Generali Investments Partners S.p.A. SGR

COAL AND TAR UNCONVENTIONAL OIL & GAS SECTOR EXCLUSION

ANNEX 1 of Sustainability Policy

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Glossary and Definitions

Term	Definition
Article 8 Products	A financial product (CIS or individual portfolio) that promotes among other characteristics, environmental or social characteristics, or a combination of those characteristics in compliance with conditions set out in Article 8 SFDR and relevant implementing regulations
Article 9 Products	A financial product (CIS or individual portfolio) that has a sustainable investment as its objective in compliance with conditions set out in Article 9 SFDR and relevant implementing Regulations
BoD	Board of Directors
CCUS	Carbon Capture, Usage and Storage
CIS	Collective Investment Schemes
ESG	Aspects related to Environmental, Social, Governance factors
GIAM	Generali Insurance Asset Management SGR S.p.A.
GIP	Generali Investments Partners S.p.A. SGR
GW	GigaWatt
IEA	International Energy Agency, autonomous intergovernmental organization who provides authoritative analysis, data, policy recommendations, and real-world solutions to help countries provide secure and sustainable energy
IPCC	Intergovernmental Panel on Climate Change, an intergovernmental body of the United Nations responsible for advancing knowledge on human-induced climate change.
MSCI	Morgan Stanley Capital International, an independent provider of ESG data, reports and ratings
NZE	Net Zero Emissions
OBR	The Outsourcing Business Referent (in particular Head of Advisory and Investment Specialist) in GIP for the activities related to coal and tar Sand exclusion provided by GIAM
OECD	Organisation for Economic Co-operation and Development
P&L	Profit and Loss
SBT	Science Based Targets
SFDR	Regulation (EU) 2019/2088 of 27 November 2019 on sustainability-related disclosures in the financial services sector.

Roles and Responsibilities

Corporate Function	Roles and Responsibilities
BOARD OF DIRECTORS/BOD	GIP Board of Directors is in charge for the approval and the review of the Coal and Unconventional Oil & Gas Sector Exclusion Policy.
CHIEF EXECUTIVE OFFICER/CEO	GIP CEO is in charge of the proposal and the implementation of the Coal and Unconventional Oil & Gas Sector Exclusion Policy
ESG INTEGRATION & SOLUTIONS	GIAM ESG Integration & Solutions Function: ▪ defines the list of restricted issuers included in the Policy on the basis of the involvement of the issuer in Coal and Unconventional Oil & Gas Sectorsector in accordance to GIP policy; ▪ on an annual basis, sends the list of restricted issuers, applied to all relevant managed portfolios, to the Investments function for screening and immediate application purposes, as well as to the Risk Management function. The screening activity carried out by GIAM ESG Integration & Solutions Function does not cover GIP Private Assets funds classified as art. 8 and art. 9 under SFDR Regulation.
PRIVATE ASSETS	The ESG Private Assets Department for managed Private Capital Portfolios : ▪ In case of direct investments (securities), investigates the counterparty total exposures in Coal and Unconventional Oil & Gas sectors. ▪ In case of indirect investments (target funds), verifies the integration of Exclusion criteria with the Coal and Unconventional Oil & Gas criteria by the relevant Asset Managers (This analysis for Private Capital Funds classified as Article 6 under SFDR is carried out directly by the Private Assets Investment Teams)
OBR	GIP OBR oversees the activities of Coal and Unconventional Oil & Gas Sectorexclusion performed by GIAM ESG Integration & Solutions

1. Scope of application of the Coal Exclusion Policy

This GIP Coal and Unconventional Oil & Gas SectorExclusion Policy applies to investment transactions concerning listed and unlisted equity and debt instruments issued by the corporate entities meeting the exclusion criteria, performed by GIP in the provision of both the individual portfolio management service as well as the collective asset management of the Collective Investment Schemes (CIS).

In terms of asset classes, bank deposits (i.e., time and cash deposits), Funds of Funds and investments in ETFs are excluded from the scope of application of this Policy.

In the context of the individual portfolio management service and collective asset management under a delegation agreement, GIP can agree with its Clients / delegating management company to apply additional exclusions, each time Clients/Delegating management company require GIP to apply their own exclusion policies and such policies are more restrictive than GIP's one. Conversely, in case such exclusion policies are less restrictive than GIP's one, GIP reserves itself the right of not accepting any such less restrictive policies, on a case-by-case basis.

In the context of the activities described within this Policy, GIP has outsourced the relevant activities to the GIAM ESG Integration & Solutions area, according to an outsourcing agreement. In this context, an Outsourcing Business Referent (OBR) has been appointed for the activities described above. The OBR ensures a continuous monitoring of the outsourced activities and the related service quality provided, according to the legal and contractual issues within the relevant service level agreement.

Hence, each time the present document summarizes the activities that have to be performed by the outsourcers, it has to be intended that the relevant OBR monitoring duties must be focused on such activities.

The only exception regards managed Private Capital Funds classified as Article 8 or 9 Products which would apply the Coal exclusion criteria above through a Sustainability Due Diligence directly managed by GIP (see paragraph 4.1 below).
This analysis for Private Capital Funds classified as Article 6 under SFDR is carried out by the Private Assets Investment Teams through dedicated questions in the Due Diligence package.

1.2 APPROVAL AND REVIEW

GIP Board of Directors has approved this Policy upon proposal of GIP CEO, who is also in charge for ensuring the implementation of the Policy.

Any possible review of the policy remains subject to approval by the BoD. This Policy is regularly reviewed and updated with the support of the GIAM ESG Integration & Solutions, having regard to possible changes to the regulatory requirements, GIP's organization or business, the way in which GIP conducts business (e.g. changes to the distribution model) and internal regulations. The reviewed version then of the Policy is submitted to the BoD for approval by the GIP CEO.

The updated version of the Policy is published on GIP's website.

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2. Coal Sector

Overall progress towards the Paris Agreement goals requires a "steep reduction" in the use of coal, the main factor responsible for climate change attributable to human activity.

The IPCC states that coal-fired electricity generation must be reduced to near-zero in all climate scenarios consistent with limiting warming to 1.5 °C. Further, combustion of thermal coal needs to be reduced by 75% from 2010 levels by 2030, and by 98-100% by 2050.

According to the Science Based Targets (SBT), for financial institutions to phase out financial support to coal across all their activities in line with a full phaseout of coal by 2030, they need to immediately cease all financial or other support to coal companies, that are building new coal infrastructure or investing in new or additional thermal coal expansion, mining, production, utilization (i.e., combustion), retrofitting, or acquiring of coal assets.

According to Climate Analytics, between 2030 and 2040 all the regions should phase out of coal. The first regions to phase out are the OECD, Eastern Europe and Former Soviet Union countries - by 2031, followed by Latin America by 2032, Middle East and Africa by 2034, and finally non-OECD Asia by 2037, completing a global coal phase-out before 2040.

According to IEA (International Energy Agency), in a new scenario to reach net-zero emissions by 2050 (called Net Zero Emissions by 2050 - NZE2050), the share provided by coal plants without CCUS will fall sharply from 37% in 2019 to 6% in 2030 (with the share of renewables in global electricity supply rising from 27% in 2019 to 60% in 2030 and nuclear power generates just over 10%).

With this policy, GIP commits to reducing to zero the exposure to coal of all business lines by 2030 in European and OECD countries, and by 2040 in the rest of the world.

GIP commits to strengthening the exclusion criteria and thresholds regularly to end all support to companies active in the coal sector by the above-mentioned dates.

2.1 COAL SECTOR EXCLUSION

GIP, on behalf of GIAM ESG Integration & Solutions, identifies companies as potential exclusion if one or more of the following criteria occurs:

- Coal-related business: more than 20% of the revenues deriving from coal;
- Coal power generation: more than 20% of power generated from coal;
- Companies with an installed coal power capacity of more than 5 GW.

By the end of Q4 2022, GIP commits to increase the level of scrutiny by applying two additional stringent criteria:

- Coal mining: more than 10 Million Tons of Coal production per year.
    - Companies involved in coal mining and power expansion projects.

At every annual screening, the companies involved in thermal coal business are reanalyzed to verify if there are elements to reinclude any company in the investable universe. If the analyzed company no longer triggers the thresholds defined for exclusion, the company exits the Coal Restricted List.

In case of Coal exclusion criteria applied to the managed Private Capital Portfolios classified as Article 8 or 9 Products, the aforementioned metrics are investigated by a Sustainability Due Diligence and the exclusion is performed by analyzing each investment opportunity (see paragraph 4.1 below).
This analysis for Private Capital Funds classified as Article 6 under SFDR is carried out by the Private Assets Investment Teams through dedicated questions in the Due Diligence package.

Exceptions and Engagement

The coal exclusion list is formed using the thresholds defined in this Policy. In performing the outsourced activities, GIAM ESG Integration & Solutions function may consider granting exceptions to issuers which are close to the exclusion thresholds and that have a credible energy-mix transition plan away from coal. The exceptions would follow an ad-hoc assessment of the materiality and credibility of the coal-phase out plans. A SBT (Science Based Target), even if not exclusively focus on the coal phase out plans, can be considered as a credible decarbonization plan as well as a commitment to reducing to zero the exposure to coal of all business lines by 2030 in European and OECD countries, and by 2040 in the rest of the world (in line with GIP coal exit strategy), accompanied by public updates, disclosures and dialogue with investors compatible with a clear reduction path.

In the event that more information is required to assess the coal phase out strategy, the companies will be engaged. In such case, the companies can remain in the portfolio, but no new investments are allowed. If the engagement efforts do not lead to obtaining more relevant information on a time horizon of 9 months, the companies will be considered as restricted.

3. Unconventional Oil and Gas Sector

GIP commits to no longer make new investments in companies involved in the exploration and production of fossil fuels from tar sands.

Effective March 2023, GIP is extending the exclusion policy both to issuers involved in exploration and production of oil and gas extracted by fracking (shale oil, shale gas, tight oil, tight gas) and to issuers with onshore and offshore exploration and production activities that fall within the Arctic Circle.

Particularly, GIP will not invest in companies:

Fossil fuels from Tar Sands

- with more than 5% of revenues derived from Tar Sands exploration and production;
- operating controversial pipeline dedicated to the transport of Tar Sands.

Oil and gas extracted by Fracking

- with more than 10% of revenues derived from fracking exploration and production.

Oil and gas from the Arctic Circle

- with more than 10% of revenues derived from Oil and Gas exploration and production from Artic Circle.

The identification of the restricted companies is carried out according to the information sourced by external ESG data providers. For issuers or sub-set of information not completely covered by MSCI, data can be complemented by other publicly available ESG data sources and/or investee companies' public disclosure or information shared through the engagement relationship.

At every annual screening, the companies involved in Unconventional Oil & Gas businesses are reanalyzed to verify if there are elements to reinclude any company in the investable universe. If the analyzed company no longer triggers the criteria defined for exclusion, the company exits the restricted list.

In case of Tar Sand exclusion criteria applied to the managed Private Capital Portfolios classified as Article 8 or 9 Products, the aforementioned metrics are investigated by a Sustainability Due Diligence and the exclusion is performed by analyzing each investment opportunity during the investment decision making process (see paragraph 4.1 below).
This analysis for Private Capital Funds classified as Article 6 under SFDR is carried out by the Private Assets Investment Teams through dedicated questions in the Due Diligence package.

4. Process

The list of restricted issuers is defined by the GIAM ESG Integration & Solutions, in light of the outsourcing agreement and according to the above-indicated Coal and Unconventional Oil & Gas exclusion criteria.

ESG data providers enable to identify the issuers not compliant with the screening criteria. GIP identifies MSCI as the reference data provider. For issuers or sub-set of information not completely covered by MSCI, data can be complemented by other publicly available ESG data sources and/or investee companies' public disclosure or information shared through the engagement relationship.

On an annual basis, GIP Investments area receives from GIAM ESG Integration & Solutions function the list of restricted issuers for screening and immediate application purposes. Risk Management function, as well as the OBR, also receive the list for monitoring purposes. The list is applied to all relevant managed portfolios and applies to the financial instruments falling under the scope of application of this Policy, if and when applicable.

The list is then integrated into GIP's investment tools, as outsourced to Generali Investments Holding, used by portfolio managers in order to be flagged by blocking alerts.

For those companies identified as restricted the following actions apply:

- No new investments are allowed; the list of restricted issuers is integrated in GIP's investment management system that prevents the possibility for the portfolio managers to insert orders on any such issuers;

For existing exposure: the relevant portfolio manager must sell the position within 3 months.

2.1 PRIVATE CAPITAL FUNDS PROCESS

The exclusion decision is assessed by the ESG Private Assets Department, for art. 8 or 9 funds under SFDR, through a Sustainability Due Diligence to each investment opportunity on the basis of the criteria indicated in the paragraphs above.
The Sustainability Due Diligence is carried out through a Sustainability Questionnaire differentiated between direct and indirect investments, in details:

- For the direct investments (securities), the questionnaire investigates the total counterparty exposures to Coal and Unconventional Oil & Gassectors. The investment is excluded if the total exposures exceed the thresholds defined by this Policy. In case the exposure is detected during the investment cycle, the investment team defines a remedy/ mitigation plan also taking into consideration the actual market conditions and the illiquid nature of the underlying investments;
- For the indirect investment (target funds), the questionnaire assesses the Exclusion policy applied by the Asset Manager in order to identify the presence of the Unconventional Oil & Gasscreening criteria. The lack of the Coal and Unconventional Oil & Gasscreening criteria results in the exclusion of the investment opportunity unless the Asset Manager commits to integrate it in its Exclusion policy. In case, the Asset Manager do not respect the commitment, the investment team defines a remedy/ mitigation plan also taking into consideration the actual market conditions and the illiquid nature of the underlying investments;

This analysis for Private Capital Funds classified as Article 6 under SFDR is carried out by the Private Assets Investment Teams through dedicated questions submitted during the investment decision making process in the Due Diligence package.