Latest update: 24/06/2026

Sustainability – related disclosure

Index

I. Sustainability-related disclosure pursuant art. 23 of Regulation 2022/1288 2

AZ Allocation - Asset Timing 2026 2
AZ Allocation – Asset Timing 2028..... 15
AZ Allocation - Balanced FoF 28
AZ Allocation - Balanced Plus 40
AZ Allocation - Escalator 2026..... 47
AZ Allocation - Escalator 2028..... 60
AZ Allocation - Escalator 2030..... 72
AZ Allocation - Italian Trend 85
AZ Allocation - Long Term Equity Opportunities..... 93
AZ Allocation - Potential Income Upside 2030 105
AZ Allocation - Romeo..... 117
AZ Allocation - Strategic Balanced Catholic Values..... 130
AZ Allocation - Trend..... 142
AZ Alternative - Capital Enhanced 154
AZ Bond - CoCo bonds..... 163
AZ Bond - Convertible..... 170
AZ Bond - Frontier Markets Debt..... 182
AZ Bond - High Yield Target 2028 Climate Transition 188
AZ Bond - Hybrids..... 198
AZ Bond - Patriot 207
AZ Bond - AZ Bond - Short Term Investment Grade Climate Transition..... 214
AZ Bond - Target 2026..... 225
AZ Bond - Target 2028..... 232
AZ Bond - Target 2029..... 239
AZ Bond - Target 2031..... 246
AZ Equity - America 253
AZ Equity - Biotechnology..... 265
AZ Equity - Borletti Global Lifestyle 277
AZ Equity - Environment..... 288
AZ Equity - Escalator..... 299
AZ Equity - Europe..... 312

AZ Equity - Food & Agriculture 321
AZ Equity – Global Dividend 330
AZ Equity - Global ESG FoF 343
AZ Equity - Global FoF 352
AZ Equity - Global Growth 364
AZ Equity - Global Healthcare 376
AZ Equity - Global Infrastructure 388
AZ Equity - Global Value FoF 399
AZ Equity - Industrial Revolution 4.0 407
AZ Equity - Small Cap Europe FoF 419
AZ Equity - Special Needs & Inclusion 425
AZ Equity - Water & Renewable Resources 437
AZ Equity - World Minimum Volatility 450
Azimut Diversified Corporate Credit ESG-8 SCSp RAIF Sustainability-Related Disclosure 462
Azimut Digital Enterprises RAIF SCSp Sustainability-Related Disclosure 469
AZIMUT ELTIF – Infrastrutture e Imprese per la Crescita IV 476
AZIMUT ELTIF – Infrastructure & Real Assets ESG 482
AZIMUT ELTIF - Private Equity Secure Europe Technologies Sustainability-Related Disclosure 491

II. Integration of sustainability risks in the investment decision-making process and investment advice 499

III. Statement on principal adverse impacts of investment decisions on sustainability factors 500

IV. Statement on principal adverse impacts of investment advice on sustainability factors 536

V. Transparency of remuneration policies in relation to the integration of sustainability risks 536

VI. Annexes 537

Additional information on art. 8 SFDR products - UCITS 537

I. Strategies for the promotion of environmental and/or social characteristics 537

II. Consideration of principal adverse impact for art. 8 SFDR products 544

Additional information sustainability disclosure for AZIMUT ELTIF – Infrastructure & Real Assets ESG 548

I. Strategies for the promotion of environmental or social characteristics 548

II. Consideration of principal adverse impact 550

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

AZ Allocation - Asset Timing 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 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 prohibited 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors— as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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.

(I) 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 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 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 prohibited 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors—can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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 functioning of its financial, judicial and political systems, as well as its capacity to address 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.

AZ Allocation - Balanced 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.

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 intended to provide a positive contribution to one or more objectives without having substantial adverse effects on any other environmental or social objective; this will be ensured through an assessment of their potential adverse impact on such. In order to carry out this analysis, the Manager relies on data derived from exclusive models of external ESG research providers (e.g. MSCI), which enable it to test the principle of “not having substantial adverse effects”.

The main adverse impacts are also taken into consideration in order to test the principle of “not having substantial adverse effects”, insofar as reliable data are available. In order to carry out this analysis, the Manager relies on data derived from exclusive models of external ESG research providers (e.g. MSCI).

The adverse impacts on sustainability factors are taken into consideration by the Manager and mitigated using four tools.

The first is the integration of ESG factors into the investment process: companies having high E, S and G ratings generally experience less consequential adverse impacts (generally and/or versus their sector) because of the stricter standards they apply/their better operational practices.

The second is the application of the policy of exclusion, which prohibits any investment in companies operating in sectors regarded as non-sustainable and/or which might represent significant environmental and social risks. In the case of PAI 14 (”Exposure to controversial weapons”), for example, the adverse impacts are minimised simply by applying exclusion lists when these prohibit any investment in companies exposed to controversial weapons. Exclusion criteria are also applied to a subset of other PAI. Further information is available on the website.

The third is active shareholding. The Management Company uses the services of Institutional Shareholder Services, Inc. (“ISS”), an independent provider of proxy voting services. ISS makes its research available to the Management Company and provides it with voting recommendations and supporting documents for its voting activities. The Management Company endorses the ISS “Sustainability Policy” which is aimed specifically at signatories of the UN PRI. Through its partnership with ISS, the Management Company is in a position to vote at the general meetings of shareholders of the companies in which it invests. Since the ISS Sustainability Policy is in line with the UN PRI, the votes on each of the resolutions are cast in such a way as to encourage investee companies to adopt stricter standards, improve their practices and minimise their environmental and social impacts.

The fourth is the selection of funds, which is intended to favour, as far as possible and if available, funds falling under Article 9 SFDR or, as a second choice, those falling under Article 8 SFDR (without excluding the possibility of also holding Article 6 SFDR funds in the portfolio). The greater the weighting of funds falling under Articles 9 or 8 SFDR, the more the PAIs should be limited.

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 conducting their activities in sectors that qualify as unsustainable and/or that may entail major environmental and social risks (such as prohibited weapons and tobacco) are not permitted if the proportion of turnover derived from these activities exceeds a pre-defined threshold (indicated in the Management Company's ESG Policy). Companies whose evaluation on the governance pillar is a Z-score of -2 or less are also excluded, as are investments in funds with an ESG rating of CCC or B calculated according to the MSCI ESG Research methodology.

Active ownership

The Management Company exercises its duty as a responsible investor through proxy voting and by engaging with management teams in order to encourage investee companies to adopt sustainable environmental, social and governance practices. The investment strategy guides investment decisions based on factors such as investment objectives and risk tolerance. 845 In order to enhance its engagement activities and to participate in and vote at shareholders' meetings in a more effective manner, the Management Company calls upon the services of Institutional Shareholder Services, Inc. ("ISS"), an independent third-party provider of proxy voting services. ISS makes its research available to the Management Company and provides it with voting recommendations and supporting documents for its voting activities. The Management Company endorses the ISS "Sustainability Policy" which is aimed specifically at signatories of the UN PRI.

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 is calculated and monitored, focusing on a specific subset of PAIs. The Manager first conducts a general assessment of the sub-set of PAIs in order to determine the company's overall sustainability trajectory, before considering each PAI individually.

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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector. These assessments of corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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 Allocation - Balanced Plus

(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 prohibited 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.

(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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.These assessments of corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors— as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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 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 prohibited 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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 - 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 prohibited 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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.

(I) 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 2030

(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 prohibited 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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:

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:

7 **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.

8 **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.

9 **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 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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 prohibited 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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 - Potential Income Upside 2030

(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 prohibited 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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:

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.

(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 prohibited 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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:

10 a measured positive contribution generated by each investment to an environmental or social objective,
11 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

12 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:

10 **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.

11 **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.

12 **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.

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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
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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 prohibited 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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.

(I) 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 prohibited 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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.

(I) 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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 - CoCo bonds

(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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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 - 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 prohibited 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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.

(I) 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 - Frontier Markets Debt

(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 in sovereign bonds with scores on pillars E (Environmental), S (Social) above a certain threshold;
- excludes investments that are considered as non-sustainable and/or may involve significant environmental and social risks;
- invest a minimum portion of its portfolio in sustainable investments according to art. 2 17) of Regulation 2019/2088 (SFDR), focusing on green bonds and/or sustainability bonds;
- 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 focus on generating a positive contribution to one or more objectives without significantly harming any other environmental or social objective in terms of assessing the potential negative impact on them. To undertake this analysis, the Manager engages MainStreet Capital Partners Ltd, whose proprietary scoring model is used to test the principle of “do no significant harm” (DNSH). Green bonds and sustainability bonds are considered to meet the DNSH criteria if they achieve a score of at least 2.75 on a scale from 1 to 5, where 1 is the worst and 5 is the best..

Regarding sustainable investments, the principal adverse impacts are taken into account at the level of the use of proceeds of green bonds and/or sustainability bonds. To carry out this analysis, the Manager will engage MainStreet Capital Partners Ltd

More information is available on the website.The alignment of sustainable investments with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights are not applicable in this case, because the Sub-fund invests exclusively in sovereign bonds issued by frontier countries, and, to a lesser extent where appropriate, in bonds issued by entities that are wholly or predominantly (i.e., over 50%) owned by a central government. These entities are therefore considered sovereign issuers, which makes the guidelines less relevant to the investment approach of the Sub-fund.

(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 countries with the best environmental and social practices are favored over those with lower standards.

Countries with the best ratings on the environmental pillar tend to have the optimal combination of abundant natural resources and the capacity to manage these resources and related risks efficiently. They focus on sustainable management of energy resources to promote economic growth while preventing rapid depletion. In particular, efforts are made to diversify from fossil fuels toward renewable energy sources. Water resource management is prioritized to meet the demands of agriculture, industry, and drinking water supply, avoiding unsustainable extraction and intervening promptly in case of shortages. Productive land and mineral resources are used responsibly, with strong measures to limit deforestation and preserve natural habitats. These countries also strive to minimize water and air pollution, especially emissions of greenhouse gases and fine particulate matter, to reduce negative impacts on human health and prevent soil degradation. Countries with the highest scores on the social pillar tend to combine abundant human capital, adequate state infrastructure, and strong respect for the rule of law. They focus on optimizing the health and economic well-being of their populations through factors such as population growth, low mortality rates, high life expectancy, gender equality, rising per capita income, high literacy rates, and strong public health standards. Public authorities invest significantly to ensure food security, access to clean water and electricity, healthcare infrastructure, and education that fosters a skilled workforce. They also maintain frameworks that protect workers’ rights and guarantee an effective and efficient judicial and criminal justice system.

In addition to the positive impacts on environmental and social aspects, ESG integration also leads to better long-term financial returns on investments, as well as higher risk-adjusted returns and sustained profitability, since countries with strong ESG practices benefit from more stable growth rates and greater resilience. Conversely, poor ESG scores and weak governance can undermine a country’s stability and hinder its social and economic development. Additionally, the Sub-Fund promotes environmental and social characteristics by committing to invest at least part of its assets in sustainable investments, such as green bonds and/or sustainability bonds, and by excluding any investments in countries deemed non-sustainable and/or exposed to 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 the single security level and on an aggregate basis. This objective is achieved through optimization, mainly by excluding and/or reducing positions with the lowest ESG scores, while preferring countries with higher ESG scores.

Exclusion list

Investments in countries considered unsustainable and/or likely to pose significant environmental and social risks are excluded. More specifically, countries are excluded when their overall ESG score, calculated using MSCI ESG Research data and methodology according to the sovereign bond scale is below a defined threshold, or when the country's average standardized value of PAIs, calculated on indicators 16 to 24 is below a specific limit.

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 policy to assess good governance practices of investee companies is not applicable, as the Sub-fund invests exclusively in sovereign bonds issued by frontier countries and, to a lesser extent, where appropriate, in bonds issued by entities wholly or predominantly (i.e., over 50%) owned by a central government, and which are therefore considered sovereign issuers.

(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

(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 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 evaluates 27 sub-factors for Government Issuers.

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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 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 counties 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

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.

(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

Not applicable, insofar as the Sub-fund invests exclusively in sovereign bonds issued by frontier countries and, to a lesser extent – where appropriate – in bonds issued by entities owned wholly or predominantly (i.e. over 50%) by a central government, and which are therefore considered to be sovereign issuers.

(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 - High Yield Target 2028 Climate Transition

(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;
- exclusions linked to the EU Climate Transition Benchmark (CTB) also apply to this Sub-fund.
- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- At portfolio level, the Sub-fund's greenhouse gas emissions must be at least 30% lower than the Indices', in the version not adapted to the climate transition (i.e. 80% MSCI EUR HY Corporate Bond Index (MFCOHYET Index) + 20% MSCI EUR IG Corporate Bond Index (MFCOIGET Index)).
- 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 prohibited 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.
At portfolio level, the Sub-fund's greenhouse gas emissions must be at least 30% lower than the Indices', in the version not adapted to the climate transition (i.e. 80% MSCI EUR HY Corporate Bond Index (MFCOHYET Index) + 20% MSCI EUR IG Corporate Bond Index (MFCOIGET Index)).

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as prohibited 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). Exclusions linked to the EU Climate Transition Benchmark (CTB) also apply to this Sub-fund.

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;
- 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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.

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 prohibited 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors— as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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.

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

he 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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 - AZ Bond - Short Term Investment Grade Climate Transition

(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;
- exclusions linked to the EU Climate Transition Benchmark (CTB) also apply to this Sub-fund.

- makes a minimum proportion of sustainable investment according to art. 2 17) of Regulation 2019/2088 (SFDR);
- At portfolio level, the Sub-fund's greenhouse gas emissions must be at least 30% lower than the Indices', in the version not adapted to the climate transition (i.e. 100% MSCI EUR IG Corporate Bond Index (MFCOIGET Index)).
- 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 prohibited 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.
At portfolio level, the Sub-fund's greenhouse gas emissions must be at least 30% lower than the Indices', in the version not adapted to the climate transition (i.e. 100% MSCI EUR IG Corporate Bond Index (MFCOIGET Index)).

Exclusion list

Investments in companies operating in sectors considered not sustainable and/or which may involve significant environmental and social risks (such as prohibited 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). Exclusions linked to the EU Climate Transition Benchmark (CTB) also apply to this Sub-fund.

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;
- 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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 2029

(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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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 2031

(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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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 prohibited 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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.

(I) 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 prohibited 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 prohibited 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 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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.

(I) 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 prohibited 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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 - Environment

(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;

- Investments in funds that do not apply exclusions linked to the Paris Aligned Benchmark (PAB) and EU Climate Transition Benchmark (CTB) are not permitted.
- 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 prohibited 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. Investments in funds that do not apply exclusions linked to the Paris Aligned Benchmark (PAB) and EU Climate Transition Benchmark (CTB) are not permitted.

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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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 prohibited 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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.

(I) 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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.

(I) 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 Dividend

(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 prohibited 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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:

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

14 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

15 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:

13 **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.

14 **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.

15 **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 - Global ESG 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;
- Investments in funds that do not apply exclusions linked to the Paris Aligned Benchmark (PAB) and EU Climate Transition Benchmark (CTB) are not permitted.
- 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 prohibited 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. Investments in funds that do not apply exclusions linked to the Paris Aligned Benchmark (PAB) and EU Climate Transition Benchmark (CTB) are not permitted.

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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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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(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 intended to provide a positive contribution to one or more objectives without having substantial adverse effects on any other environmental or social objective; this will be ensured through an assessment of their potential adverse impact on such. In order to carry out this analysis, the Manager relies on data derived from exclusive models of external ESG research providers (e.g. MSCI), which enable it to test the principle of “not having substantial adverse effects”.

The main adverse impacts are also taken into consideration in order to test the principle of “not having substantial adverse effects”, insofar as reliable data are available. In order to carry out this analysis, the Manager relies on data derived from exclusive models of external ESG research providers (e.g. MSCI).

The adverse impacts on sustainability factors are taken into consideration by the Portfolio Manager and mitigated using three tools.

The first is the integration of ESG factors into the investment process: companies having high E, S and G ratings generally experience less consequential adverse impacts (generally and/or versus their sector) because of the stricter standards they apply/their better operational practices.

The second is the application of the exclusion policy, which prohibits investment in funds with an ESG rating of CCC or B, as their underlying investments are likely to be overexposed to issuers with a mediocre ESG performance, and are therefore more likely to be non-sustainable and/or to pose significant environmental and social risks. Further information is available on the website.

The third is the selection of funds, which is intended to favour, as far as possible and if available, funds falling under Article 9 SFDR or, as a second choice, those falling under Article 8 SFDR (without excluding the possibility of also holding Article 6 SFDR funds in the portfolio). The greater the weighting of funds falling under Articles 9 or 8 SFDR, the more the PAIs should be limited.

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 also promotes environmental and social characteristics by excluding from its investment universe funds with an ESG rating of CCC or B, as their underlying investments are likely to be overexposed to issuers with a mediocre ESG performance and are therefore more likely to be non-sustainable and/or pose 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

Companies whose evaluation under the governance pillar is equivalent to a Z-score of -2 or less are also excluded, as are investments in funds with an ESG rating of CCC or B calculated according to the MSCI ESG Research methodology.

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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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 - 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 prohibited 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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:

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.

(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 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 prohibited 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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.

(I) 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 prohibited 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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.

AZ Equity - Global Value 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.

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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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 - Industrial Revolution 4.0

(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 prohibited 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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:

10 a measured positive contribution generated by each investment to an environmental or social objective,
11 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
12 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.

(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.

(I) 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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 - Special Needs & Inclusion

(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;
- exclusions linked to the EU Climate Transition Benchmark (CTB) also apply to this Sub-fund.
- 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 prohibited 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 prohibited 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). Exclusions linked to the EU Climate Transition Benchmark (CTB) also apply to this Sub-fund.

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 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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:

13 a measured positive contribution generated by each investment to an environmental or social objective,
14 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
15 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:

7 **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.
8 **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.

9 **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 - 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;
- exclusions linked to the Paris Aligned Benchmark (PAB) and EU Climate Transition Benchmark (CTB) also apply to this Sub-fund.
- 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 prohibited 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 prohibited 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). Exclusions linked to the Paris Aligned Benchmark (PAB) and EU Climate Transition Benchmark (CTB) also apply to this Sub-fund.

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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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 prohibited 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 prohibited 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 prohibited 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): 35 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 corporate performance are not absolute but are explicitly intended to be relative to the standards and performance of other companies in the sector.

Government Issuers

The methodology identifies countries' exposure to environmental, social, and governance risk factors—as well as their management of these factors can impact the long-term sustainability and competitiveness of their economies.

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 knowledge capital and to create a supportive 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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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.

Exclusions linked to the Paris Aligned Benchmark (PAB) and EU Climate Transition Benchmark (CTB) also apply to this Sub-fund.

(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.

Exclusions linked to the Paris Aligned Benchmark (PAB) and EU Climate Transition Benchmark (CTB) also apply to this Sub-fund.

(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 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 CO2e 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 CO2-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.

Latest update: 24/06/2026

AZIMUT ELTIF – Infrastrutture e Imprese per la Crescita IV

(a) Summary

"Azimut Eltif – Infrastrutture e Imprese per la Crescita IV" (the " Eltif"), established by Azimut Investments S.A., and managed under delegation by Azimut Libera Impresa SGR S.p.A. (the "AMC" or "Company") - registered at no. 125 of the Register established pursuant to Article 35 of Italian Legislative Decree no. 58 of 24th February 1998, as last amended – Section of AIF Managers, is a compartment of an Eltif. The Eltif provides for investments in companies with high potential in the context of strategic investments, with a focus on infrastructure investments, new supporting or functional technologies and related goods and services, characterized by a strong growth and innovation potential, capable of creating positive impacts on the environment and society, within the limits of the ELTIF Rules. The Eltif will invest mainly in the following sectors: Energy Transition, Digital Transition, Health and Well-being, National and EU Gas, Electrical and Digital Networks, IoT and Smart Mobility. In this context, investments in predefined sectors not only represent an opportunity to achieve significant financial returns, but also the opportunity to actively contribute to building a sustainable future.

In accordance with the "Guidelines on funds' names using ESG or sustainability-related term" published by ESMA on August 21st 2024, the Eltif: (i) meet an 80% threshold linked to the proportion of investments used to meet environmental or social characteristics, in accordance with the binding elements of the investment strategy, which are to be disclosed in Annex II of Delegated Regulation (EU) 2022/1288; (ii) excludes investments in companies referred to in Article 12(1)(a) to (c) of Delegated Regulation (EU) 2020/1818.

(b) No sustainable investment objective

This financial product promotes environmental or social characteristics, but it does not pursue sustainable investment objectives.

(c) Environmental or social characteristics of the financial product

The Eltif promotes environmental and social characteristics according to art. 8 of EU Regulation 2019/2088 – SFDR. Through its investment activities, the Eltif aims to contribute to the promotion of sustainable economic models. Especially, in compliance with the provisions of Regulation 2019/2088, the Eltif promotes specific environmental and social characteristics (the "Characteristics"), listed below:

Environmental characteristics

a. Energies

Social Characteristics

a. Health, well-being and quality of life
b. Health and safety
c. Gender equity

d. Accessibility and inclusion
e. Training and education

Environmental/Social Characteristics

a. Technological Innovation

(d) Investment strategy

Azimut Eltif – Infrastrutture e Imprese per la Crescita IV focuses its investment strategy on sectors considered fundamental to promote the sustainable development of the economy and society. In this context, the Eltif aims to contribute, through its investment activities, to the promotion of a series of environmental and/or social characteristics, encouraging investments in line with certain Sustainable Development Goals (SDGs) defined by the United Nations.

Environmental	Social	Governance
SDG 7 – Affordable and clean energy **SDG 11** – Sustainable cities and communities **SDG 12** – Responsible consumption and production **SDG 13** – Climate Action	**SDG 3** – Good health and well-being **SDG 5** – Gender equity **SDG 8** – Decent work and economic growth **SDG 10** – Reduced inequalities **SDG 11** – Sustainable cities and communities	**SDG 9** – Industry, innovation and infrastructure **SDG 10** – Reduced inequalities **SDG 12** – Responsible consumption and production

In particular, as mentioned in point A, the Eltif's investments are intended to finance projects in companies operating in the following sectors of interest:

•**Energy transition**, meaning companies that design, produce, develop, manage, and enhance technology, infrastructure, and goods and services that support or are functional to the energy transition sector;

•**Digital transition**, meaning companies that design, produce, develop, manage, and enhance technology, infrastructure, and goods and services that support or are functional to the digital transition sector;

•**Health and well-being**, meaning companies that design, produce, develop, manage, and enhance technology, infrastructure, and goods and services, including digital services, that support or are functional to the health and well-being sector;

•**National and EU gas, electrical and digital networks** (fibre, HM voltage maintenance and management, gas pipeline maintenance and management) and IoT businesses (terrestrial, space and subsea), with the aim to optimize costs, efficiency and latency;

•**Smart mobility** (investments in the value chain encompassing electric scooters, cars, bicycles, drones and other electrical mobility devices).

Through the definition of a specific sustainable investment strategy (the "**Eltif's ESG Plan**"), the Eltif carries out investment transactions in accordance with the responsible investment guidelines developed by the AMC. Specifically, with the aim of promoting and monitoring environmental and social characteristics, and with the support of a specialized ESG Advisor, the AMC ensures that the sustainability profile of each investment is assessed through the adoption of a structured investment process, divided into two phases:

1) **Preliminary Due Diligence**, during this phase all potential investments in the beneficiary Companies ("Target Companies") are preliminarily assessed, verifying the existence of certain conditions for each of them, including:
   i. the alignment of the potential Target Companies with the **screening criteria**, including the exclusions defined in the "Climate Transition Benchmark" ("CTB"), and the binding elements defined as part of the Eltif's ESG Plan;
   ii. the contribution to the **promotion of at least two environmental and/or social characteristics** identified by the Eltif;
   iii. compliance with **good governance practices** by potential Target Companies.

   At the end of this initial verification, a more in-depth assessment of **the sustainability profile of the potential Target Companies** is carried out, in order to **assign** to each of them a set of ESG Indicators necessary to monitor the contribution of potential investments to the promotion of the environmental and/or social characteristics defined by the Eltif. Through this process, it is possible to obtain an assessment of the sustainability profile of the investment.

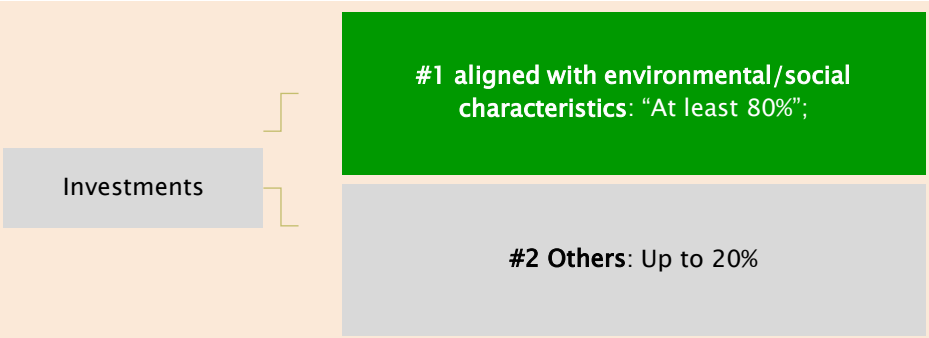
1) During the **holding period**, with the support of the ESG Advisor, the Eltif provides for the adoption of a **periodic monitoring and reporting process** aimed at verifying:

   i. the continuous compliance by the Target Companies with the conditions established during the preliminary Due Diligence phase;
   ii. the contribution by the Target Companies to the promotion of the environmental and/or social characteristics promoted by the Eltif.

   This process is carried out through the periodic assessment and updating of the ESG Indicators attributed to the individual Companies ("Target Companies"), planning, where deemed necessary, the adoption of appropriate actions aimed at improving their profile.

(e) Proportion of investments

Approximately 80% of the Eltif's investments are aimed at achieving the environmental and social characteristics promoted, through investments in Target Companies with high potential in strategic sectors, capable of creating positive effects on the environment and society.



#1 E/S Aligned Characteristics includes investments in the financial product that contribute to the promotion of the environmental and social characteristics defined by the Eltif; this category constitutes approximately 80% of the Eltif's investments.

#2 Others include the remaining investments of the financial product that are not aligned with environmental or social characteristics, nor are they considered sustainable investments; this second category constitutes a limit of 20% of the Eltif's investments.

(f) Monitoring of environmental or social characteristics

The data, information, documents necessary for the periodic monitoring of the Indicators and Characteristics are collected by the Eltif with the support of an ESG Advisor and, consequently, any updates on the performance of the investment are reported in the periodic reporting.

(g) Methodologies

Each investment is subject to a non-financial due diligence analysis (the "Preliminary Due Diligence"), carried out by the Eltif with the support of specialist ESG Advisors.

Adherence to the Due Diligence criteria makes it possible to assess the compliance of potential investments with the screening criteria, the binding elements and the good governance practices adopted defined by the Eltif, as well as to understand the potential for alignment of the investment with the Characteristics promoted by the Eltif.

The results of the Due Diligence, along with the preliminary assessments of the sustainability profile of potential investments, are submitted for approval to the Executive Committee, based on the specific governance prerogatives.

A half-yearly report will be produced containing information on the monitoring of the ESG Indicators, in accordance with the strategy outlined in the Eltif's ESG Plan (the "ESG Report") provided to Investors.

During the exit phase, the AMC may assess the opportunity to prepare final reports on the sustainability characteristics of certain investments in the portfolio.

(h) Data sources and processing

The Eltif collects data for the detection of the ESG performance of the individual Target Companies with the support of the ESG Advisor. The collection methods provide for the preparation of specific questionnaires during the preliminary Due Diligence phase ("Survey"), aimed at collecting all the information useful to define whether the potential Target Company is considered eligible for investment purposes, as it is aligned with the screening criteria, the binding elements, as well as with the good governance practice established by the Eltif's ESG Plan, and how it contributes to the promotion of the environmental and/or social characteristics identified by the Eltif.

Within this context, an initial assessment of the sustainability profile of the potential Target Company is conducted, through a series of questions aimed at investigating the degree of integration of ESG factors in the context of the normal performance of the related business activities.

Furthermore, through this assessment, the Eltif aims to collect from the individual Target Companies the information and data necessary for the calculation of the principal adverse impacts on sustainability factors ("PAI"), with respect to which it has decided to declare itself explain (Art. 7 SFDR Regulation), as well as the data necessary to conduct ESG risk exposure analyses.

Finally, please be informed the questionnaire will be repeated and, where necessary, updated periodically, with the aim of monitoring the ESG Indicators attributed to the Target Company.

(i) Limitations to methodologies and data

The data that feed the indicators are historicized, again with the support of the ESG Advisor, within an internal database. It may happen that the selected Target Companies are not in possession of certain data or, in other cases, cannot share it due to confidentiality issues. In these cases, the Eltif and the ESG Advisor establish a dialogue with the Top Management and/or their supervisory bodies in order to:

1. Assess whether the data is unavailable due to timing issues: either because the investment is not yet in a state of progress that enables the attribution of value to the data, or because there are no tools or practices for retrieving the required data.
   In the first case, the Eltif reports that the data is not yet available, and in the second case it asks the Manager to equip itself with the tools or practices necessary to retrieve the data.
2. Understand the reasons for the confidentiality of the data.
3. If the data is confidential or absent, it is possible that the Eltif, with the support of the ESG Advisor, proposes a reinterpretation of the indicator, without necessarily changing its substance or affecting the way in which the environmental or social characteristics promoted by the Eltif are met.

(j) Due diligence

The AMC, on behalf of the Eltif, applies **a high degree of diligence** in all phases of the investment process, with particular reference to ESG profiles through the activities and safeguards already described in sections D. and G.

In addition, through Due Diligence, , the AMC assesses the **Eltif's exposure to sustainability risks**; this assessment is carried out by the Company's Risk Management Function, with the support of the ESG Advisor, through the adoption of a specific approach, integrated within the existing risk framework, which allows the Eltif's exposure to ESG risks to be measured.

In this regard, the approach involves the preparation of an analysis that encompasses:

- An **initial assessment of the exposure of the Eltif's portfolio to the risks pertaining to the individual pillars E, S, G**, based on measurements made through predefined Key Risk Indicators (KRIs), specific to each pillar;
- The definition of **exposure weighting parameters** to the individual pillars E, S, G on the basis of the pipeline of Target Companies in which the Eltif will decide to invest, and the related characteristics pursued by each of them;
- The attribution of a **synthetic ESG score**, reflecting the degree of sustainability risk to which the Eltif is exposed to.

The sustainability **risk** of the Eltif is assessed against **five levels**, outlined in the following rating scale: Low; Low-medium; Medium; Medium-high; High.

The AMC has also established clearly roles, responsibilities, and information flows, which include the presence of:

- an Advisory Board which, subject to the approval of the Executive Committee, adopts the Eltif's ESG Plan
- an ESG Advisor, composed of experts in the field of ESG investments, characterized by autonomy and independence from the AMC, which the latter relies on during the sustainability due diligence process, in the definition of indicators, and in the monitoring and reporting phases;
- the Risk Management Function of the Company, which assesses the sustainability risks for each investment.

(k) Engagement policies

To ensure the promotion of the environmental and/or social characteristics identified, the Eltif, with the support of the ESG Advisor, interacts directly with the portfolio companies ("Target Companies"). This direct commitment aims to record improvements in ESG performance, and to create value for the environment and society. Within this activity, particular attention is given to the adoption of ESG policies by the Target Companies, as it is believed that the presence of sound corporate policies and practices that incorporate environmental, social and governance issues (so-called "Environmental, Social and Governance factors" - ESG), can create long-term value for shareholders.

Furthermore, as defined in its ESG Plan, the Eltif commits to adopting an approach consistent with the AMC's sustainability strategies, which allows both the creation of value and the strengthening of the companies in its portfolio. For this reason, to continuously monitor ESG performance throughout the investment period, the Eltif provides for the appointment of a responsible a manager who is responsible for the correct implementation of sustainability practices in each portfolio company, who will act as a point of contact for engagement activities.

(l) Designated reference benchmark

The Eltif has not designated any benchmark for the purpose of attaining the environmental or social characteristics promoted.

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.

Exclusions linked to the Paris Aligned Benchmark (PAB) and EU Climate Transition Benchmark (CTB) also apply to this Sub-fund.

(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.

Exclusions linked to the Paris Aligned Benchmark (PAB) and EU Climate Transition Benchmark (CTB) also apply to this Sub-fund.

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) The absence of investments in asset that are on the exclusion list as result of the application of the exclusionary criteria.

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) The consideration in the investment process of the principal adverse impacts ("PAIs")

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.

Good governance practice

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.

Latest update: 24/06/2026

AZIMUT ELTIF - Private Equity Secure Europe Technologies Sustainability-Related Disclosure

(a) Summary

AZIMUT ELTIF - Private Equity Secure Europe Technologies (the "Fund") aims at strengthening industrial and technological leadership of smaller SMEs and mid-caps mainly operating in the value chain of the defence and security industry, increasing their readiness, as well as their technology, innovation and size.

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 70% of the portfolio must promote environmental and/or social characteristics. The residual 30% must comply with negative screening criteria (as further described below) and good governance practices adoption.

The ESG criteria are integrated throughout all phases of the Fund's investment process. The promotion of environmental and/or social characteristics derives from a combination of negative and positive ESG screening.

The negative screening consists in the application of an exclusion/restricted list covering activities that do not comply with specific social and environmental criteria. The exclusion list adopted for the negative screening is described in detail in the following section (see paragraph *(d) Investment strategy*).

On the other hand, the positive screening is aimed at selecting companies that demonstrate a good ESG performance. 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.

Furthermore, the Fund is committed to monitor progresses on sustainability indicators at both investment and portfolio level and include this information in the SFDR periodic disclosure.

(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's aim is to generate long-term capital growth by investing in a diversified portfolio of Italian and European small and medium-sized enterprises ("SMEs") and mid-cap companies operating in the defence, security and critical logistics sectors and by doing so seeks to promote environmental and social characteristics consisting of increasing the stability, national protection and institutional resilience ("social security") both in Italy and in Europe. The Fund seeks to attain its environmental and social characteristics by integrating ESG criteria through the investment process in order to focus on:

- increasing opportunities for SMEs and mid-caps to strengthen their relationships with large corporates ("prime contractors") operating in the defence and security industry (e.g. by strengthening potential partnership, competitiveness, creating joint ventures or building vertical and horizontal integrations, also between companies from other European countries);

- developing and strengthening Italian and European companies and high value-added production chains;

- contributing to the re-industrialization of districts or industrial areas in Italy and incentivizing investments in Research & Development (both internally or in cooperation with universities) to bring innovation in the more mature applications of the defence & security industry;

- contributing to global protection and security at European level with reinforcement of protection systems, as well as by using short supply chains to reduce logistics impact and dependency from extra-European countries;

- developing sustainable supply chains for critical raw materials, semiconductors and advanced materials;

- prioritizing investments in companies protecting energy networks or providing energy-saving solutions in their logistics, data analysis and computations, and mission critical activities.

The promotion of the Fund's environmental and social characteristics is also aimed at contributing to the following 4 out of 17 UN Sustainable Development Goals:

8. Decent Work & Economic Growth;

9. Industry, Innovation and Infrastructure;

12. Responsible Consumption & Production;

17. Partnerships for the goals.

While the Fund's ESG integration focuses on social security as mentioned above, a number of environmental aspects are also taken into consideration.

(d) Investment strategy

The Fund aims to promote its environmental and social characteristics by integrating ESG factors into its investment processes, through a thorough ESG screening exercise at the pre-investment stage and monitoring during the management phase.

The Fund's Responsible Investment Strategy is primarily based on two tools applied in the pre-investment phase: negative screening and positive screening.

The negative screening identifies the exclusion of sectors that do not comply with specific social and environmental criteria.

The Fund is prohibited from investing in:

- real estate and / or real estate companies (for the avoidance of doubt, excluding infrastructure-related projects);
- commodities;
- Projects which result in limiting people's individual rights and freedom, or violation of human rights, such as:
    i. Prisons and detention centres of any form (such as correctional institutions or police stations with detention facilities)
    ii. Any activities which are known directly or indirectly to result in harmful or exploitative forms of forced labour[1] or harmful child labour[2], as defined by the International Labour Organization's Fundamental Labour Conventions
- Projects unacceptable in climate and environmental terms:
    i. Activities not aligned with the principles and goals of the Paris Agreement
    ii. Any activity involving significant degradation, conversion or destruction[3] of critical habitats[4]
    iii. Conversion of natural forests into plantation. This includes irrigated forests[5], logging, clear cutting or degradation of (and commercial concessions over) tropical natural forests or high conservation value forests[6] in all regions, as well as the purchase of logging equipment for this purpose
    iv. Unsustainable fishing methods (such as drift net fishing in the marine environment using nets in excess of 2.5 km in length and blast fishing)
    v. Extraction of mineral deposits from the deep sea[7]
    vi. Extraction or mining of conflict minerals and metals[8]

[1] Forced labour means traditional practices of forced labour, such as vestiges of slavery or slave-like practices, and various forms of debt bondage, as well as new forms of forced labour that have emerged in recent decades, such as human trafficking, also called modern-slavery, to shed light on working and living conditions contrary to human dignity.
[2] Harmful child labour means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, moral or social development.
[3] Destruction means 1) the elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or 2) modification of a habitat in such a way that the area's ability to maintain its role is lost.
[4] Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the International Union for Conservation of Nature (IUCN) classification, including habitat required for the survival of critically endangered or endangered species as defined by the IUCN Red List of Threatened Species or as defined in any national legislation; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities. Primary forest or forests of high conservation value shall be considered critical habitats. Critical habitats include species under strict protection in accordance with Articles 12-16 of the Habitats Directive (Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora, as amended).
[5] Except for temporary watering in the first three years after planting, which is allowed for the seedlings to develop deep rooting systems to ensure high survival rates.
[6] High conservation value forests are defined by the Forest Stewardship Council as those that possess one or more of the following attributes: 1) forest areas containing globally, regionally or nationally significant concentrations of biodiversity values (such as endemism, endangered species, refugia); 2) forest areas containing globally, regionally or nationally significant large landscape level forests, contained within, or containing the management unit, where viable populations of most if not all naturally occurring species exist in natural patterns of distribution and abundance; 3) forest areas that are in or contain rare, threatened or endangered ecosystems; 4) forest areas that provide basic services of nature in critical situations (such as watershed protection, erosion control); 5) forest areas fundamental to meeting basic needs of local communities (such as subsistence, health); 6) forest areas critical to local communities' traditional cultural identity (areas of cultural, ecological, economic or religious significance identified in cooperation with such local communities).
[7] Deep sea is defined as the areas of the ocean below 200 m - The International Seabed Authority and Deep Seabed Mining. United Nations.
[8] Minerals and metals covered by the Regulation (EU) 2017/821 laying down supply chain due diligence obligations for European Union importers of tin, tantalum and tungsten, their ores, and gold originating from conflict-affected and high-risk areas, as amended.

- Activities prohibited by national legislation or international agreements ratified by the European Union
    i. This includes any products or activities subject to international phase out or bans, including production of or trade in products containing PCBs[9]; production, placing on the market and use of asbestos fibres[10]; production, use of or trade in ozone depleting substances[11] and other substances which are subject to international phase-outs or bans, including pharmaceuticals, pesticides/herbicides, chemicals[12], and other hazardous substances; trade in mercury, mercury compounds, and a large range of mercury-added products[13]; production or use of or trade in persistent organic pollutants[14]; production or trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES); transboundary movements of waste prohibited under public international law[15]
    ii. Activities prohibited by host country legislation or international legal instruments ratified by the European Union, relating to the protection of biodiversity resources, or cultural heritage
    iii. Any activities relating to the deliberate release of genetically modified organism (GMO)[16]
- Ethically or morally controversial projects
    i. Animal and human reproductive cloning
    ii. Activities involving live animals for scientific and experimental purposes, including gene editing and the breeding of these animals[17]
    iii. Sex trade and related infrastructure, services and media
    iv. Projects with the purpose of producing, manufacturing, processing or distribution of tobacco
    v. Gambling and related equipment, hotels with in-house casinos[18]
    vi. Projects with political or religious purpose
- Direct production of or trade in weapons and ammunition, including any explosives and sporting weapons

[9] PCBs: Polychlorinated biphenyls are a group of highly toxic chemicals.
[10] Commission Regulation (EU) 2016/1005 of 22 June 2016 amending Annex XVII to Regulation (EC) No 1907/2006 of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) as regards asbestos fibres (chrysotile).
[11] Ozone depleting substances (ODS) are chemical compounds that react with and remove stratospheric ozone, resulting in holes in the ozone layer. The Montreal Protocol on Substances that Deplete the Ozone Layer lists ODSs and their target reduction and phase-out date.
[12] Based on Regulation (EU) No. 649/2012 of the European Parliament and of the Council of 4 July 2012 concerning the export and import of hazardous chemicals as amended; United Nations Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); World Health Organization Recommended Classification of Pesticides by Hazard.
[13] Regulation (EU) 2017/852 of the European Parliament and of the Council of 17 May 2017 on mercury.
[14] Based on Stockholm Convention on Persistent Organic Pollutants (POPs) as amended in 2009.
[15] Based on Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal; Regulation (EC) No 1013/2006 of 14 June 2006 on shipments of waste; and Decision C(2001)107/Final of the OECD Council concerning the revision of Decision C(92)39/Final on the control of transboundary movements of wastes destined for recovery operations.
[16] Unless in compliance with EU Directive 2001/18/EC and EU Directive 2009/41/EC, and related country legislation, as further amended.
[17] Unless in compliance with (EU) Directive 2010/63/EU as amended by Regulation (EU) 2019/1010 of the European Parliament and of the Council on the protection of animals used for scientific purposes.
[18] Unless in compliance with (EU) Directive 2010/63/EU as amended by Regulation (EU) 2019/1010 of the European Parliament and of the Council on the protection of animals used for scientific purposes.

- Corporations established in a Member State which is a high-risk and non-cooperative jurisdiction identified by the financial task force, also according to Italian tax regulations;
- Self-defence and private security contractors, including private security or surveillance companies engaged in the protection of critical infrastructure, as well as operating in hazardous and combat areas;
- Cybersecurity products, services or technologies whose military use is not strictly limited to military frameworks and that may also be directly applicable to civil monitoring, surveillance or control activities, including uses that may enable mass surveillance, civil espionage or violations of fundamental rights;
- Any other ESG exclusion applied from Azimut Investments ESG Policy.

Moreover, the Fund applies additional restrictions to certain products and activities at the level of the final recipient[19]. While the compliance with certain additional criteria and/or requirements may lead to the approval of such investments in some circumstances[20], in general the Fund cannot invest in final recipients whose main activity[21] is in the following sectors:

- Certain categories of projects with substantial environmental and social risks:
  i. Projects in the mining sector
  ii. Manufacturing of explosives and nitrogen compounds
  iii. Nuclear energy and manufacturing within the nuclear industry (such as processing of nuclear fuel, uranium enrichment, irradiated fuel reprocessing)
  iv. Hydropower
  v. Waste incineration and collection, treatment and disposal of hazardous waste
- Projects which require complex conditions to be Paris-aligned
  i. Thermal power stations
  ii. Industrial manufacturing activities covered by the EU Taxonomy Delegated Acts associated with significant CO2 emissions[22]
  iii. Air transport and related infrastructure (such as airports and airport installations) and services and manufacturing and acquisition of aircraft[23] and related machinery[24]
  iv. Desalination
- Additional project restrictions:
  i. Research, development, production and/or commercialization of equipment or infrastructure dedicated exclusively to military/police use[25]

[19] Final recipients are the ultimate beneficiaries of a the Fund's investment, which is supported or backed in whole or in part by the Fund.
[20] For example, investments that qualify as environmentally sustainable investments as defined in the "EU taxonomy for sustainable activities" (Regulation (EU) 2020/852 ("EU Taxonomy"), 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) are eligible under EIF's Climate Action & Environmental Sustainability (CA&ES) criteria for green financing.
[21] Final recipients with their main activity in the sectors listed below are excluded. The main activity corresponds to the activity that contributes most to the total gross value added - as measured by income before interest, taxes and depreciation - of the final recipient.
[22] Cement, aluminium, iron and steel, basic chemicals, fertilisers and plastics in primary form, included in the First Climate Delegated Act on sustainable activities for climate change mitigation and adaptation objectives of the EU Taxonomy.
[23] With the exception of civil defence aircraft.
[24] Except for space transport and services and manufacturing and acquisition of spacecraft and related machinery, which shall be eligible for support under the Fund operations.
[25] means that the equipment or infrastructure is not offered in the same version by the final recipient to civil customers. Projects (including in equipment or infrastructure) with the potential to be used for both civil and military/police purposes (dual use) are not restricted.

ii. Health sector projects with secure or forensic units
iii. For-profit projects in the education sector by kindergarten, primary and secondary schools located outside the European Union

On the other hand, the positive screening aims to reward companies that are more advanced regarding environmental and social aspects and have a potentially higher sustainability performance than the industry and/or competitors. ESG KPIs are defined considering the peculiarities of the company's business model.

Moreover, the ESG questionnaire adopted for the positive screening is aimed at assessing the degree of adoption of good governance practices related to the management structure, employee relations and compensation, business ethics. The tool considers high standards, frameworks, and certifications to determine whether good governance practices are being adopted or if issues emerge related to one or more situations. Also, during the monitoring phase, the Fund will have the ability to take early action if a potential investment 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 issues may affect corporate governance.

(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 70% of investments has to promote environmental and/or social characteristics. This means 70% of investments must be allocated in ESG companies (i.e. with an ESG score of at least 5). Up to 30% of the Fund's total commitment can be invested in companies that cannot be considered as "ESG-Compliant".

(f) Monitoring of environmental or social characteristics

The Fund monitors the progress of the investee companies with respect to:

- ESG DDQ results (annual basis), and
- Periodic monitoring of ESG score related to environmental and/or social characteristics promoted by the Fund.
- The weighted average ESG score (obtained as a weighted average of the results of the due diligence questionnaires) of the Fund at portfolio level – which must be higher than 5 out of 10.

The monitoring activities allow the Fund to track the evolution of the ESG performance of the investee companies over time, including changes in the ESG score and the average ESG score at portfolio level.

(g) Methodologies

The methodologies used to assess, measure and monitor the environmental and/or social characteristics promoted by the Fund are based on a structured positive screening process aimed at identifying and

selecting companies with a comparatively stronger ESG performance within the target investment universe.

The positive screening is conducted through a proprietary ESG scorecard, supported by an ESG Due Diligence Questionnaire ("ESG DDQ").

In particular, the questionnaire underlying the positive screening includes a series of questions related to the list of environmental and social characteristics that the Fund aims to promote and additional relevant topics, especially regarding corporate governance.

Companies must score at least 5 out of 10 to be classified as ESG companies and become eligible for ESG-compliant investment.

(h) Data sources and processing

The data collection is processed through the distribution of an ESG questionnaire by the Fund to the investee companies. The questionnaire is completed by the investee companies and submitted along with the relevant supporting documentation. Based on the information and documentation received, the Fund applies its methodology to calculate the final ESG score.

Further verification is conducted by engaging with companies to discuss the sources and quality of data, and identifying any inconsistencies. 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. In some cases, data must derive from renewed and authoritative sources.

(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.

However, in certain cases, the availability and completeness of ESG-related data provided by the companies may be limited, in particular due to their nature, size or organizational structure. As a result, the ESG assessment is based on the information available at the time of the evaluation and, where relevant, may rely on data that are not fully complete or fully updated.

(j) Due diligence

The Fund applies a structured due diligence process to assess potential investments prior to any investment decision.

The ESG positive screening consists of the ESG DDQ and follow-up interactions with the company. Detailed due diligence activities may be performed on specific topics such as reputation and reliability, tax and legal, alignment with the Fund's policy, etc. These activities are intended to be carried out with the support of specialized third parties.

(k) Engagement policies

The engagement is not part of the investment strategy as the interaction with investee companies is limited to the ESG DDQ and the periodic data collection. However, on a discretionary and case-by-case basis, the Fund may support the companies in the definition of sustainability goals, 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.

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 Investments (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 Investments.

This statement on the main negative effects on sustainability factors covers the reporting period from January 1 2025, to December 31 2025.

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
- the annual historical comparison of the performance of indicators related to the principal adverse impacts on sustainability factors, starting from 2022

Description of the principal adverse impacts on sustainability factors

Table I

Indicators applicable to investments in investee companies						
Adverse sustainability indicator		**Metric**	**Impact [year 2025]**	**Impact [year 2024]**	**Explanation**	**Actions taken, and actions planned and targets set for the next reference period**
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas Emissions	1. GHG emissions	Scope 1 GHG emissions	1.225.910	1.247.974	The difference between PAI value in 2024 and 2025 is due to: different coverage on data from the infoprovider (data coverage for this PAI in 2025 was 89,0% of the assets in scope); asset allocation variations due to the asset management activities; ESG data and/or methodologies updates.	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
		Scope 2 GHG emissions	206.045	234.172		
		Scope 3 GHG emissions	7.606.226	6.691.737		
		Total GHG emissions	9.141.781	8.360.791		

					Also on the basis of possible regulatory developments regarding the SFDR Regulation, Azimut Investments will monitor the trend of PAI indicators in the coming years, in order to evaluate remedial actions, where deemed necessary.	- **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
	2. Carbon footprint	Carbon footprint	364	335	The difference between PAI value in 2024 and 2025 is due to: Different coverage on data from the infoprovider (data coverage for this PAI in 2025 was 89,0% of the assets in	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

				scope); asset allocation variations due to the asset management activities; ESG data and/or methodologies updates. Also on the basis of possible regulatory developments regarding the SFDR Regulation, Azimut Investments will monitor the trend of PAI indicators in the coming years, in order to evaluate remedial actions, where deemed necessary.	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
3. GHG intensity of investee companies	GHG intensity of investee companies	714	674	The difference between PAI value in 2024 and	During the reporting period, the following actions were taken: - **Exclusions:**

					2025 is due to: different coverage on data from the infoprovider (data coverage for this PAI in 2025 was 89,6% of the assets in scope); asset allocation variations due to the asset management activities; ESG data and/or methodologies updates. Also on the basis of possible regulatory developments regarding the SFDR Regulation, Azimut Investments will monitor the trend of PAI indicators in the coming years, in order to	- 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

				evaluate remedial actions, where deemed necessary.	
4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	10%	9%	The difference between PAI value in 2024 and 2025 is due to: different coverage on data from the infoprovider (data coverage for this PAI in 2025 was 96,4% of the assets in scope); asset allocation variations due to the asset management activities; ESG data and/or methodologies updates. Also on the basis of possible regulatory developmen	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

					ts regarding the SFDR Regulation, Azimut Investments will monitor the trend of PAI indicators in the coming years, in order to evaluate remedial actions, where deemed necessary.	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	45%	42%	The difference between PAI value in 2024 and 2025 is due to: Different coverage on data from the infoprovider (data coverage for this PAI in 2025 was 88,7% of the assets in scope); asset allocation variations due to the asset managemen	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

					t activities; ESG data and/or methodologies updates. Also on the basis of possible regulatory developments regarding the SFDR Regulation, Azimut Investments will monitor the trend of PAI indicators in the coming years, in order to evaluate remedial actions, where deemed necessary.	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	SECTION A - AGRICULTURE, FORESTRY AND FISHING	0,0008	0,0001	The difference between PAI value in 2024 and	During the reporting period, the following actions were taken: - **Active ownership:** through the

		of investee companies, per high impact climate sector	SECTION B – MINING AND QUARRYING	0,02	0,02	2025 is due to: different coverage on data from the infoprovider (data coverage by sector ranges from 9,8% to 95,9%); asset allocation variations due to the asset management activities; ESG data and/or methodologies updates. Also on the basis of possible regulatory developments regarding the SFDR Regulation, Azimut Investments will monitor	"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 C – MANUFACTURING	0,44	0,12		
			SECTION D – ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	0,18	0,16		
			SECTION E – WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	0,0093	0,0109		
			SECTION F – CONSTRUCTION	0,0011	0,0014		

			SECTION G – WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTOR CYCLES	0,01	0,01	the trend of PAI indicators in the coming years, in order to evaluate remedial actions, where deemed necessary.	
			SECTION H – TRANSPORTATION AND STORAGE	0,04	0,03		
			SECTION L – REAL ESTATE ACTIVITIES	0,00	0,00		
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		7,18%	6,23%	The difference between PAI value in 2024 and 2025 is due to: Different coverage on data from the infoprovider (data coverage for this PAI in 2025 was 96,0% of the assets in scope); asset	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*

					allocation variations due to the asset management activities; ESG data and/or methodologies updates. Also on the basis of possible regulatory developments regarding the SFDR Regulation, Azimut Investments will monitor the trend of PAI indicators in the coming years, in order to evaluate remedial actions, where deemed necessary.	*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	0,02	0,00	The difference between PAI value in 2024 and 2025 is due to:	During the reporting period, the following actions were taken: - **Active ownership:** through the "ISS", an independent

		weighted average			Different coverage on data from the infoprovider (data coverage for this PAI in 2025 was 26,5% of the assets in scope); asset allocation variations due to the asset management activities; ESG data and/or methodologies updates. Also on the basis of possible regulatory developments regarding the SFDR Regulation, Azimut Investments will monitor the trend of PAI indicators in the coming years, in order to evaluate remedial	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

					actions, where deemed necessary.	
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	1,62	0,76	The difference between PAI value in 2024 and 2025 is due to: Different coverage on data from the infoprovider (data coverage for this PAI in 2025 was 88,3% of the assets in scope); asset allocation variations due to the asset management activities; significant ESG data and/or methodologies updates. Also on the basis of possible regulatory developments regarding	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,

					the SFDR Regulation, Azimut Investments will monitor the trend of PAI indicators in the coming years, in order to evaluate remedial actions, where deemed necessary.	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	0,50%	0,39%	The difference between PAI value in 2024 and 2025 is due to: different coverage on data from the infoprovider (data coverage for this PAI in 2025 was 95,0% of the assets in scope); asset allocation variations due to the	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

					asset management activities; ESG data and/or methodologies updates. Also on the basis of possible regulatory developments regarding the SFDR Regulation, Azimut Investments will monitor the trend of PAI indicators in the coming years, in order to evaluate remedial actions, where deemed necessary.	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	0,14%	2,67%	The difference between PAI value in 2024 and 2025 is due to: different coverage on data from the infoprovider (data coverage for this PAI in 2025 was 94,9% of the assets in scope); asset allocation variations due to the asset management activities; ESG data and/or methodologies updates. Also on the basis of possible regulatory developments regarding the SFDR Regulation, Azimut Investments will monitor the trend of	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

					PAI indicators in the coming years, in order to evaluate remedial actions, where deemed necessary.	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	7,53%	5,1%	The difference between PAI value in 2024 and 2025 is due to: different coverage on data from the infoprovider (data coverage for this PAI in 2025 was 80,2% of the assets in scope); asset allocation variations due to the asset management activities; ESG data and/or methodologies updates.	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

					Also on the basis of possible regulatory developments regarding the SFDR Regulation, Azimut Investments will monitor the trend of PAI indicators in the coming years, in order to evaluate remedial actions, where deemed necessary.	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	26,78%	26,30%	The difference between PAI value in 2024 and 2025 is due to: different coverage on data from the infoprovider (data coverage for this PAI in 2025 was 88,8% of the assets in	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*

					scope); asset allocation variations due to the asset management activities; ESG data and/or methodologies updates. Also on the basis of possible regulatory developments regarding the SFDR Regulation, Azimut Investments will monitor the trend of PAI indicators in the coming years, in order to evaluate remedial actions, where deemed necessary.	*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	Share of investments in investee companies involved in the manufacture or	0,03%	0,03%	The difference between PAI value in 2024 and	During the reporting period, the following actions were taken: - **Exclusions:**

	mines, cluster munitions, chemical weapons and biological weapons)	selling of controversial weapons			2025 is due to: different coverage on data from the infoprovider (data coverage for this PAI in 2025 was 94,9% of the assets in scope); asset allocation variations due to the asset management activities; ESG data and/or methodologies updates. Also on the basis of possible regulatory developments regarding the SFDR Regulation, Azimut Investments will monitor the trend of PAI indicators in the coming years, in order to	- Nuclear weapons: maximum 10% of the annual turnover - Controversial weapons: no exposure (Any Tie) - **Active ownership:** through the "ISS", an independent third-party proxy voting service provider. - **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

					evaluate remedial actions, where deemed necessary.	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	41	44	The difference between PAI value in 2024 and 2025 is due to: different coverage on data from the infoprovider (data coverage for this PAI in 2025 was 91,9% of the assets in scope); asset allocation variations due to the asset management activities; ESG data and/or methodologies updates. Also on the basis of	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

					possible regulatory developments regarding the SFDR Regulation, Azimut Investments will monitor the trend of PAI indicators in the coming years, in order to evaluate remedial actions, where deemed necessary.	
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	5 (7%)	5 (7%)	The difference between PAI value in 2024 and 2025 is due to: different coverage on data from the infoprovider (data coverage for this PAI in 2025 was 100% of the assets in scope); asset allocation variations	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

					due to the asset management activities; ESG data and/or methodologies updates. Also on the basis of possible regulatory developments regarding the SFDR Regulation, Azimut Investments will monitor the trend of PAI indicators in the coming years, in order to evaluate remedial actions, where deemed necessary.	
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	-	-	-	N/A

		manufacture of fossil fuels				
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 2025]**	**Impact [year 2024]**	**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	Share of investments in investee companies	32,24%	28,36%	The difference between PAI value in 2024 and	During the reporting period, the following actions were taken: - **Exclusions:**

	reduction initiatives	without carbon emission reduction initiatives aimed at aligning with the Paris Agreement			2025 is due to: different coverage on data from the infoprovider (data coverage for this PAI in 2025 was 97,7% of the assets in scope); asset allocation variations due to the asset management activities; ESG data and/or methodologies updates. Also on the basis of possible regulatory developments regarding the SFDR Regulation, Azimut Investments will monitor the trend of PAI indicators in the coming years, in	- 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

					order to evaluate remedial actions, where deemed necessary.	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 2025]**	**Impact [year 2024]**	**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	0,00	The difference between PAI value in 2024 and 2025 is due to: different coverage	During the reporting period, the following actions were taken: - **Active ownership**: through the "ISS", an independent third-party

					on data from the infoprovider (data coverage for this PAI in 2025 was 89,1% of the assets in scope); asset allocation variations due to the asset management activities; ESG data and/or methodologies updates. Also on the basis of possible regulatory developments regarding the SFDR Regulation, Azimut Investments will monitor the trend of PAI indicators in the coming	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

					years, in order to evaluate remedial actions, where deemed necessary.	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 Q2 2026.

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 optimization 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.

  In addition, investee companies involved in serious controversies where the evaluation is based on an assessment of a company’s direct involvement in the most serious adverse impacts, which have

not yet been mitigated to the satisfaction of all implicated stakeholders, are excluded from the investment scope.

- 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 Investments 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 Delegated Regulation (EU) 2022/1288 (RTS) are calculated and monitored, Azimut Investments 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 Investments 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.

Moreover, the calculations were made according to the following assumptions:

- Derivatives, at numerator level, are not considered to perform the calculations, due to current lack of data and methodologies

- PAI 16 ("Investee countries subject to social violations"), was obtained from the list of investee countries subject to social violation present in at least one quarter of 2025.

Data related to PAI indicators for AIFs (Alternative Investment Funds) in Azimut Investments portfolio, have not been included in the calculation presented in Table I, II and III, due to the variety of methodologies and implications related to PAI calculation, arising from the specific characteristics of Alternative Investment Funds

Engagement policies

Engagement aims at raising awareness among the management of the companies in which Azimut Investments 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 Investments 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 Investments 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 Investments 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 Investments, 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 Investments 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 Investments voting right Policy.

Furthermore, during 2025, Azimut Holding plans to participate the Joint engagement sponsored by the Carbon Disclosure Project (CDP), to engage with 1314 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.

References to international Standards

The parent company, Azimut Holding SpA, 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 Investments 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.

Historical comparison

During the reference period Azimut Investments experienced differences in terms of PAI performance, with reference to the years 2024, 2023 and 2022.

Major changes, where present, similarly to what is explained in Table 1 of this document, in the column "explanation" of section "***Description of the principal adverse impacts on sustainability factors"*** and are mainly due to changes in methodology, data coverage and ordinary asset management operations.

Azimut Investments will monitor PAI performance through the years, and, were deemed necessary, even considering Regulatory developments and data availability, will evaluate applying proper remedial action. The table below presents the historical comparison of the PAI indicators over the years.

Historical comparison of indicators applicable to investments in investee companies

Adverse sustainability indicator		Metric	Impact [year 2025]	Impact [year 2024]	Impact [year 2023]	Impact [year 2022]
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS						
Greenhouse gas Emissions	1. GHG emissions	Scope 1 GHG emissions	1.225.910	1.247.974	1.257.236	1.469.590
		Scope 2 GHG emissions	206.045	234.172	240.228	230.696
		Scope 3 GHG emissions	7.606.226	6.691.737	6.753.215	6.880.551
		Total GHG emissions	9.141.781	8.360.791	8.183.416	8.630.850
	2. Carbon footprint	Carbon footprint	364	335	326	336
	3. GHG intensity of investee companies	GHG intensity of investee companies	714	674	626	685
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	10%	9%	8%	8%
	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	45%	42%	38%	40%

	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	0,0008	0,0001	0,0001	0,0001
			SECTION B - MINING AND QUARRYING	0,02	0,02	0,03	0,11
			SECTION C - MANUFACTURING	0,44	0,12	0,12	0,15
			SECTION D - ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	0,18	0,16	0,24	0,24
			SECTION E - WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIATION ACTIVITIES	0,0093	0,0109	0,0117	0,0097
			SECTION F - CONSTRUCTION	0,0011	0,0014	0,0012	0,0015
			SECTION G - WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	0,01	0,01	0,01	0,03
			SECTION H - TRANSPORTATION AND STORAGE	0,04	0,03	0,04	0,06
			SECTION L - REAL ESTATE ACTIVITIES	0,00	0,00	0,01	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	7,18%	6,23%	0,31%	0,1%
Water	8. Emission to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	0,02	0,00	1,23	1,4
Waste	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	1,62	0,76	0,80	285
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	0,50%	0,39%	0,55%	0,7%

		or OECD Guidelines for Multinational Enterprises				
	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	0,14%	2,67%	10,81%	28,0%
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	7,5%	5,1%	2,2%	1,7%
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	26,78%	26,30%	23,62%	20,5%

	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%	0,03%	0,02%	0,03%
Historical comparison of indicators applicable to investments in sovereigns and supranationals						
Environmental	15. GHG intensity	GHG intensity of investee countries	41	44	52	42
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	5	5	5	6
Historical comparison of 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	-	-	-	-

Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets	-	-	-	-

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.

Azimut Investment takes PAI 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 10% 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 • Prohibited 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 2026	✓	✓	✓	✓	✓	✓
Az Fund 1 - Az Allocation - Asset Timing 2028	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Allocation – Balanced FoF	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Allocation – Balanced Plus	✓	✓	✓	✓		✓
AZ Fund 1 - AZ Allocation - Escalator 2026	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Allocation - Escalator 2028	✓	✓	✓	✓	✓	✓
Az Fund 1 - Az Allocation - Escalator 2030	✓	✓	✓	✓	✓	✓
Az Fund 1 - Az Equity - Global Dividend	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Allocation - Italian Trend	✓	✓	✓	✓		✓
AZ Fund 1 - AZ Allocation - Long Term Equity Opportunities	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Allocation – Potential Income Upside 2030	✓	✓	✓	✓	✓	✓
AZ Multi Asset – AZ Allocation – Romeo	✓	✓	✓	✓	✓	✓
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 Bond - CoCo Bonds	✓	✓	✓	✓		
AZ Fund 1 - AZ Bond – Convertible	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Bond – Frontier Markets Debt	✓		✓	✓	✓	
AZ Fund 1 – AZ Bond - High Yield Target 2028 climate transition	✓	✓	✓	✓	✓	
AZ Fund 1 - AZ Bond – Hybrids	✓	✓	✓	✓	✓	
AZ Fund 1 - AZ Bond – Patriot	✓	✓	✓	✓		
AZ Fund 1 – AZ Bond - Short term investment grade climate transition	✓	✓	✓	✓	✓	
AZ Fund 1 - AZ Bond - Target 2025	✓	✓	✓	✓		
AZ Fund 1 - AZ Bond - Target 2026	✓	✓	✓	✓		
AZ Fund 1 - AZ Bond - Target 2028	✓	✓	✓	✓		
AZ Fund 1 - AZ Bond - Target 2029	✓	✓	✓	✓		
AZ Fund 1 - AZ Bond - Target 2031	✓	✓	✓	✓		
AZ Fund 1 - AZ Equity – America	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Equity – Biotechnology	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Equity - Borletti Global Lifestyle	✓	✓	✓	✓	✓	✓
AZ Multi Asset - AZ Equity - Environment	✓	✓	✓	✓	✓	
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 FoF	✓	✓	✓	✓	✓	
AZ Fund 1 - AZ Equity - Global FoF	✓	✓	✓	✓	✓	
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 - Global Value FoF	✓	✓	✓	✓		
AZ Fund 1 - AZ Equity – Industrial Revolution 4.0	✓	✓	✓	✓	✓	✓
AZ Fund 1 - AZ Equity - Small Cap Europe FoF	✓	✓	✓	✓		
AZ Fund 1 - AZ Equity – Special Needs & Inclusion	✓	✓	✓	✓	✓	✓
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 2026	✓	✓	✓	✓						✓				✓		
Az Fund 1 - Az Allocation - Asset Timing 2028	✓	✓	✓	✓						✓				✓		
AZ Fund 1 - AZ Allocation – Balanced FoF	✓	✓	✓	✓						✓				✓		
AZ Fund 1 - AZ Allocation – Balanced Plus	✓	✓	✓	✓						✓				✓		
AZ Multi Asset - AZ Allocation - Environment - Aggressive	✓	✓	✓	✓						✓				✓		

AZ Fund 1 - AZ Allocation - Escalator 2026	✓	✓	✓	✓						✓				✓	✓	✓
AZ Fund 1 - AZ Allocation - Escalator 2028	✓	✓	✓	✓						✓				✓	✓	✓
Az Fund 1 - Az Allocation - Escalator 2030	✓	✓	✓	✓						✓				✓	✓	✓
AZ Fund 1 - AZ Allocation - Italian Trend	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Allocation - Long Term Equity Opportunities	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Allocation – Potential Income Upside 2030	✓	✓	✓	✓	✓					✓				✓	✓	✓
AZ Multi Asset – AZ Allocation – Romeo	✓	✓	✓	✓	✓					✓				✓	✓	✓
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 Bond - CoCo Bonds	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Bond - Convertible	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Bond – Frontier Markets Debt[26]															✓	✓
AZ Fund 1 - AZ Bond - High Yield Target 2028 climate transition	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Bond - Hybrids	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Bond – Patriot	✓	✓	✓	✓	✓					✓				✓	✓	✓
AZ Fund 1 - AZ Bond – Short term investment grade climate transition	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Bond - Target 2026	✓	✓	✓	✓						✓				✓		
AZ Fund 1 - AZ Bond - Target 2028	✓	✓	✓	✓						✓				✓		
AZ Fund 1 - AZ Bond - Target 2029	✓	✓	✓	✓						✓				✓		
AZ Fund 1 - AZ Bond - Target 2031	✓	✓	✓	✓						✓				✓		
AZ Fund 1 - AZ Equity - America	✓	✓	✓	✓						✓				✓		
AZ Fund 1 - AZ Equity – Biotechnology	✓	✓	✓	✓						✓				✓		
AZ Fund 1 - AZ Equity - Borletti Global Lifestyle	✓	✓	✓	✓	✓					✓				✓		
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 FoF	✓	✓	✓	✓	✓					✓				✓		
Az Fund 1 - AZ Equity - Global Dividend	✓	✓	✓	✓						✓				✓		
AZ Fund 1 - AZ Equity - Global FoF	✓	✓	✓	✓	✓					✓				✓		
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 - Global Value FoF	✓	✓	✓	✓					✓	✓				✓		
AZ Fund 1 - AZ Equity – Industrial Revolution 4.0	✓	✓	✓	✓						✓				✓		

[26] The Sub-Fund AZ Fund 1 – AZ Bond – Frontier Markets Debt also takes into account the following PAI indicators from Table III of Delegated Regulation EU 2022/1288:

- 18. Average income inequality score
- 19. Average freedom-of expression score
- 20. Average human rights performance
- 21. Average corruption score
- 22. Non-cooperative tax jurisdiction
- 23. Average political stability score
- 24. Average rule-of-law score

AZ Fund 1 - AZ Equity - Small Cap Europe FoF	✓	✓	✓	✓	✓					✓				✓		
AZ Fund 1 - AZ Equity – Special Needs & Inclusion	✓	✓	✓	✓						✓				✓		
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:

ESG integration	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

	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
- **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

	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 – Infrastrutture e Imprese per la Crescita IV				✓	✓			✓	✓	✓				✓		
AZ ELTIF – Infrastructure & Real Assets ESG				✓	✓			✓	✓	✓				✓		
AZ ELTIF – Private Equity Secure Europe Technologies Sustainability-Related Disclosure				✓	✓			✓	✓	✓				✓		

Further PAIs indicators could be taken into account through time according to data availability.