- **PAI 14:** Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

Indicators applicable to investments in sovereigns and supranationals:

- **PAI 15:** GHG intensity of investee countries
- **PAI 16:** Investee countries subject to social violations

Table II – PAIs taken into account by each Sub-Fund

	PAI considered															
Name of the Sub-Fund	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**	**16**
AZ Fund 1 - AZ Allocation - Asset Timing 2024	✓	✓	✓	✓						✓				✓		
AZ Multi Asset - AZ Allocation - Environment Aggressive	✓	✓	✓	✓						✓				✓		
AZ Multi Asset - AZ Allocation - Environment Balanced	✓	✓	✓	✓						✓				✓		

AZ Multi Asset - AZ Allocation - Environment Conservative	✓	✓	✓	✓						✓				✓		
AZ Fund 1 - AZ Allocation - Escalator 2026	✓	✓	✓	✓						✓				✓	✓	✓
AZ Fund 1 - AZ Allocation - Global Balanced	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Allocation - Global Conservative	✓	✓	✓	✓	✓					✓				✓	✓	✓
AZ Fund 1 - AZ Allocation - Global Income	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Allocation - Italian Trend	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Allocation - Long Term Equity Opportunities	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Allocation - Strategic Balanced Catholic Values	✓	✓	✓	✓						✓				✓	✓	✓
AZ Fund 1 - AZ Allocation - Trend	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Alternative - Capital Enhanced	✓	✓	✓	✓						✓				✓	✓	✓
AZ Fund 1 - AZ Alternative - Core Brands	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Bond - Convertible	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Bond - Green & Social	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Bond - Hybrids	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Bond - Patriot	✓	✓	✓	✓	✓					✓				✓	✓	✓
AZ Fund 1 - AZ Bond - Sustainable Hybrid	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Bond - Target 2024	✓	✓	✓	✓						✓				✓		
AZ Fund 1 - AZ Bond - Target 2025	✓	✓	✓	✓						✓				✓		
AZ Fund 1 - AZ Bond - Target 2026	✓	✓	✓	✓						✓				✓		
AZ Fund 1 - AZ Equity - America	✓	✓	✓	✓						✓				✓		
AZ Fund 1 - AZ Equity - Borletti Global Lifestyle	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Equity - Environmental FoF	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Equity - Escalator	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Equity - Europe	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Equity - Food & Agriculture	✓	✓	✓	✓	✓				✓	✓				✓		
AZ Fund 1 - AZ Equity - Global ESG	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Equity - Global Growth	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Equity - Global Healthcare	✓	✓	✓	✓	✓				✓	✓				✓		
AZ Fund 1 - AZ Equity - Global Infrastructure	✓	✓	✓	✓	✓				✓	✓				✓		
AZ Fund 1 - AZ Equity - Small Cap Europe FoF	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Equity - Water & Renewable Resources	✓	✓	✓	✓	✓				✓	✓				✓		
AZ Fund 1 - AZ Equity - World Minimum Volatility	✓	✓	✓	✓						✓				✓		

Further PAIs indicators could be taken into account through time according to data availability.

Additional information sustainability disclosure for AZIMUT ELTIF – Infrastructure & Real Assets ESG

The document aims at:

- Giving deeper insights of the investment strategies adopted for the promotion of environmental or social characteristics for the product (section I "**Strategies for the promotion of environmental or social characteristics**").
- Showing how principal adverse impact indicators are taken into account (section II "**Consideration of principal adverse impact**").

As of the date of update of this document, the only ELTIF sub-fund in scope of Art. 8 of the SFDR Regulation is the **ELTIF** Sub-Fund "**Infrastructure and Real Assets ESG**".

I. Strategies for the promotion of environmental or social characteristics

In order to pursue environmental or social characteristics, Azimut Investments S.A. (hereafter the Investment Manager) adopts different investment strategies, described below:

<table>
<tr>
<td>ESG integration</td>
<td>In accordance with the ESG Investment Plan, the ELTIF evaluates the eligibility of each investment via:

1) Establishing a due diligence process based on 10 sustainability indicators, 5 per each Environmental and Social characteristic:

Environmental ("E"):
● presence of an environmental management policy;
● presence of plans / policies / certifications for waste management;
● presence of plans / policies / certifications for water management;
● presence of a share of renewable energy in the total energy consumed;
● presence of energy efficiency certificate.

Social ("S"):
● presence of stakeholder engagement activities;
● presence of an occupational health and safety policy;
● presence of a supplier code of conduct;
● presence of actions / policies / certifications for inclusion and gender diversity;
● promotion of economic and social development in marginalized areas and/or areas with high demand.

2) constituting an Internal Technical Committee of the Investment Manager, made of 3 to 5 members of proven competence in the core business of the Sub-Fund, in order to support the Investment Manager to assess the sustainability profile of each Sub-Fund's investment, approve/refuse the proposed</td>
</tr>
</table>

	investments verifying if they are compliance with the ESG Investment Plan. The Technical Committee, together with the Investment Manager, sets out the strategic guidelines for defining objectives related to the social and/or environmental characteristics of each investment. All achievements reached in this regard are regularly verified by the Investment Manager once the investments are performed, actively managed and reported in the financial product disclosures.
Good governance practices	The good governance practice is pre-assessed by the Sub-Fund through the due diligence process. Within the latter, the scientific advisor supports in the data collection process needed to allow the Sub-fund to assess the compliance of the potential investee to at least 3 of the following five indicators: 1) Presence of an ethical code and/or specific global policies that regulate management structures, employee relation and remuneration of staff. 2) Gender diversity on the board of directors. 3) Adherence to anti-corruption practices. 4) Adherence to the principles of the UN global compact and the OECD guidelines and/or the absence of severe controversies regarding norm based standard principles (i.e. tax compliance, human rights, employee relation, etc.) are a specific binding element of the good governance process. 5) Definition of social and environmental strategic targets. For any investment that becomes part of the portfolio, the Sub-Fund will monitor the adherence to those indicators with the support of its scientific external Advisor and the periodical oversight of the internal Technical Committee. It is possible that more governance indicators will be monitored for each specific investment, according to the specificity of its core business, to better comply with the PAIs periodical consideration.
Exclusion list	The following categories of investments are excluded by the portfolio: a) publicly traded companies with aim at engaging hostile transactions; b) companies that do not respect human rights or that produce, distribute or are involved in: • tobacco; • pornographic material; • armaments (including parts exclusively intended for them); • electronic solutions or programs that are specifically designed for illegal purposes. • *gambling*; c) corporations established in a Member State which is a high-risk and non-cooperative jurisdiction identified by the financial task force. Additional information could be found in the Azimut Investments ESG Policy.
Principal Adverse	The ELTIF aims to mitigate the negative impacts of each investment decisions on sustainability factors ("PAIs").

Impact (PAI) consideration	Since necessary data are not always available by traditional Info Providers, the Investment Manager can accordingly collect indicators using a best effort approach choosing the information either directly from investee companies or by carrying out additional research, cooperating with third party or external experts or making reasonable assumptions. Where possible and feasible and in line with the nature of the investments, minimum requirements apply to each investment. The PAIs considered should be one or more of the mandatories indicators included in the Annex 1 of the Regulation 1288/2022 (RTS). The Investment Manager commits to consider at least three PAIs before and during the life of each investment using the exclusion criteria to mitigate them. By excluding investment in companies operating in specific sector it is possible to avoid or reduce the principal adverse impacts connected with each specific excluded sector. Actively engaging with investee companies is an alternative method to mitigate PAIs. This is applied by the Investment Manager through the shareholders' voting process, when applicable. The exact application of exclusion and engagement's criteria could differ between each investment and will be documented in the financial product disclosures in line with the requirements and timelines of the European Union's Sustainable Finance Disclosure Regulation (SFDR).
Alignment with Environmental and/or Social characteristics	The Sub-fund: 1) allocates at least 50% of the Portfolio (both in terms of number and value of investments made) in assets that have passed the due diligence process with at least 6 out of the 10 pre-established E/S sustainability indicators (see the full list of indicators in the "ESG Integration" section) met and at least 2 indicators met for each environmental and social characteristic Those investments are considered as aligned to the Sub-Funds' investments E/S characteristics. 2) commits to invest in assets that have passed the due diligence process with at least 3 out of the 5 pre-established sustainability governance indicators (see "Good Governance Practices" section).

II. Consideration of principal adverse impact

The Sub-fund aims to mitigate the negative impacts of each investment decisions on sustainability factors ("PAIs"). The way in which the PAIs are considered in the investment process depends on various factors, such as on the type of asset and availability of reliable data.

Where possible and feasible and in line with the nature of the investments, minimum requirements apply to each investment. The Investment Manager commits to consider at least three PAIs before and during the life of each investment using the exclusion criteria to mitigate them.

PAIs are taken into account, according to the specific nature of the AIF, where:

- **PAI 1:** GHG emissions
- **PAI 2:** Carbon footprint
- **PAI 3:** GHG intensity of investee companies
- **PAI 4:** Exposure to companies active in the fossil fuel sector
- **PAI 5:** Share of non-renewable energy consumption and production
- **PAI 6:** Energy consumption intensity per high impact climate sector
- **PAI 7:** Activities negatively affecting biodiversity-sensitive areas
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- **PAI 11:** Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
- **PAI 12:** Unadjusted gender pay gap
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Indicators applicable to investments in sovereigns and supranationals

- **PAI 15:** GHG intensity of investee countries
- **PAI 16:** Investee countries subject to social violations

Table II – PAIs taken into account

	PAI considered															
Name of the Sub-Fund	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
AZ ELTIF – INFRASTRUCTURE & REAL ASSETS ESG				✓	✓			✓	✓	✓				✓		

Further PAIs indicators could be taken into account through time according to data availability.