ENGAGEMENT (ESG / CSR)

POLICY

JANUARY 2023

1. INTRODUCTION

1.1. PURPOSE

This policy (the “**ESG Policy**” or the “**Policy**”) defines the principles informing the approach of Azimut Life dac (“**Azimut Life**” or the “**Company**”) to any environmental, social and governance related issues (“**ESG**”).

In doing so, the Company takes into account relevant statutes, regulations, regulatory guidance, as well as industry best practice and guidelines (the “**Guidelines**”) as well as any ESG principles adopted or followed within the Azimut Group (the “**Group**”).

1.2. SCOPE

The present Policy contains the main principles to be followed by the Company and its Board of Directors, management and staff in relation to ESG matters.

ESG can find specific application in the following areas:

1. **Investment activities**. How the Company considers and applies ESG in the investment of its own (or shareholder’s) assets and in the conduct of its portfolio management activities. This includes for instance the relevance given to ESG factors when deciding on investment policies and then when implementing investment decisions. Afterwards, how ESG is monitored on an ongoing basis, to ensure investment is in line with the investment policies of the Company as defined for each internal fund.

2. **Company’s activities and organization**. How the Company approaches and applies ESG and its Corporate Social Responsibility (“**CSR**”) strategy in:

    A) the organization and conduct of its business and

    B) the interaction with third parties.

A) As for the <u>organization and conduct of the business</u>, it is relevant:

a) how and through which structures the Company deals with ESG (e.g. through an ESG Committee, if and where any ESG reporting is shared with the Board and/or any Board Committees)

b) How the Company applies principles such as equal opportunities, diversity, sustainability and other CSR relevant principles in the organization and management of its human resources ("**HR**") and governance.

c) How the Company applies ESG in its activities, insofar as environmental matters are concerned. For instance, if and how the Company adopts specific standards to reduce or offset in full or in part its environmental impact.

B) As for the <u>Interaction with third parties</u>, it is relevant:

a) how the ESG and CSR principles are applied for the benefit of relevant stakeholders (e.g. investors, policyholders and shareholders) and

b) how ESG / CSR is a consideration when dealing with third parties, for instance:

    1. existing and prospective service providers, or

    2. approach towards third parties when exercising voting rights (or proxies for this purpose) associated with any instruments available to the Company;

1.3. APPLICATION

The Company implements ESG / CSR through the following:

1. **Documentation**: with the adoption of policies and procedures required under the ESG relevant legislation, regulations, guidelines or principles of best practice, and including, without being limited to:
   a) Engagement (ESG / CSR) Policy,
   b) Voting Rights Policy
   c) Equity Investment Strategy, as defined in the Voting Rights Policy and any Investment Procedures defined by the Investment Management Team under the responsibility of the Head of Investment.

2. **ESG Framework**: where the ESG documentation is complemented by processes, controls and activities to ensure the consistent and correct application of the ESG / CSR principles adopted.

3. **Organization**, with the creation of an ESG / CSR oriented structure (including in terms of approach to HR organization and management, training, governance) and inspired by the principles shared throughout the Azimut Group, as expressed by Azimut Holding S.p.A. (holding Company of Azimut Life) in a specific Charter of Values ("Carta dei Valori"), and recalled in Section 5 of the present ESG Policy[1].

4. **Activities**, with the possible involvement of the Company in ESG/CSR initiatives, also in line with the Azimut Group approach.

5. **Investment**, by:
   a) integration of ESG in the investment strategies of the Company
   b) the creation of specific instruments available in the commercial offering of the Company (e.g. ESG focused internal funds).

[1] Original and full text available at the following link: https://www.azimut-group.com/documents/36325/1395868/ESG+in+ACTION.pdf/39bccf7d-14d6-491b-ab45-bc6ffc9cece9

2. SOURCES AND REFERENCES

1. Directive EU/2017/828 (Second **Shareholders' Rights Directive** or "**SRD II**").
2. European Union (Shareholders' Rights) Regulations 2020[2], or S.I. 81/2020.
3. 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;
4. 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.
5. (Amended and Restated) Companies Act 2014, Section 8[3].
6. UN Principles of Responsible Investment, 2005[4].
7. International Corporate Governance Network (ICGN) statement on Global Governance Principles
8. United Nations Global Compact
9. United Nations Sustainable Development Goals
10. United Nations Guiding Principles on Business and Human Rights
11. OECD Guidelines for Multinational Enterprises
12. Responsible Business Conduct for Institutional Investors (OECD)
13. Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 (RTS).

In addition, this Policy takes into consideration the ESG principles adopted by the Azimut Group[5] and the holding company of the Group Azimut Holding S.p.A. (the "**Group ESG Documents**"), in particular, Azimut Group ESG Policy, of November 2019[6].

[2] http://www.irishstatutebook.ie/eli/2020/si/81/made/en/pdf
[3] http://revisedacts.lawreform.ie/eli/2014/act/38/revised/en/html
[4] https://www.unpri.org
[5] This documentation can be consulted at https://www.azimut-group.com/en/azimut-gruppo/la-politica-esg
[6] https://www.azimut-group.com/en/azimut-gruppo/la-politica-esg

3. ESG – RELATED DEFINITIONS

- “ESG” means Environmental, Social and Governance;
- “Financial Product ex art. 8 SFDR” refers to a financial product which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices;
- “Financial Product ex art. 9 SFDR” refers to a financial product which has sustainable investment as its objective;
- “Good Governance” refers to practices which include sound management structures, employee relations, remuneration of staff and tax compliance;
- “MOP – Multi options product” means products which offer different investment options to the client;
- “Principal Adverse Impacts – PAI(s)” are those impacts of investment decisions and advice that result in negative effects on sustainability factors;
- “RTS” refers to the Commission Delegated Regulation (EU) 2022/1288 of 6 April 2022 supplementing Regulation (EU) 2019/2088 of the European Parliament and of the Council with regard to regulatory technical standards specifying the details of the content and presentation of the information in relation to the principle of ‘do no significant harm’, specifying the content, methodologies and presentation of information in relation to sustainability indicators and adverse sustainability impacts, and the content and presentation of the information in relation to the promotion of environmental or social characteristics and sustainable investment objectives in precontractual documents, on websites and in periodic reports;
- “SFDR” means refers to 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;
- “Sustainability Factor(s)” means environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters;
- “Sustainable Investment(s)” means, according to the art 2(17) SFDR), an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an investment that contributes to tackling inequality or that fosters social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm

any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance;

- “Sustainability Risk(s)” means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investments;
- “Sustainable finance taxonomy” means refers to the 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 the SFDR.

4. GROUP GUIDELINES, POLICIES AND PROCEDURES

This Policy must be read in conjunction with the Group ESG Documents.

The Head of Compliance shall reflect any periodical updates in the above-mentioned documentation in the present Policy, thus ensuring consistency. This will have to be done compatibly with the requirements of any laws and regulations applicable to the Company.

Should any legislation, regulations or guidelines applicable to the Company differ or imply any different requirements than the ones provided in or arising from any Group ESG Documents or Guidelines, Azimut Life shall inform the Group Head of Compliance promptly and adopt alternative or additional measures in order to reconcile local regulatory requirements and Group Guidelines and principles to the extent possible, with the ultimate goal of ensuring compliance with the requirements of the jurisdiction where the Company operates.

5. RELEVANCE OF ESG / CSR ASPECTS

ESG/CSR have been object of increasing attention by:

a) investors;
b) industry;
c) category associations;
d) supervisory authorities and
e) both the EU and national legislators.

It should be noted however that the ESG / CSR matter hinges around principles rather than obligations. Examples of obligations arising or to be inferred from the ESG legislation include:

1. adopting ESG policies and related documentation;
2. publishing relevant policies on Company's website, thus disclosing the approach taken towards ESG/CSR by the Company;
3. implementing the organizational setup and actions required in terms of corporate governance (e.g. including ESG for discussion by Board or the competent body).
4. monitoring the actual application of the ESG approach, through annual reports also to be discussed by the Board and disclosed.

Apart from the above-mentioned requirements, ESG/CSR is a matter widely entrusted to the discretion of each relevant company. However, the Company recognizes the importance of the ESG / CSR approach, independently from any legislative obligations or requirements. As part of actual ESG implementation and as a way of making ESG/CSR effective within the organization, Azimut Life endeavours to ensure that all staff, managers and stakeholders in Azimut Life do realize the importance of such principles and of their consistent and actual application at all levels in the organization.

ESG / CSR refer to values that are relevant on two levels.

The first level is unrelated to any economic consideration and is related instead to the importance of ensuring the pursuance and the application of any ESG / CSR values (see Section 6) *per se*, in pursuance of sustainable activities and the creation of a better organization, better industry, better and more equitable results for all stakeholders of the Company (including without limitation policyholders, staff, managers and shareholder of the Company) and ultimately aim at pursuing a greater good and a better world. The pursuance of these goals is oriented to sustainability and to creating and fostering activities and investments the value of which is wider than, or independent of, their immediate economic value.

There is then a second aspect, whereby ESG / CSR acquire importance also in economic terms. Just as it is the case for ethics in business, the following aspects come into consideration, by way of example, as benefits possibly associated to a consistent and effective approach to ESG / CSR:

1. Avoiding the negative effects on assets under management (as a consequence of increased redemptions and reduced premium collection) associated to the presence, in the underlying investments, of so called "*laggards*" i.e. issuers more exposed to the ESG risk, should that risk translate into a real impact.

2. Higher reputability, appeal and credit with investors, in particular institutional investors, who have a focus on ESG/CSR. This is all the more important for a company part of a Group the holding company of which (Azimut Holding S.p.A.) is a listed company.
3. Higher credit with authorities, institutions or counterparties, when behaviour and reputation of the Company (and the Group) is a factor to be considered. This is true, for instance, in decisions on partnerships, deals or common initiatives to be pursued with Azimut Life, as well as in decisions involving assessment of credit merit and reliability in lending operations.
4. Credit and reputability with professionals, service providers and staff, both existing and to be recruited, increasing the appeal of the Company.
5. Possibility to increase and build up expertise in the ESG /CSR domain and possibility to complement and complete the product range and investment offer made available by the Company.

All staff should be aware of the importance of these aspects in the ESG approach and should therefore ensure that the principles specified in this Policy are consistently applied.

6. PRINCIPLES AND VALUES

6.1. How the Company Pursues and Implements ESG / CSR

The commitment of the Company towards ESG / CSR and sustainability is expressed through:

1. the creation and maintenance of an ESG / CSR oriented organization, in line with the Charter of Values and the values expressed in the present ESG Policy;

2. the implementation of CSR initiatives, either initiated autonomously or as by contributing to similar initiatives promoted by the Group;

3. the integration of ESG in the commercial offer and in the investment strategy, e.g. by:
    a) considering ESG when defining and implementing investment policies for the existing products of the Company;
    or

b) creating or including products having a special focus on ESG within its product offer range.

6.2. VALUES

The Company adheres to the values expressed in the Charter of Values through an organizational model oriented to sustainability. These values inform the way in which the Company operates, to the benefit of the main stakeholders, including people working for the organization and anyone dealing with the organization (clients, partners, service providers and authorities).

These values are:

1. **Fairness**: responding to the needs of clients, staff and shareholder by establishing a relationship based on trust and quality;
2. **Transparency**: promoting clear communication at all levels, reducing to the maximum possible extent any misunderstanding, with a view to establishing long and mutually satisfactory relationships;
3. **Independence**: pursing the sole goal of serving clients and the needs clients express by the latter when signing to the products and activities of the Company, free of any external conditioning or conflicting consideration from third parties;
4. **Freedom**: by creating an organization and environment free from external conditioning and pressures and where everyone is free to operate, according to the respective professional mandate and in the pursuance of each respective professional target, in order to pursue the interest of all stakeholders in the best possible way.
5. **Loyalty and Trust**: endeavouring to establish relationships where both parties can trust each other in full transparency and where the importance of the relationship is a leading and often prevailing factor if compared to other considerations (e.g. personal interest). Also, respecting the culture of the community in which the Company operates, without feeling bound or committed to any different consideration, influence or pressure.
6. **Innovation**: favouring an environment that fosters initiative and innovation, with the aim of constant improvement of the service and the products offered, thus increasing the reliability, efficiency and ultimately the competitiveness of the Company.

7. **Sustainability**: supporting sustainable economic development through an investment approach that will take into consideration ESG / CSR.

   For this purpose, the Company considers especially important considering sustainability when building portfolios for investment purposes.

7. ROLES & RESPONSIBILITIES

7.1. BOARD OF DIRECTORS

The Board of Directors (the "**Board**") is responsible for the strategic guidance of the Company and this includes responsibility for the definition of the ESG / CSR strategy. The Board is therefore responsible for the approval and periodical review of this Policy, the definition of the ESG / CSR approach of the Company and the supervision of its implementation across the organization.

For this purpose, on a yearly basis the Board receives a report (the "**ESG Report**"), prepared by the General Manager in consultation with the Chair of the Investment Committee. The ESG Report is normally received to be approved in the first quarter of the year, with reference to the previous calendar year.

The Report - to be made available for publication on the Company's website as required[7] - shall include among other things the information required by Section 1110 G (1), (3), (4) and (9) of the Companies Act, including how the Company:

a) integrates shareholder engagement in its investment strategy, as further detailed in the ESG Policy and

b) monitors investee companies on relevant matters, including strategy, financial and non-financial performance and risk, capital structure, social and environmental impact and corporate governance.

[7] See Chapter 8 (B) of Companies Act 2014, as amended by S.I. 81 of 2020 http://revisedacts.lawreform.ie/eli/2014/act/38/revised/en/html

7.2. INVESTMENT COMMITTEE

The Investment Committee is competent to discuss the implementation of the ESG investment strategy through the investment activities planned and performed. In this role, the Investment Committee operates as ESG Committee for the Company.

For this purpose, ESG / CSR shall be a standing item in the agenda of the Investment Committee and its Terms of Reference shall reflect this competence and responsibility.

The discussion will be conducted under the coordination of the Chair of the Investment Committee and with the support of the investment manager(s) involved in the implementation of the ESG investment strategies and the management of the ESG thematic internal fund(s) made available by the Company.

7.3. CEO AND MANAGEMENT

The CEO and the Management are responsible for the implementation of ESG / CSR across the organization. This is based on the assumption that whatever is expected of others should in the first place be respected and observed by the Company.

The CEO and each Head of Function should oversee the actual and consistent application, throughout the organization and in each respective competence area, of the values listed in Section 5 of this Policy.

7.4. INVESTMENT MANAGERS

The Head of Investment is responsible to oversee the actual and correct implementation of the investment policies, consistently with the ESG investment approach defined in the present Policy, approved by the Board or discussed by the Investment Committee.

Within the Investment Management Department, the Head of Investments selects one or more investment managers to manage ESG thematic internal funds made available by the Company in its investment offer (the "**ESG Fund Manager**").

7.5 Risk Function

The Risk Management Function, on an ongoing basis:

(a) monitors *ex post*, the respect of the internal targets limits established for the ESG thematic funds;

(b) prepares periodical reporting for the Investment Committee and the Board in relation to the above.

7.6 Compliance Function

The Head of Compliance:

a) ensures that the requirements descending from the ESG / CSR relevant legislation (as listed in Section 2) are up-to-date and correctly communicated to and understood by the Management and staff involved in the ESG / CSR implementation;

b) ensures that any requirements descending from the ESG relevant legislation as implemented in Ireland (including in terms of publications / disclosures where required) are correctly and timely completed by the Company;

c) supports the General Manager and the Chair of the Investment Committee, in the annual preparation of the annual ESG report, in any aspects related to compliance.

d) assists in the publication of any disclosures to be made on the Company's website and in relation to any communications, publications or documentation for third parties required in application of the ESG Policy.

The Compliance Plan shall reflect the required ESG-related activities accordingly.

7.7 All Azimut Life employees

Employees are required to cooperate in full to the implementation of the present Policy, by familiarising with its content and showing correct and consistent application thereof.

Employees are also required to take active part in any training programmes on ESG / CSR where relevant and should be aware of the most relevant pieces of legislation on the matter and as reported in the present Policy.

Employees should liaise with each respective manager if they have any concerns on the way the present policy is applied (or not applied) and, if relevant, can escalate the matter to the General

Manager.

Any suspected breaches of the present Policy representing a possible compliance breach should be reported promptly to the Head of Compliance.

8. ESG INVESTMENT STRATEGY

As expressed in the respective ESG Policies, the Azimut Group emphasizes the importance of ESG / CSR and sustainability principles as an element to be considered in any decision on portfolio planning, construction, management and allocation.

In application thereof, the portfolio management team:

a) considers ESG as one of the factors driving investment decisions, all other factors being equal, when an ESG rating / factor can be defined based on the available tools.

b) promotes one or more ESG thematic internal funds that observe determined ESG thresholds and respect pre-determined levels of ESG rating for the underlying investments and assets, in accordance with the criteria reviewed and approved by the Investment Committee.

For these purposes, the portfolio management team avails of:

i) tools specifically dedicated to the ESG analysis for specific investment targets and

ii) the data made available by providers specialised in assigning ESG ratings (such as MSCI), with the aim to obtain objective and impartial information in order to calculate required ESG scores and thresholds.

Through these analysis and rating, the Company can monitor on an ongoing basis expected ESG impact for single transactions and for the entire portfolio, assessing exposure and level of ESG risk.

Sustainability of companies / targets is analysed, as well as from a financial point of view, through the 3 ESG pillars (Environmental, Social, Governance-related), also defined in various other sub-categories.

The method followed hinges on the identification of certain Key Factors, in each of the 3 ESG pillars: (1) Environment, (2) Social; and (3) Governance related, as detailed in the following subparagraph 8.1 to 8.5.

External Support and Advisors

External support and advisory are considered an important tool, where required by the circumstances, in order to assist in the planning and completion of the tasks associated to the present Policy.

The proposal and choice of any external support, or tool, is submitted to the attention of the Investment Committee by the Head of Investment. it is not required to have relationships with only one provider of information or ESG scoring services, provided however that the criteria adopted should always be consistent and aim at the assignment of an objective and reliable ESG rating.

8.1 Methodologies for the ESG integration into the investment process

Azimut Life takes ESG principles into account in:

- Defining the investment policies, investment objectives and investment strategies of its products and services;
- Managing the investment portfolios.

Azimut Life focuses in particular on the adherence to ESG standards by the investee companies.

The ESG integration process 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.

Further details are available at https://www.msci.com/esg-ratings.

Through MSCI analysis and ratings, Azimut Life is able to continuously monitor, at the individual position level and at the overall Investment Product level, the exposure and the level of ESG risk of a portfolio.

The MSCI methodology differs between:

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

Corporate Issuers

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

Pillars, Themes and Issues of the MSCI ESG Rating of Corporate Issuers

3 Pillars	10 Themes	37 ESG Key Issues	
Environment	**Climate Change**	Carbon Emissions Product Carbon Footprint	Financing Environmental Impact Climate Change Vulnerability
	Natural Resources	Water Stress Biodiversity & Land Use	Raw Material Sourcing
	Pollution & Waste	Toxic Emissions & Waste Packaging Material & Waste	Electronic Waste
	Environmental Opportunities	Opportunities in Clean Tech Opportunities in Green Building	Opp's in Renewable Energy
Social	**Human Capital**	Labor Management Health & Safety	Human Capital Development Supply Chain Labor Standards
	Product Liability	Product Safety & Quality Chemical Safety Financial Product Safety	Privacy & Data Security Responsible Investment Health & Demographic Risk
	Stakeholder Opposition	Controversial Sourcing	
	Social Opportunities	Access to Communications Access to Finance	Access to Health Care Opp's in Nutrition & Health
Governance	**Corporate Governance***	Board* Pay*	Ownership* Accounting*
	Corporate Behavior	Business Ethics Anti-Competitive Practices Tax Transparency	Corruption & Instability Financial System Instability

* Corporate Governance Theme carries weight in the ESG Rating model for all companies. In 2018, we introduce sub-scores for each of the four underlying issues: Board, Pay, Ownership, and Accounting.

Government Issuers

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

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

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

Pillars, Risk Factors and Sub-Factors of the MSCI ESG Rating of Government Issuers

PILLAR	RISK FACTOR	SUB-FACTORS (EXPOSURE)	SUB-FACTORS (MANAGEMENT)
Environmental Risk	Natural resource risk	• Energy resources • Bio-capacity • Water resources • Consumption levels	• Energy resource management • Resource conservation • Water resource management
	Environmental externalities and vulnerability risk	• Vulnerability to environmental events • Environmental externalities	• Environmental performance • Impact of environmental externalities
Social Risk	Exclusion	• Basic human capital • Higher education and technology readiness	• Basic needs • Health levels
	Economic environment risk	• Economic environment	• Employment • Wellness
Governance Risk	Financial governance risk	• Financial capital	• Employment • Wellness
	Political governance risk	• Institutions • Judicial and penal system • Governance effectiveness	• Political rights and civil liberties • Corruption control • Stability and peace

MSCI ESG Government Ratings 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 MSCI ESG 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.

For those investment of the portfolio which does not consist in securities (i.e. other funds) the ESG rating adopted is aggregated at fund level and provided by MSCI.

The adjusted weighted score is then converted into an ESG Rating according to the following conversion table:

Fund ESG Quality Score	Fund ESG Rating
8.6* - 10.0	AAA
7.1 - 8.6	AA
5.7 - 7.1	A
4.3 - 5.7	BBB
2.9 - 4.3	BB
1.4 - 2.9	B
0.0 - 1.4	CCC

Appearance of overlap in the score ranges is due to rounding. Every possible score falls within the range of only one letter rating. The 0 to 10 scale is divided into 7 equal parts, each corresponding to a letter rating.

Each portfolio manager monitors the ESG score of its investment portfolio, both at single security level and on an aggregate basis. 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 excluding and/or reducing positions with the lowest ESG scores, replacing them with companies having higher ESG scores, ideally "best in class", i.e. leading companies in sustainable development.

Azimut Life monitors a set of ESG limits at the portfolio level including:

- Compliance with the minimum ESG Score at average portfolio level
- Timeframe for the resolution of breaches, if any

The Risk Management function:

- Monitors the average ESG rating level of the portfolio 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.

Methodology for the classification of an investment as "sustainable" according to the art. 2(17) SFDR

Azimut Life 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.

AI considers the three conditions according to the following rules:

- **good governance practices**: the assessment of the good governance practices 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, employee relation and tax compliance. The good governance practice is based on the MSCI "Governance" pillar which measures companies' ability to sustainably manage resources, including human capital, ensure operational integrity based on strong management practices and comply with applicable norms, including tax laws. The good governance practice is consistent only for those investments in companies with a Governance rating equal or greater than "BB" (considering the following scale CCC, B, BB, BBB, A, AA, AAA) and not directly involved in serious adverse impacts which have not yet been mitigated to the satisfaction of all implicated stakeholders.

- **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.

- **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 Managers according to the transparency rules introduced by the SFDR.

Based on the above, MSCI ESG Research determines for each investment whether it is considered "sustainable" under the SFDR. Since one of the key requirements to be considered sustainable is to follow good governance practices, in Azimut Life's opinion, MSCI ESG Research's methodology of having a minimum overall ESG rating of "BB" is too weak, as the overall "BB" ESG rating can be achieved by having high scores on the Environmental and Social pillars, even if the Governance pillar's score may be very low. In such case, companies that do not follow good governance practices could still be considered sustainable, in violation of one of the core principles of the SFDR.

Therefore, investments that are considered as sustainable according to the MSCI ESG Research methodology are further filtered by introducing the additional requirement of meeting a minimum rating on the Governance pillar of "BB" or higher (considering the following scale CCC, B, BB, BBB, A, AA, AAA).

Moreover, investee companies marked with a Red Flag (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 universe.

In addition to the criteria set out above, Azimut Life considers also the following investments as sustainable:

- Green Bonds: As defined by the International Capital Market Association (ICMA), Green Bonds are any type of bond instrument whose proceeds are used exclusively to finance or refinance, in whole or in part, new and/or pre-existing environmental projects and that in each case are aligned with the four Green Bond Principles, such as use of proceeds, project evaluation and selection process, management of proceeds, and reporting activities;
- Investments into ex Art. 8 SFDR funds are considered as sustainable under Art. 2(17) SFDR only for the portion corresponding to the minimum percentage of sustainable investments declared by the fund.

8.2 Exclusion List

Azimut Life is committed to avoiding investing in companies operating in sectors that are considered as non-sustainable and/or may involve significant environmental and social risks. For this purpose, AI defines and updates at least on a semi-annual basis a list of companies that are considered as unsustainable.

AI does not invest in companies whose share of turnover from the following activities exceeds the specified thresholds:

- Nuclear weapons: maximum 1.5% of the annual turnover
- Adult entertainment: maximum 1.5% of the annual turnover
- Tobacco: maximum 5.0% of the annual turnover
- Gambling: maximum 5.0% of the annual turnover
- Thermal Coal: maximum 20% of the annual turnover
- No exposure (Any Tie) to controversial weapons

Azimut Life relies on data from MSCI ESG Research to obtain information about the proportion of annual turnover that is derived from these activities.

Azimut Life 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 “Exclusion List”.

For the Azimut Life’s financial products which does not directly invest 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. For these products, the exclusion is applied aggregated at the underline fund invested. Invested funds with ESG ratings that are considered too low are excluded by the investment. More specifically, funds with ESG ratings of CCC or B calculated according to the MSCI ESG Research methodology are excluded from the investment universe.

The Exclusion List applies to all investment portfolios managed directly by Azimut Life or by delegated investment managers belonging to the Azimut Group. Investment portfolios managed by delegated investment managers not-belonging to the Azimut Group follow their own ESG policy and Exclusion Lists, if any.

8.3 Assessment of sustainability Risk

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.

According to the above definition, Sustainability Risks are specific events that are mostly idiosyncratic and company-related (and/or Country-related). Therefore, the Portfolio Management team is the one that is the one most responsible for supervising and assessing the Sustainability Risks as part of the analysis on any portfolio investments.

This assessment is performed through the analysis of ESG scores, as they are very informative about the Sustainability Risk of an investment. Typically, the higher the Environmental, Social and Governance 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.

The Risk Management function supports the Portfolio Management function in providing an ESG report on a weekly basis which, for each investment portfolio, reports:

- The current overall ESG score and the corresponding ESG rating;
- For each ESG pillar, the current ESG score, the corresponding ESG rating, and the weight of each pillar in the overall ESG score;
- The ESG scores over the last weeks, in order to assess the trend of the overall ESG score.

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, Sustainability Risks are reduced on the basis of the following key assumptions:

- Investments in sectors with potential high ESG risk are prohibited (application of exclusion list);
- Investment in other financial products (i.e. funds) issued by third Asset Managers which does not have adopted an investment policy that includes ESG / SRI criteria, also in accordance with Regulation (EU) 2019/2088 should be avoided;
- 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.

8.4 STRATEGIES FOR PROMOTING ENVIRONMENTAL AND / OR SOCIAL CHARACTERISTICS

In order to pursue environmental and / or social characteristics (ex art. 8 SFDR), Azimut Life adopts different sustainable investment strategies, described below:

A. ESG integration for promoting environmental and/or social characteristics

Environmental and social characteristics (E/S) are promoted integrating ESG 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".

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 rating, preferring instead companies having higher ESG rating.

Investments aligned with the environmental and social characteristics promoted by the financial product 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.

For the AI's financial products which does not directly invest in securities but in other financial products (i.e. funds), the selection on the ESG rating is applied aggregated at the invested fund. In the selection process, Azimut LIfe favors financial products classified ex art. 8 / 9 according to the SFDR.

All the financial products in scope of Article 8 SFDR must have as a binding element a minimum weighted average rating of "BBB".

The rating is calculated using MSCI ESG Research data and methodology.

B. Good governance consistency

The assessment of the good governance practices is a central pillar of the investment process adopted by Azimut Life 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.

Investments consistent with the good governance practice are the ones with a minimum rating equal or greater than "BB" for the Governance pillar (considering the following scale CCC, B, BB, BBB, A, AA, AAA).

The rating is calculated using MSCI ESG Research data and methodology. Moreover, investee companies marked with a Red Flag (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 universe.

For the Azimut Life's financial products which does not directly invest in securities but in other financial products (i.e. funds), the selection on the ESG rating is applied aggregated at the invested fund. In the selection process, Azimut Life favors financial products classified ex art. 8 / 9 according to the SFDR.

C. Application of the exclusion list

Azimut Life applies the exclusion list defined according to the paragraph "Exclusion List" of this document.

In addition, for the financial products which promotes environmental and or social characteristic, AI applies more stringent exclusion criteria. Issuers or other asset (I.e. other funds) with a with ESG ratings of CCC or B calculated according to the MSCI ESG Research methodology are excluded from the investment universe.

D. Commitment to invest a minimum part in sustainable investments ex art.2(17)

Internal funds which promote environmental or social characteristics have various degrees of sustainability-related ambition. Therefore, where those financial products pursue sustainable investments in part, Azimut life confirms that fact in the annexes to the documents or information referred to in Article 6(3) and Article 11(2) of Regulation (EU) 2019/2088 on pre-contractual and periodic disclosures to ensure that end investors are able to understand the different degrees of sustainability and take informed investment decisions in terms of sustainability.

Azimut Life has integrated in the process of selecting investment the principle for classifying an investment as sustainable investments ex art. 2(17) SFDR. The commitment is specific for each financial products and what is the minimum part of the portfolio invested in sustainable investment is clarified, if relevant, for each financial product in the annexes to the documents or information referred to in Article 6(3) and Article 11(2) of Regulation (EU) 2019/2088 on pre-contractual and periodic disclosures.

E. Promotion of Environmental and/or Social characteristic on a continuous basis

Regulation (EU) 2019/2088 aims to reduce information asymmetries in principal-agent relationships concerning the promotion of environmental or social characteristics. For that requirement to be fully effective, Azimut Life monitors throughout the lifecycle of a financial product how that product complies with the disclosed environmental and/or social characteristics.

Azimut Life puts in place the following controls mechanisms to monitor compliance on a continuous basis of each financial product which promotes environmental and / or social characteristics. Azimut Life 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
- For financial products which invest in funds, only funds with ESG rating of “BB” or better are admitted
- For the financial products which declares a minimum commitment in sustainable investment ex art. 2(17) SFDR, the compliance with the minimum commitment.

Moreover, in order to ensure the respect of good governance practices Azimut Life ensures that:

- The rating on pillar G (Governance) for each investment (direct in securities or indirectly through other funds) is “BB” or better
- Investments in investee companies marked with a Red Flag (as per MSCI methodology) which have not yet been mitigated to the satisfaction of all implicated stakeholders, are excluded from the investment scope.

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.

8.5 PROMOTING ENVIRONMENTAL AND / OR SOCIAL CHARACTERISTICS FOR MULTI OPTIONS PRODUCTS

Insurance-Based Investment Products (IBIP) that include underlying investment options (MOP) are classified ex art. 8 SFDR when at least one or more of those investment options (internal funds) promotes environmental or social characteristics.

Azimut Life inserts in the main body of the document or information referred to in Article 6(3) of Regulation (EU) 2019/2088 (i.e. generic KID) a prominent statement confirming all of the following:

(a) that the financial product promotes environmental or social characteristics;

(b) that those environmental or social characteristics will only be met where the IBIP invests in at least one of the investment options classified ex art. 8 SFDR/ art. 9 SFDR;

(c) that further information about those characteristics is available in the Annexes to the KID of the specific option.

This product follows all the requirements included in the art. 20 RTS.

8.6 CONSIDERATION OF PRINCIPLE ADVERSE IMPACTS (PAI)

Principal Adverse Impacts PAI(s) should be understood as those impacts of investment decisions that result in negative effects on sustainability factors.

Whereas all mandatory PAI(s)[8] are calculated and monitored for each financial product (not only the ones which promotes environmental characteristics), Azimut Life focused 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).

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

1. 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.
2. 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.
3. The **third** way is through active ownership. Azimut Life 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.
4. 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.

[8] PAI(s) included in Table 1 of RTS and at least one of table 2 and one of Table 3 RTS Annex I

Azimut Life 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.

9. COMMITMENT OF THE COMPANY

The Commitment of the Company to ESG is substantiated as:

1. Commitment in the definition and **monitoring** of the Investment Strategy, both for the Company and for its internal funds, as described in Section 7 above, giving appropriate relevance to the ESG / CSR factors;

2. Commitment through the **dialogue**. Investment managers should consider making ESG part of the agenda, when meeting any representatives of target investments (companies or funds) and in case clarifications must be requested where ESG related issues are identified in the ongoing monitoring of the investments performed;
   The most relevant ESG aspects to be considered for this purpose are the following:
   i) Corporate Governance of companies;
   ii) Environmental policy, with specific attention to the approach to "climate change" challenges and
   iii) approach and implementation of CSR.

3. Commitment through **transparency**. This is intended as clarity towards all stakeholders and, in relation to investments, as clear and transparent approach towards activities of voting, as detailed in the Voting and ESG Policy.

10. REVIEWS AND UPDATES

This Policy will be reviewed at least annually by the Head of Compliance and submitted to the Board of Directors of the Company for approval in order to ensure compliance with legal and regulatory requirements as well as with any recommendations for Compliance framework improvement (e.g. Internal Audit recommendations, self-identified issues).

More frequent reviews can occur, whenever appropriate due any relevant circumstances (e.g. significant regulatory updates, indications from the industry or requirements by CBI, indications from gap analyses conducted for or by the Company, new national or international guidelines), or if required following the completion of any self-assessment performed by the Company in accordance with applicable legislation.

In the absence of any express amendment the Policy will be deemed renewed in its current version.