

Guidelines

Guidelines for Investment in Sensitive Sectors

BancoPosta Fondi SGR

Table of contents

Introduction	3
1 Objectives, application environment and manner of transposition.....	3
2 Definitions, Abbreviations and Acronyms.....	4
3 Reference principles.....	5
4 Investment in sensitive sectors.....	7
4.1 Fossil Fuels	7
4.2 Coal.....	8
4.3 Animal testing.....	10
4.4 Protection of Human Rights	11
4.5 Disclosure and Updating.....	13
5 Responsibility to update.....	14

Introduction

The Guidelines for investment in sensitive sectors of BancoPosta Fondi SGR (hereafter “the SGR”) define measures for determining, assessing and monitoring the exposure to assets that have a significant intrinsic risk from an ESG viewpoint, thus allowing aspects of an environmental, social and governance nature in the investment process to be incorporated.

These guidelines are adopted by the Board of Directors and published on the website of the SGR.

In order to implement the provisions contained herein, the SGR avails of the Management Committee that is entitled to propose modifications to the Guidelines in response to particular needs arising that must be subject to the approval of the Board of Directors.

1 Objectives, application environment and manner of transposition

This document responds to the objective of determining some sensitive activities and sectors from an ESG viewpoint, establishing a special process for investment in them that is applicable to all the issuers of securities in the portfolios of the SGR. As regards the assets assigned to delegated investment managers, the SGR assesses the policies adopted by them and in the event of their absence, proposes application of these Guidelines.

Aware that the investment in issuers involved in sensitive activities may increase the exposure of the portfolio to risks that may have a negative impact on the performances, the SGR has decided to regulate the investments in issuers who are involved in the following environments with special criteria:

- Fossil fuels
- Coal
- Animal testing
- Human Rights

These sectors are considered priority by the SGR, that will assess the extension of these Guidelines to further sectors in the future.

This document applies to BancoPosta Fondi S.p.A. SGR.

2 Definitions, Abbreviations and Acronyms

Acronyms

Acronym/abbreviation	Description
AUM	Asset under Management
BPF	BancoPosta Fondi
ESG	Environmental, Social, Governance
FPIC	Free, Prior and Informed Consent
IPCC	Intergovernmental Panel on Climate Change
IUCN	International Union for Conservation of Nature
UNO	United Nations Organisation
SGR	Asset Management Company
UNESCO	United Nations Educational, Scientific and Cultural Organization

3 Reference principles

The activities regulated by this document must be carried out in respect of the legal provisions in force as well as of the principles and rules of behaviour contained in the Code of Ethics of the Gruppo Poste Italiane and in the other company legislative instruments¹.

This document is inspired by the general principles concerning the Corporate Regulatory System of BancoPosta Fondi S.p.A. SGR and reported in the Guidelines “Corporate Regulatory System and Management of the organisational documentation of *BancoPosta Fondi SGR*” to which you are referred for relevant details.

TRACEABILITY – “The people involved in implementing “the Guidelines for investment in sensitive sectors of BancoPosta Fondi SGR” must guarantee the traceability of the activities and of the documents regarding the process, each for their own area of competence, ensuring the identification and the reconstruction of the sources, of the information elements and of the controls performed that support the activities.

SEGREGATION OF TASKS AND ACTIVITIES – “The “Guidelines for investment in sensitive sectors of BancoPosta Fondi SGR” envisages segregation of tasks and responsibilities, between distinct organisational units or within them, in order to prevent incompatible activities from being concentrated under common responsibilities.

COMPLIANCE WITH THE LAWS AND COHERENCE WITH THE GENERAL REFERENCE LEGAL FRAMEWORK – “The “Guidelines for investment in sensitive sectors of BancoPosta Fondi SGR” is defined in respect of the applicable laws in compliance with the general reference framework, including but not limited to: The Articles of Association, the Code of Ethics, the organisational system, the system of powers and delegations, etc”.

POWERS OF AUTHORISATION – “The legal instruments must ensure specific levels of authorisation or supervision in line with the characteristics or the types of transaction”.

CONFIDENTIALITY – “Without prejudice to the transparency of the activities implemented and the information obligations imposed by the laws in force, the people who operate in the “Guidelines for investment in sensitive sectors of BancoPosta Fondi SGR” will ensure the confidentiality required by the circumstances for each piece of news / information they became aware of as regards their own working function”.

CONFLICT OF INTEREST - “The people involved in the “Guidelines for investment in sensitive sectors of BancoPosta Fondi SGR” will act vis-à-vis counterparties according to relations based on the highest levels of behavioural ethics, in respect of the Code of Ethics, avoiding taking decisions and carrying out activity, in conflict, even only potentially, with the interests of the Company or anyway in contrast with their own official duties.”

ANTI-CORRUPTION CONDUCT - “Corruption is forbidden, without any exceptions. Specifically, it is forbidden to (a) offer, promise, give, pay, authorise someone or give or pay, directly or indirectly, anything of value or other utility to a Public Official or private individual; (b) accept or solicit, or authorise anyone to accept or solicit, directly or indirectly, anything of value or another utility from a Public Official or a private individual, when, in both cases, the intention is (i) to induce a Public Official or a private individual to exercise, improperly, any activity connected to a business or compensate them for having carried them out; (ii) to influence an action or an omission by a Public Official or any of their decisions violating a due deed; (iii) to obtain, ensure or maintain a business or an advantage in conducting the business activity; or (iv) in any case violate the applicable laws.”

CORPORATE INDEPENDENCE OF THE SUBSIDIARIES – “The corporate independence of the subsidiaries is guaranteed as regards the establishment and maintenance of a suitable and operating “Guidelines for investment in sensitive sectors of BancoPosta Fondi SGR”, in respect of the directives and coordination defined by Poste Italiane”.

¹ Failure to observe the principles contained in this legal document may result in the application of sanctioning measures contained in the Collective Employment Contract's disciplinary system.

RISK AND PROCESS-BASED APPROACH – “The “Guidelines for investment in sensitive sectors of BancoPosta Fondi SGR” inspired by a logic process, is based on a preventive approach to the risks, contributing to the making of conscious decisions and, where possible, to the translation of the main risks into opportunities”.

MANAGEMENT ACCOUNTABILITY – “Within the functions covered and in achieving the related objectives, the Management guarantees the suitability of the “Guidelines for investment in sensitive sectors of BancoPosta Fondi SGR” for the activities falling under its remit, participating actively in its correct operation.”

COMMUNICATION AND INFORMATION FLOWS – “Each corporate body and structure is provided with the information necessary to fulfil its own responsibilities, including those regarding the System for Reporting Breaches.”

RISK AND CONTROL CULTURE – “The “Guidelines for investment in sensitive sectors of BancoPosta Fondi SGR” spreads the risk and control culture, meaning all the rules of behaviour that make up the collective and individual capacity to identify, measure and mitigate the current and future risks of the organisation.”

COHERENCE WITH CORPORATE OBJECTIVES – “The “Guidelines for investment in sensitive sectors of BancoPosta Fondi SGR” contributes to run the enterprise with a focus on sustainable development, maximising the value of the company and coherent with the corporate objectives.”

4 Investment in sensitive sectors

4.1 Fossil Fuels

The sector of fossil fuels has a very important role in energy supply to private customers and companies on a global level. However, at the same time, this sector contributes to significant atmospheric emissions. Therefore, in the light of the objective of keeping global warming below 2 degrees Celsius compared to the pre-industrial levels as put forward by the Intergovernmental Panel on Climate Change (IPCC) on the occasion of the Paris Agreement, this sector has become (and will be increasingly more so) subject to market, social and legal pressure. Investing in issuers who are signed up to it implies the need to manage the risks deriving from this context because the “carbon intensive” activity may in time undergo significant losses of value.

The effective monitoring and management of the exposures of this sector may, indeed, contribute to reduce the risk level of the portfolios in the long term and to accelerate the global transition towards a low carbon emission economy.

For the purposes of applying these Guidelines, the following issuing companies are considered involved in the sector, either directly or through shareholdings exceeding 20% :

- Ones performing business in the sector of combustible fossil fuel (e.g. coal, oil, natural gas), particularly upstream (exploration, drilling, production, etc.), midstream (transport), downstream (sale) and generation of electrical energy from fossil fuel
- Ones holding fossil fuel reserves

The issuers in portfolio are subject to periodic assessment aimed at determining any exposure to the fossil fuel sector. In particular, the following exposures are considered significant:

Indicator	Criterion
Percentage of revenue deriving from business in the fossil fuels sector	≥20%
Presence of fossil fuel reserves	Yes

The issuers with significant exposure on the basis of one or both the criteria described above, present within the main market indices ESG / Sustainability (like the Dow Jones Sustainability Index, etc.) are not liable to further specific analysis because being included in these indices already represents a high level of propensity and awareness by the companies of the ESG themes and of the specific risks deriving from the business sector.

The issuers not present within the main market indices ESG / Sustainability (like the Dow Jones Sustainability Index, etc.), that individually represent a congruous percentage of the total of the overall AUM of BPF SGR are subject to monitoring aimed at determining any criticalities concerning some of the following ESG dimensions:

- Environmental risks
 - Absence of mitigating measures to reduce the impacts on the species at risk
 - Absence of plant dismantling/"end of life" management plans
 - Absence of discharge management systems and plans of action
 - Assessment of the environmental impacts not carried out at all or not carried out in line with the domestic or international standards
 - Entailment of the impacts upstream or downstream of the operations
- Social risks
 - Absence of compensation agreements of the local communities
 - Absence of free, prior and informed consent - FPIC - from the local communities
 - Accidents that may produce damage to the local communities and/or to the environment
 - Re-location of the local populations without prior consultation, causing physical damage or with revision of the ownership rights and of the rights on land and water
 - Involvement in juvenile work, forced work or human trafficking
 - Unsuitable working conditions, for example in terms of remuneration, of health and of safety

- Governance risk
 - Absence of anti-corruption plans, systems and procedures

The monitoring will be carried out as a priority on the most significant issuers in consideration of their weight in terms of percentage of the total of the overall AUM of BPF SGR.

To carry out its assessments, the SGR avails of public information, of data coming from external info-providers and of information obtained during the normal activities of dialogue with the issuer.

Against the determination of potential problems referring to the dimensions described above, the SGR employs engagement activity that may consist of direct meetings with the management, communications to the governing bodies or liaising in pools with other institutional investors. The engagement – that may be carried out with the support of experts of the sector – is aimed at verifying how the issuer is managing the risks deriving from exposure to the relevant sector and at informing the management about adopting suitable protection. For details on how to carry out the engagement activities please refer to the "Guidelines regarding exercising voting rights and engagement activity" of the SGR.

If the engagement has not provided a satisfactory outcome in the 18 months after the criticalities have been found, the Management Committee provides a disclosure of the activity carried out to the Board of Directors so that it can be assessed. In particular, the Board of Directors is entitled to deliberate further actions that envisage disinvestment from the issuer as an extreme solution.

Furthermore, the SGR monitors government issuers which adopt energy policies that may mean risks for the environment, for example due to failing to ratify international agreements and conventions on the subject.

The Management Committee monitors the total amount of the investments in corporate issuers involved in the sector of fossil fuels. If this amount exceeds 10% of the total of the overall AUM of BPF SGR, the Committee informs the Board of Directors of the situation, which assesses the necessary actions.

The issuers for which ESG information is not available at the moment of investment, will be subject to the process described above following the periodical assessment of the portfolio immediately after or, regardless of this periodical assessment, if the SGR should become aware of significant facts or news regarding the ESG dimensions during the monitoring activity.

4.2 Coal

Coal as a fossil fuel used to produce energy is one of those with major impact in terms of atmospheric emissions in relation to the quantity of energy produced. For this reason, in line with the reductions of greenhouse gas emissions necessary to achieve the objective of keeping down global warming to below 2 degrees Celsius compared to pre-industrial levels, the sector will undergo a contraction, due to both the closure of existing systems and to the limitation of the opening of new systems for producing coal-fired energy.

For this reason, the SGR considers that the investment in shares and securities of issuers involved in the coal sector may expose the portfolios to particular risks of both a financial and non-financial nature.

Like in the case of fossil fuels, the effective monitoring and management of the exposures of this sector may, indeed, contribute to reduce the risk level of the portfolios in the long term and to accelerate the global transition towards a low carbon emission economy.

For the purposes of applying these Guidelines, the following issuing companies are considered involved in the sector, either directly or through shareholdings exceeding 20% :

- Ones which carry out coal mining activity
- Ones which generate energy through coal-fired systems

The issuers in portfolio are subject to periodic assessment aimed at determining any exposure to the coal sector. In particular, the following exposures are considered significant:

Indicator	Criterion
Percentage of revenue deriving from coal mining activity	≥33%
Percentage of coal in the mix of sources of electrical energy	≥33%

The issuers with significant exposure on the basis of one or both the criteria described above, present within the main market indices ESG / Sustainability (like the Dow Jones Sustainability Index, etc.) are not liable to further specific analysis because being included in these indices already represents a high level of propensity and awareness by the companies of the ESG themes and of the specific risks deriving from the business sector.

The issuers not present within the main market indices ESG / Sustainability (like the Dow Jones Sustainability Index, etc.), that individually represent a congruous percentage of the total of the overall AUM of BPF SGR are subject to monitoring aimed at determining any criticalities concerning some of the following ESG dimensions:

- Environmental risks
 - Absence of mitigating measures to reduce the impacts on the species at risk
 - Absence of plant dismantling/"end of life" management plans
 - Unsuitable storage and disposal of waste products
 - Assessment of the environmental impacts not carried out at all or not carried out in line with the domestic or international standards
 - Entailment of the impacts upstream or downstream of the operations
- Social risks
 - Absence of compensation agreements of the local communities
 - Absence of free, prior and informed consent - FPIC - from the local communities
 - Accidents that may produce damage to the local communities and/or to the environment
 - Re-location of the local populations without prior consultation, causing physical damage or with revision of the ownership rights and of the rights on land and water
 - Involvement in juvenile work, forced work or human trafficking
 - Unsuitable working conditions, for example in terms of remuneration, of health and of safety
- Governance risk
 - Absence of anti-corruption plans, systems and procedures

The monitoring will be carried out as a priority on the most significant issuers in consideration of their weight in terms of percentage of the total of the overall AUM of BPF SGR.

To carry out its assessments, the SGR avails of public information, of data coming from external info-providers and of information obtained during the normal activities of dialogue with the issuer.

Against the determination of potential problems referring to the dimensions described above, the SGR employs engagement activity that may consist of direct meetings with the management, communications to the governing bodies or liaising in pools with other institutional investors. The engagement – that may be carried out with the support of experts of the sector – is aimed at verifying how the issuer is managing the risks deriving from exposure to the relevant sector and at informing the management about adopting suitable protection. For details on how to carry out the engagement activities please refer to the "Guidelines regarding exercising voting rights and engagement activity" of the SGR.

If the engagement has not provided a satisfactory outcome in the 18 months after the criticalities have been found, the Management Committee provides a disclosure of the activity carried out to the Board of Directors so that it can be assessed. In particular, the Board of Directors is entitled to deliberate further actions that envisage disinvestment from the issuer as an extreme solution.

The Management Committee also monitors the total amount of the investments in issuers involved in the coal sector. If this amount exceeds 5% of the total of the overall AUM of BPF SGR, the Committee informs the Board of Directors of the situation, which assesses the necessary actions.

The issuers for which ESG information is not available at the moment of investment, will be subject to the process described above following the periodical assessment of the portfolio immediately after or, regardless of this periodical assessment, if the SGR should become aware of significant facts or news regarding the ESG dimensions during the monitoring activity.

4.3 Animal testing

Carrying out tests on animals is a subject that poses ethical questions that can be more effectively managed by following internationally recognised criteria and standards. In particular, the use of modern scientific methods and modern procedures, capable of limiting the suffering and the damage to animals may allow this activity to be performed by safeguarding the well-being of the animals involved as far as possible.

The SGR considers that the investment in shares and securities of issuers involved in testing activities on animals may expose the portfolios to ethical questions and reputational risks.

The application of these Guidelines concerns the issuers that directly, or through shares exceeding 20%:

- Produce cosmetics tested on animals
- Produce other products (e.g. household detergents) tested on animals
- Carry out tests on animals on behalf of companies that produce cosmetics and other products
- Carry out test on animals for medicinal purposes (e.g. production of pharmaceuticals)

indicator	Criterion
Percentage of revenue deriving from the production of cosmetics tested on animals	≥0%
Percentage of revenue deriving from the production of other products (e.g. household detergents) tested on animals	≥0%
Carrying out tests on animals on behalf of companies that produce cosmetics and other products	Yes
Carrying out test on animals for medicinal purposes	Yes

In the assessment of these issuers, the SGR makes reference to international standards, including the “principles of the 3 Rs” (Replacement, Reduction and Refinement) established in the European Directive 2010/63 on the protection of animals used for scientific purposes

The issuers - for whom involvement has been found in animal testing activities on the basis of one of the above described criteria - present within the main market indices ESG / Sustainability (like the Dow Jones Sustainability Index, etc.) are not subject to further specific analysis because being included in these indices already represents a high level of propensity and awareness by the companies of the ESG themes and of the specific risk deriving from the business sector.

The issuers not present within the main market indices ESG / Sustainability (like the Dow Jones Sustainability Index, etc.), that individually represent a congruous percentage of the total of the overall AUM of BPF SGR are subject to monitoring aimed at assessing some of the following aspects:

- Application of acknowledged scientific methods
- Use of updated procedures and protocols and best practices
- Use of techniques that prevent long-term damage to animals
- Use of animal experimentation only if it is impossible to apply alternative methods
- Continuous improvement of the environments in which the animals live

The following cases are considered particularly critical:

- Failure to use standards respecting the living conditions of the animals
- Medical checks are unsuitable
- Animals captured in nature or large apes are used
- Invasive procedures without anaesthetics are used

The monitoring will be carried out as a priority on the most significant issuers in consideration of their weight in terms of percentage of the total of the overall AUM of BPF SGR.

To carry out its assessments, the SGR avails of public information, of data coming from external info-providers and of information obtained during the normal activities of dialogue with the issuer.

Against the determination of potential problems referring to the dimensions described above, the SGR employs engagement activity that may consist of direct meetings with the management, communications to the governing bodies or liaising in pools with other institutional investors. The engagement – that may be carried out with the support of experts of the sector – is aimed at verifying how the issuer is managing the risks deriving from carrying out the relevant activities and at informing the management about adopting suitable protection. For details on how to carry out the engagement activities please refer to the "Guidelines regarding exercising voting rights and engagement activity" of the SGR.

If the engagement has not provided a satisfactory outcome in the 18 months after the criticalities have been found, the Management Committee provides a disclosure of the activity carried out to the Board of Directors so that it can be assessed. In particular, the Board of Directors is entitled to deliberate further actions that envisage disinvestment from the issuer as an extreme solution.

The Management Committee also monitors the total amount of the investments in issuers involved in the activity of animal testing. If this amount exceeds 5% of the total of the overall AUM of BPF SGR, the Committee informs the Board of Directors of the situation, which assesses the necessary actions.

The issuers for which ESG information is not available at the moment of investment, will be subject to the process described above following the periodical assessment of the portfolio immediately after or, regardless of this periodical assessment, if the SGR should become aware of significant facts or news regarding the ESG dimensions during the monitoring activity.

4.4 Protection of Human Rights

The SGR pays particular attention to respecting human rights both with reference to its own internal dimension and in the investment activities. On the basis of international standards like the "Declaration of the International Labour Organisation on the fundamental principles and rights at work and its follow up", the Global Impact and the UN Declaration of Human Rights, the SGR particularly monitors the issuing companies in which it invests in order to verify that they have not been sanctioned for violating human rights for disputes related to some of the following aspects:

- Accidents that may produce damage to the local communities and/or to the environment
- Re-location of the local populations without prior consultation, causing physical damage or with revision of the ownership rights and of the rights on land and water
- Involvement in juvenile work, forced work or human trafficking
- Unsuitable working conditions, for example in terms of remuneration, of health and of safety
- Discriminations at the workplace based, for example on gender, ethnic background, geographical origin, disability, sexual orientation or religious belief
- Violations of the right of the workers to union activity and collective contractual bargaining

The issuing companies with significant exposure to one of the aspects described above present within the main market indices ESG / Sustainability (like the Dow Jones Sustainability Index, etc.) are not liable to further specific analysis because being included in these indices already represents a high level of propensity and awareness by the companies of the ESG themes and of Protecting Human Rights.

The issuers not present within the main market indices ESG / Sustainability (like the Dow Jones Sustainability Index, etc.) are, however, subject to further analysis and the monitoring will be carried out as a priority on the most significant issuers in consideration of their weight in terms of percentage of the total of the overall AUM of BPF SGR.

To carry out its assessments, the SGR avails of public information, of data coming from external info-providers and of information obtained during the normal activities of dialogue with the issuer.

Against the determination of potential problems referring to the dimensions described above, the SGR employs engagement activity that may consist of direct meetings with the management, communications to the governing bodies or liaising in pools with other institutional investors. The engagement – that may be carried out with the support of experts on the subject – is aimed at verifying how the issuer is managing the risks deriving from exposure to the relevant sector and at informing the management about adopting suitable protection. For details on how to carry out the engagement activities please refer to the "Guidelines regarding exercising voting rights and engagement activity" of the SGR.

If the engagement has not provided a satisfactory outcome in the 18 months after the criticalities have been found, the Management Committee provides a disclosure of the activity carried out to the Board of Directors so that it can be assessed. In particular, the Board of Directors is entitled to deliberate further actions that envisage disinvestment from the issuer as an extreme solution.

Furthermore, the SGR:

- Excludes issuers operating directly in the production of weapons banned by UN conventions that violate the basic humanitarian principles (anti-personnel landmines, cluster bombs, depleted uranium, biological weapons, chemical weapons, non-detectable cluster munitions, blinding laser weapons, incendiary devices, white phosphorus munitions) from the investment universe.
- Monitors government issuers which present a systematic and deliberate risk of violating human rights, for example due to failure to ratify international conventions (including "Declaration of the International Labour Organisation on the fundamental principles and rights at work and its follow up"), or in relation to which sanctions have been applied for violating human rights.

The Management Committee also monitors the total amount of the investments in corporate and governmental issuers involved in disputes or sanctions regarding human rights. If this amount exceeds 5% of the total of the overall AUM of BPF SGR, the Committee informs the Board of Directors of the situation, which assesses the necessary actions.

The issuers for which ESG information is not available at the moment of investment, will be subject to the process described above following the periodical assessment of the portfolio immediately after or, regardless of this periodical assessment, if the SGR should become aware of significant facts or news regarding the ESG dimensions during the monitoring activity.

4.5 Disclosure and Updating

These Guidelines are communicated to all the personnel, also assessing special and specific training sessions according to the operative environments, to the roles and responsibilities, and is made available on the corporate website of the SGR to all the stakeholders, including the market, the financial community and the institutions.

The managers of the company departments are responsible for integrating the commitments defined by the Guidelines within decisions and business operations.

These Guidelines will be assessed for the purposes of being updated at least once a year, in the light of anything emerging from the monitoring of the domestic and international trends regarding responsible investing.

5 Responsibility to update

The department responsible for the document, ensuring that it is updated, is the Market Analysis and Indirect Management department.