



## Article 10 (SFDR – Level I) Website disclosure for an article 8 fund

### **GENERALI SMART FUNDS - Responsible Balance**

*We would like to draw your attention to the fact that the SFDR does not require to use a specific layout at website level pursuant article 10. The level II anticipates more information to be provided compared to the level I. Please note that the information provided here is pursuant to the level I disclosure requirements only.*



## Environmental or social characteristics of the financial product

### What are the environmental or social characteristics promoted by this financial product?

The Sub-Fund promotes environmental and social characteristics pursuant to Article 8 of the SFDR but does not have sustainable investment objective and does not currently commit to investing in any “sustainable investment” within the meaning of the SFDR or the Taxonomy Regulation.

The Sub-fund will essentially invest in a diversified portfolio of UCITS, UCIs and ETFs that either promote ESG characteristics pursuant to Article 8 or have a sustainable investment objective pursuant to Article 9 of the SFDR. Beyond the selection of the Article 8 or Article 9 funds, the portfolio managers will select funds with a better ESG rating than the average of a peer group of a comparable funds (same or similar Morningstar categories) and than a comparable passive investment (e.g. ETF or Index) that does not consider ESG criteria. When the above best-in-class approach is not applicable for an asset class, an alternative qualitative due-diligence that includes the integration of ESG aspects is performed.

The ESG score used by the Investment Manager to assess the extra-financial quality of its portfolio encompasses a broad range of environmental and social characteristics and is based on environmental, social and governance pillars' scores that take into account on the environmental pillar: energy consumption, greenhouse gas emissions, water consumption and on the social pillar : promotion of diversity, health & safety, training & qualification.



## Investment strategy

### What investment strategy does this financial product follow?

The Sub-Fund will essentially invest in UCITS, UCIs, and ETFs that either promote environmental and social characteristics pursuant to Article 8 or have sustainable investment objective pursuant to Article 9 of the SFDR. In case a financial product no longer meets this requirement for more than 2 months in a row, the financial product will be sold in the best interest of the Sub-Fund.

Beyond the selection of Article 8 or Article 9 funds, the portfolio managers will select funds through a best-in-class approach, within target asset strategy (for illustration: US Small Cap Growth Equities, EUR Investment Grade Corporate Bonds, Global Emerging Markets Large Cap Equities), for which enough funds are scored by Morningstar an independent ESG data base to make a meaningful comparison, the selection will entail funds which have, at the same time:

1. a better ESG Score than the average of a peer group of comparable funds i.e. an ESG Score in the top 50% of a peer group of comparable funds (e.g. funds from the same or from similar Morningstar Categories)
2. a better ESG Score than a comparable passive investment that does not consider ESG criteria (e.g. ETF or Index).

If this best-in-class approach is not possible for an asset class, due to an insufficient number of funds with an ESG score, the portfolio managers will select funds based on a detailed qualitative due diligence of the investment process. As part of the due diligence, the asset management company responsible for managing the investment funds is analysed for its general ability to perform

responsible investments. In addition, a detailed analysis regarding sustainability aspects is carried out for the specific investment funds.

To this end, different criteria are assessed in 20 separate areas, of which 10 areas relate to the management company and a further 10 to the specific fund. The selection of a fund is only possible, if the criteria are met in at least 10 out of 20 areas, and at the same time in at least 5 out of 10 areas regarding the specific fund.

For the management company, these are the following areas:

1. The company's self-commitment to responsible investing
2. The company's involvement in initiatives related to responsible investing
3. The company's investment policy for responsible investments
4. The company's governance structures to implement the responsible investment policy
5. The company's guidelines for exercising voting rights and company engagement regarding sustainability issues
6. The proportion of the workforce responsible for responsible investments
7. The research and risk management processes for responsible investing
8. The consideration of sustainability risks in the company's entire product range
9. The proportion of assets managed under the management company's own sustainability policy
10. The consideration of sustainability aspects in the operative business of the company

Furthermore, the following areas are analysed for the specific fund:

1. Track record of the investment approach carried out according to sustainability aspects
2. Consideration of controversies and exclusions in the investment process
3. Identification of sustainability risks and opportunities in the investment process
4. Experience of the responsible investment team in performing responsible investments
5. The proportion of investments in the portfolio that are made according to sustainability criteria
6. The consideration of sustainability ratings for individual securities
7. The role of company engagement in the investment process.
8. The availability and quality of sustainability reports for the investment fund
9. The assessment of the fund by independent organizations, and the possibility of showing how invested assets contribute to the UN Sustainable Development Goals
10. The proportion of invested assets that is critical from a sustainability perspective

**What is the policy to assess good governance practices of the investee companies?**

Good governance practices by investee companies are ensured through only investing in Article 8 or Article 9 SFDR products, which in turn are required to ensure the good governance practices of their investee companies. Moreover, the ESG score used by the Investment Manager to monitor the extra-financial profile of the FoF includes the Governance pillar which implies the sub-funds' better governance rating among their peer-groups.



**Methodologies**

**What is the methodology to measure the attainment of the environmental or social characteristics promoted by the financial product using the sustainability indicators?**

The sustainability indicators used to measure the attainment of the environmental or social characteristics promoted are:

1. The share of UCITS, UCIs, and ETFs categorised as Article 8
2. The share of UCITS, UCIs, and ETFs categorised as Article 9

3. The average ESG score of the fund compared to the average ESG score of the peer group of comparable funds



### Monitoring of environmental or social characteristics

**How are the environmental or social characteristics and the sustainability indicators monitored throughout the lifecycle of the financial product and the related internal/external control mechanism?**

To ensure that environmental and social characteristics are met throughout the lifecycle of the fund, the ESG process above is applied and monitored on an ongoing basis with a regularity of at least once a year. In case a financial product no longer meets the requirement of being an article 8 or article 9 SFDR product for more than 2 months in a row, the financial product will be sold in the best interest of the Sub-fund.



### Data sources and processing

**What are the data sources used to attain each of the environmental or social characteristics?**

For the data sources, the Investment Manager will mainly rely on the ESG Scores of Morningstar, as well as the SFDR categorisation of each of the funds. When a fund does not have an ESG score, the portfolio managers will select funds based on a detailed qualitative due diligence of such funds' investment processes as further described in the investment strategy section.



### Reference benchmark

**Has a reference benchmark been designated for the purpose of attaining these characteristics promoted by the financial product?**

- Yes  
 No