

# Statement on principal adverse impacts of investment decisions on sustainability factors

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**Financial market participant:** Azimut Life DAC (635400CDH4BEZWGN6W58)

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## **Summary**

Azimut Life DAC (635400CDH4BEZWGN6W58) 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 Life DAC.

This statement on the main negative effects on sustainability factors covers the reporting period from October 1 2022, to December 31 2022.

The document aims to describe:

- the main adverse effects on sustainability factors, including their effects and any actions taken, planned, and targets set for the next reporting period
- the policies related to the identification and prioritization of the main adverse effects on sustainability factors
- the engagement policies adopted to support consideration of key adverse effects on sustainability factors
- compliance with responsible business conduct codes and internationally recognized standards of due diligence and reporting

## **Sintesi**

Azimut Life DAC (635400CDH4BEZWGN6W58) prende in considerazione i principali effetti negativi delle proprie decisioni di investimento sui fattori di sostenibilità. La presente dichiarazione è la dichiarazione consolidata sui principali effetti negativi sui fattori di sostenibilità di Azimut Life DAC.

La presente dichiarazione sui principali effetti negativi sui fattori di sostenibilità riguarda il periodo di riferimento dal 1 ottobre 2022 al 31 dicembre 2022.

Il documento ha l'obiettivo di descrivere:

- i principali effetti negativi sui fattori di sostenibilità, includendo i loro effetti ed eventuali azioni adottate, programmate e gli obiettivi fissati per il periodo di riferimento successivo
- le politiche relative all'individuazione e alla prioritizzazione dei principali effetti negativi sui fattori di sostenibilità
- le politiche di impegno adottate a supporto della considerazione dei principali effetti negativi sui fattori di sostenibilità
- il rispetto di codici di condotta d'impresa responsabile e le norme riconosciute a livello internazionale in materia di dovuta diligenza e di reportistica

**Description of the principal adverse impacts on sustainability factors**

**Table I**

Indicators applicable to investments in investee companies						
Adverse sustainability indicator	Metric	Impact [year 2022]	Impact [year 2021]	Explanation	Actions taken, and actions planned and targets set for the next reference period	
<b>CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS</b>						
Greenhouse gas Emissions	1. GHG emissions	Scope 1 GHG emissions	86.646			During the reporting period, the following actions were taken: <ul style="list-style-type: none"> <li>- <b>Exclusions:</b> <ul style="list-style-type: none"> <li>- Thermal Coal: maximum 20% of the annual turnover</li> </ul> </li> <li>- <b>Active ownership:</b> 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</li> <li>- <b>ESG integration:</b> integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts</li> <li>- <b>Fund selection:</b> favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs</li> </ul>
		Scope 2 GHG emissions	17.761			
		Scope 3 GHG emissions	632.771			
		Total GHG emissions	762.532			
	2. Carbon footprint	Carbon footprint	266			
	3. GHG intensity of investee companies	GHG intensity of investee companies	627			

						<ul style="list-style-type: none"> <li>- <b>Active ownership:</b> 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: “<i>Engagement policies</i>” of this document</li> <li>- <b>ESG integration:</b> integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts</li> <li>- <b>Fund selection:</b> favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs</li> </ul>
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	6%			<p>During the reporting period, the following actions were taken:</p> <ul style="list-style-type: none"> <li>- <b>Exclusions:</b> <ul style="list-style-type: none"> <li>- Thermal Coal: maximum 20% of the annual turnover</li> </ul> </li> <li>- <b>Active ownership:</b> 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: “<i>Engagement policies</i>” of this document</li> <li>- <b>ESG integration:</b> integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts</li> <li>- <b>Fund selection:</b> favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs</li> </ul>
	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	43%			<p>During the reporting period, the following actions were taken:</p> <ul style="list-style-type: none"> <li>- <b>Exclusions:</b> <ul style="list-style-type: none"> <li>- Thermal Coal: maximum 20% of the annual turnover</li> </ul> </li> <li>- <b>Active ownership:</b> 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: “<i>Engagement policies</i>” of this document</li> <li>- <b>ESG integration:</b> integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts</li> <li>- <b>Fund selection:</b> favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs</li> </ul>

			SECTION A - AGRICULTURE, FORESTRY AND FISHING	0,00004			
			SECTION B - MINING AND QUARRYING	0,11			
			SECTION C - MANUFACTURING	0,21			
	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 D - ELECTRICITY, GAS, STEAM AND AIR CONDITIONING SUPPLY	0,11			
			SECTION E - WATER SUPPLY; SEWERAGE, WASTE MANAGEMENT AND REMEDIAION ACTIVITIES	0,004			
			SECTION F - CONSTRUCTION	0,001			
							<p>During the reporting period, the following actions were taken:</p> <ul style="list-style-type: none"> <li>- <b>Active ownership:</b> 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: "<i>Engagement policies</i>" of this document</li> <li>- <b>ESG integration:</b> integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts</li> </ul> <p><b>Fund selection:</b> favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs</p>

			SECTION G - WHOLESALE AND RETAIL TRADE; REPAIR OF MOTOR VEHICLES AND MOTORCYCLES	0,05		
			SECTION H - TRANSPORTATION AND STORAGE	0,04		
			SECTION L - REAL ESTATE ACTIVITIES	0,01		
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas		0,1%		<p>During the reporting period, the following actions were taken:</p> <ul style="list-style-type: none"> <li>- <b>Active ownership:</b> 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: “<i>Engagement policies</i>” of this document</li> <li>- <b>ESG integration:</b> integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts</li> <li>- <b>Fund selection:</b> favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs</li> </ul>
Water	8. Emission to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average		0,8		<p>During the reporting period, the following actions were taken:</p> <ul style="list-style-type: none"> <li>- <b>Active ownership:</b> 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: “<i>Engagement policies</i>” of this document</li> <li>- <b>ESG integration:</b> integration of ESG factors into the investment process: companies with high E, S and G</li> </ul>

						<p>ratings normally have lower principal adverse impacts</p> <ul style="list-style-type: none"> <li>- <b>Fund selection:</b> favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs</li> </ul>
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	678			<p>During the reporting period, the following actions were taken:</p> <ul style="list-style-type: none"> <li>- <b>Active ownership:</b> 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: "<i>Engagement policies</i>" of this document</li> <li>- <b>ESG integration:</b> integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts</li> <li>- <b>Fund selection:</b> favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs</li> </ul>
<b>INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS</b>						
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	0,4%			<p>During the reporting period, the following actions were taken:</p> <ul style="list-style-type: none"> <li>- <b>Active ownership:</b> 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: "<i>Engagement policies</i>" of this document</li> <li>- <b>ESG integration:</b> integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts</li> <li>- <b>Fund selection:</b> favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs</li> </ul>

	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	27,9%			<p>During the reporting period, the following actions were taken:</p> <ul style="list-style-type: none"> <li>- <b>Active ownership:</b> 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: "<i>Engagement policies</i>" of this document</li> <li>- <b>ESG integration:</b> integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts</li> <li>- <b>Fund selection:</b> favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs</li> </ul>
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	1,8%			<p>During the reporting period, the following actions were taken:</p> <ul style="list-style-type: none"> <li>- <b>Active ownership:</b> 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: "<i>Engagement policies</i>" of this document</li> <li>- <b>ESG integration:</b> integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts</li> <li>- <b>Fund selection:</b> favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs</li> </ul>
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	23,6%			<p>During the reporting period, the following actions were taken:</p> <ul style="list-style-type: none"> <li>- <b>Active ownership:</b> 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: "<i>Engagement policies</i>" of this document</li> <li>- <b>ESG integration:</b> integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts</li> <li>- <b>Fund selection:</b> favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs</li> </ul>

	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	0,1%			<p>During the reporting period, the following actions were taken:</p> <ul style="list-style-type: none"> <li>- <b>Exclusions:</b> <ul style="list-style-type: none"> <li>- Nuclear weapons: maximum 1.5% of the annual turnover</li> <li>- Controversial weapons: no exposure (Any Tie)</li> </ul> </li> <li>- <b>Active ownership:</b> 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</li> <li>- <b>ESG integration:</b> integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts</li> <li>- <b>Fund selection:</b> favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs</li> </ul> <p>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.</p>
<b>Indicators applicable to investments in sovereigns and supranationals</b>						
Environmental	15. GHG intensity	GHG intensity of investee countries	12			<p>During the reporting period, the following actions were taken:</p> <ul style="list-style-type: none"> <li>- <b>ESG integration:</b> integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts</li> <li>- <b>Fund selection:</b> favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs</li> </ul>
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	0 (0%)			<p>During the reporting period, the following actions were taken:</p> <ul style="list-style-type: none"> <li>- <b>ESG integration:</b> integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts</li> <li>- <b>Fund selection:</b> favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs</li> </ul>
<b>Indicators applicable to investments in real estate assets</b>						



Fossil fuels	17. Exposure to fossil fuels through real estate assets	Share of investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels				- N/A
Energy efficiency	18. Exposure to energy-inefficient real estate assets	Share of investments in energy-inefficient real estate assets				- N/A

**Table 2**

Additional climate and other environment-related indicators					
Adverse sustainability indicator	Metric	Impact [year 2022]	Impact [year 2021]	Explanation	Actions taken, and actions planned and targets set for the next reference period
<b>Indicators applicable to investments in investee companies</b>					
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS					
Emissions	4. Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	10,89%		<p>During the reporting period, the following actions were taken:</p> <ul style="list-style-type: none"> <li>- <b>Exclusions:</b> <ul style="list-style-type: none"> <li>- Thermal Coal: maximum 20% of the annual turnover</li> </ul> </li> <li>- <b>Active ownership:</b> 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</li> <li>- <b>ESG integration:</b> integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts</li> <li>- <b>Fund selection:</b> favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs</li> </ul>

**Table 3**

Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters					
INDICATORS FOR SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS					
Adverse sustainability indicator	Metric	Impact [year 2022]	Impact [year 2021]	Explanation	Actions taken, and actions planned and targets set for the next reference period
<b>Indicators applicable to investments in investee companies</b>					

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		<p>During the reporting period, the following actions were taken:</p> <ul style="list-style-type: none"> <li>- <b>Active ownership:</b> 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: “<i>Engagement policies</i>” of this document</li> <li>- <b>ESG integration:</b> integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower principal adverse impacts</li> <li>- <b>Fund selection:</b> favoring Article 9 SFDR financial products or, as a second choice, those classified as Article 8 SFDRs</li> </ul>
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***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 January 2023.

Adverse impacts on sustainability factors are taken into account and mitigated in four ways.

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

The second is through the application of the Exclusion policy, which prohibits investment in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. 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 Life DAC subscribed into ISS's Sustainability Policy which is in line with the United Nations' Principles for Responsible Investments (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, which seeks to favour, where possible and if available, financial products that are classified as Article 9 SFDR or, as a second choice, those classified as Article 8 SFDRs (not precluding the possibility of holding Article 6 SFDR funds in the portfolio as well). The greater the weight of funds classified as Article 9 or 8 SFDR, the greater the containment of PAIs is expected to be.

Whereas all mandatory PAI(s) included in the table 1 of the Annex I of Regulation n 1288/22 (RTS) are calculated and monitored, Azimut Life DAC 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 Life DAC constantly monitors PAIs data through an ad-hoc tool where PAI(s) values can be consulted both at position and aggregate level, in order to consider them in the investment decision-making process along with ESG scores and traditional financial metrics. However, considering the still limited availability of reliable data on many PAIs, the large variability of PAI data at sectoral and geographical level, as well as their backward-looking nature, no thresholds or stringent limits are set.

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

An additional reason why stringent limits on PAIs have not been set is that focusing only on the absolute value of the PAI can lead to suboptimal choices in terms of sustainability, especially if companies have embarked on a path to improve their practices, as PAIs are precisely a backward-looking indicator. The most important reduction in adverse impacts is possible precisely by incentivizing those companies that today have low operating standards and therefore high adverse impacts, to improve their practices by supporting them financially in the transition and exercising our duty as responsible investor by steering the strategic business decisions of investee companies through active ownership in such a way as (inter-alia) to reduce the companies' adverse impacts.

It is also possible that investee companies may over the years' experience instances where one or more of their PAIs rise rather than fall. The portfolio manager therefore makes the assessment of the PAIs first at the aggregate level to determine which is the overall sustainability path of the company, and second on each PAI separately.

Calculations for PAI statements were made according to the following assumptions:

- PAI values for not covered issuers, at numerator level, are evaluated as 0 to perform the calculations
- Derivatives, at numerator level, are not considered to perform the calculations, due to current lack of data and methodologies

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### ***Engagement policies***

Engagement aims at raising awareness among the management of the companies in which Azimut Life DAC 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 Life DAC 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 Life DAC 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 Life DAC 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 Investments (UN PRI) Azimut Life DAC 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 Life DAC exercises its voting rights based upon the recommendations of ISS Governance's Sustainability Policy (the one specifically designed for UN PRI signatories).

For more details refers to the Azimut DAC engagement Policy.

Moreover, during 2023, Azimut Holding plans to participate the Joint engagement sponsored by the Carbon Disclosure Project (CDP), to engage with 1600 international companies with a high carbon footprint and push them to disclose through CDP questionnaire and boost transparency and drive-up rates of corporate disclosure. More information are available to the following link: <https://www.cdp.net/en/investor/engage-with-companies/non-disclosure-campaign>

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### ***References to international Standards***

Azimut Life DAC, as a member of Azimut Group, signed in 2019 signed 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 DAC engagement Policy.

Given the ever-changing regulatory scenario and the non-exhaustiveness of the methodologies currently available at the market level, Azimut Life DAC does not consider relevant, the use of a forward-looking climate scenario.