

Guidelines

Guidelines for Investment in  
Sensitive Sectors of BancoPosta  
Fondi SGR

**BancoPosta Fondi SGR**

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## 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 environmental, social and governance nature in the investment decisions.

In particular, the SGR, in line with the Poste Italiane Group's strategy, aims through its investment activities to pursue sustainable growth, contributing to sustainability issues such as the fight against climate change and the protection of human rights.

## 1 Objectives, scope of application and manner of transposition

This document responds to the objective of identifying certain activities and sectors that are sensitive from an ESG point of view, establishing specific monitoring processes for investment in equities and bonds (hereinafter the "Selected Instruments") of issuers operating in these sectors (hereinafter the "Issuers"). The application of the Guidelines also makes it possible to integrate the assessment of any negative effects on sustainability factors (i.e. "PAI<sup>1</sup> ") caused by investment decisions in Selected Instruments

The Guidelines apply to all active management (both benchmark and flexible), while investments in ETFs, Passive/Indexed Funds, Third Party Funds and so-called "wrappers" or possible mandates characterised by the presence of specific indications within their respective investment policies are excluded. Guidelines are applicable to all issuers of securities in the SGR's portfolios. As far as the assets entrusted to Delegated Managers (as defined below) are concerned, the SGR assesses the policies adopted by them and monitors the portfolios in accordance with the application of this Guidelines. Aware that investing 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 with specific criteria the investments in issuers who are involved in the following sectors:

- Fossil fuels
- Coal
- Animal testing
- Human Rights

These sectors are considered priority by the SGR, which may consider expanding their scope in the future. In particular, these Guidelines will be periodically assessed for possible updating, also in the light of any emerging evidence and monitoring of national and international trends in responsible investment.

These Guidelines are communicated to all personnel, also by means of specific training sessions, should the need arise, and is made available to all stakeholders (including the market, the financial community and institutions) through the publication of the policies adopted in the ESG topic on the SGR's corporate website.

The Document applies to BancoPosta Fondi S.p.A. SGR.

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<sup>1</sup> Pursuant to EU Regulation 2019/2088 (SFDR).

## 2 Roles and responsibilities

- Board of Directors:
  - o evaluates and approves these Guidelines and their subsequent updates;
  - o assesses the reporting of the activities carried out on this matter;
  - o has the authority to deliberate further actions within the processes set out in the Guidelines, including divestment from issuers in sensitive sectors.
- Risk Committee: supports the body with strategic supervisory function:
  - o in the definition and approval of strategic guidelines and risk governance policies also with reference to climate and environmental risks and, more generally, sustainability risks;
  - o in verifying the proper implementation of strategies and risk governance policies also with reference to climate and environmental risks and, more generally, sustainability risks;
  - o in the evaluation of these Guidelines and their subsequent updates.
- Chief Executive Officer:
  - o proposes these Guidelines and their subsequent updates to the Board of Directors for approval;
  - o provides the Board of Directors with an overview of the activities carried out on this matter;
  - o is responsible for the implementation of the provisions contained therein.
- Management Committee:
  - o supports the CEO by monitoring and assessing the percentage weight of the individual issuer involved in one of the sensitive sectors for the purposes of monitoring activities,
  - o supports, also by issuing a non-binding opinion, the CEO in the 'approval' process of engagement activities for issuers for which critical issues have been identified and provides the CEO with the appropriate information to be presented at the Board of Directors;
  - o supports the CEO by monitoring and assessing the total exposure of investments in issuers involved in sensitive sectors and proposing to the CEO, when particular needs are identified, any changes to the Guidelines.
- Business Development Function/ESG:
  - o Manages these Guidelines within the company's regulatory system;
  - o evaluates collaborative engagement initiatives;
  - o conducts engagement activities with sensitive issuers.
- Heads of business functions: transpose the commitments defined in these Guidelines into business decisions and operations.

### 3 Definitions, Abbreviations and Acronyms

#### Acronyms

Abbreviations/Acronyms	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
UN	United Nations
PAI	<i>Principal Adverse Impacts on sustainability factors</i>
SGR	Asset Management Company
UNESCO	United Nations Educational, Scientific and Cultural Organization

#### Definitions

Term	Description
Delegated Manager	An intermediary authorised to provide asset management services, which manages, even partially, the assets of an UCITS on the basis of a specific mandate received from the SGR in compliance with the criteria defined in the mandate itself.

## 4 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 SGR, in the Code of Ethics of the Gruppo Poste Italiane and in the other company legislative instruments<sup>2</sup>.

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 Poste Italiane to which you are referred for relevant details.

The resources carry out the activities set out below in line with the provisions of the behavioral and application principles envisaged by the Legislative Decree 231/2001 Model.

**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.”

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<sup>2</sup> 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.

**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”.

**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.”

## 5 Investment in sensitive sectors

### 5.1 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 well 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 part of it implies the need to manage the risks stemming from this context because “carbon intensive” activities may undergo significant losses of value over time.

The effective monitoring and management of the exposures to 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%:

- Issuers performing business in the sector of combustible fossil fuel (coal, unconventional and conventional oil and natural gas, such as tar sands, shale oil and gas, arctic oil and gas, offshore oil and gas, liquified natural gas deriving from unconventional fossil fuels<sup>3</sup>), particularly upstream (exploration, drilling, production, etc.), midstream (transport), downstream (sale) and generation of electrical energy from fossil fuel
- Issuers holding fossil fuel reserves

(below “**Fossil Fuels Sector Issuers**”).

The Fossil Fuels Sector Issuers in portfolio are subject to assessment on a half-yearly basis in order to identify any exposure to the fossil fuel sector. In particular, the following exposures are considered significant:

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

The Fossil Fuels Sector Issuers on the basis of one or both the criteria described above, present within the main ESG / Sustainability market indices (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 to ESG issues and specific risks deriving from the business sector.

The Fossil Fuels Sector Issuers not included in the main ESG / Sustainability market indices (such as the Dow Jones Sustainability Index, etc.), which individually represent a percentage greater than 1% of the total AUM of BPF SGR, are submitted to the Management Committee for evaluation in order to define whether such exposure determines the opportunity to carry out monitoring aimed at identifying any critical issue in the ESG area, through the in-depth examination of significant aspects such as:

- 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

<sup>3</sup> Where no turnover data are available, the SGR monitors issuers involved in the listed activities regardless of their exposure in the sector.



- Entity 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 (Free, prior and informed consent – FPIC”)
  - 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 risks
  - Absence of anti-corruption plans, systems and procedures

In any case, the assessment of Fossil Fuels Sector Issuers includes examining the presence and quality of a transition plan accompanied by clear and achievable decarbonisation targets.

To carry out its assessments, the SGR makes use of public information, data from external info-providers and information obtained during any dialogue activities with the Issuer.

Following the identification of problems referring to the dimensions described above, the SGR can employ collective engagement activities in pool with other institutional investors in the context of initiatives focusing on this aspect that may consist of direct meetings with the management, communications to the governing bodies or other liaising activities.

In order to define the priority level of engagement, the SGR considers the exposure of the portfolios to the Fossil Fuels Sector Issuers for which critical issues have been identified; the engagement will therefore be conducted according to a logic aimed at prioritising the most significant Issuers in consideration of their weight in terms of percentage of the SGR's total AuM. Should this criterion not make it possible to express an adequate level of priority, detailed information may be requested to the external info-providers who support the SGR in its portfolio monitoring activities, in relation to the problems encountered.

The engagement - which may be carried out with the support of experts in the sector - may be aimed at verifying how the Fossil Fuels Sector Issuer is managing the risks deriving from exposure to the sector and at making management aware of the adoption of adequate safeguards and, ultimately, at mitigating the generation of negative environmental and social impacts by the activities carried out. For further details on how engagement activities are carried out, please refer to the SGR's "Guidelines on the exercise of voting rights and engagement activities".

In the event that the engagement has not led to satisfactory results in the 18/24 months following the detection of the critical issues, the Management Committee shall provide, through the CEO, a report of the activities carried out to the Board of Directors for its evaluation. In particular, the Board of Directors has the power to approve further actions, which include, as a last resort, divestment from the issuer.

The Management Committee monitors the total amount of investments in Fossil Fuels Issuers also in order to assess the negative effects of investment decisions in line with the relevant PAI<sup>4</sup> indicator . Should this amount exceed 10% of the SGR's total AuM, the Committee reports, through the CEO, the situation to the Board of Directors, which assesses the necessary actions.

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<sup>4</sup> Exposure to companies active in the fossil fuel sector, identified in accordance with Regulation (EU) 2018/1999 of the European Parliament and of the Council. Please note that the indicator is monitored cumulatively with exposure to the coal sector.

## 5.2 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 well 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 reducing the risk level of the portfolios in the long term and accelerating 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%:

- Issuers which carry out coal mining activity
- Issuers which generate energy through coal-fired systems
- Issuers which carry out transport or other infrastructure activities (e.g. pipelines, coal terminals, coal processing plants)

(below “**Coal Sector Issuers**”).

The Coal Sector Issuers in portfolio are subject to assessment on a half-yearly basis in order to identify any exposure to the coal sector. In particular, the following exposures are considered significant:

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

The Coal Sector Issuers on the basis of one or both the criteria described above, present within the main ESG / Sustainability 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 to ESG issues and specific risks deriving from the business sector.

The Coal Sector Issuers not included in the main ESG / Sustainability market indices (such as the Dow Jones Sustainability Index, etc.), which individually represent a percentage greater than 1% of the total AUM of BPF SGR, are submitted to the Management Committee for evaluation in order to define whether such exposure determines the opportunity to carry out monitoring aimed at identifying any critical issue in the ESG area, through the in-depth examination of significant aspects such as:

- 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
  - Entirety 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 (“Free, prior and informed consent – FPIC”)
  - 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 risks
  - Absence of anti-corruption plans, systems and procedures

In any case, the assessment of Coal Sector Issuers includes examining the presence and quality of a transition plan accompanied by clear and achievable decarbonisation targets.

To carry out its assessments, the SGR makes use of public information, data from external info-providers and information obtained during any dialogue activities with the Issuer.

Following the identification of problems referring to the dimensions described above, the SGR can employ collective engagement activities in pool with other institutional investors in the context of initiatives focusing on this aspect that may consist of direct meetings with the management, communications to the governing bodies or other liaising activities

In order to define the priority level of engagement, the SGR considers the portfolios' exposure to the Coal Sector Issuers for which critical issues have been detected; engagement will therefore be conducted according to a logic aimed at prioritising the most significant Issuers in consideration of their weight in terms of percentage of the SGR's total AuM. If this criterion does not make it possible to express an adequate level of priority, detailed information may be requested to the external info-providers that support the SGR in its portfolio monitoring activities, in relation to the problems encountered.

The engagement - which may be carried out with the support of experts in the sector - may be aimed at verifying how the Coal Sector Issuer is managing the risks deriving from exposure to the sector, and at making management aware of the adoption of adequate safeguards and, ultimately, at mitigating the generation of negative environmental and social impacts by the activities carried out. For details on how engagement activities are carried out, please refer to the SGR's "Guidelines on the exercise of voting rights and engagement activities".

In the event that the engagement has not led to satisfactory results in the 18/24 months following the detection of critical issues, the Management Committee, through the CEO, provides a report of the activities carried out to the Board of Directors for its evaluation. In particular, the Board of Directors has the power to approve further actions, which include, as a last resort, divestment from the Coal Sector.

Moreover, the Management Committee monitors the total amount of investments in Coal Sector Issuers also in order to assess the negative effects of investment decisions in line with the relevant PAI<sup>5</sup> indicator. Should this amount exceed 5% of the SGR's total AuM, the Committee reports, through the CEO, the situation to the Board of Directors, which assesses the necessary actions.

## 5.3 Animal testing

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<sup>5</sup> Exposure to companies active in the fossil fuel sector, identified in accordance with Regulation (EU) 2018/1999 of the European Parliament and of the Council. Please note that the indicator is monitored cumulatively with exposure to the fossil fuel sector.

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)

(below "Animal Testing Issuers")

The Animal Testing Issuers in the portfolio are assessed on a half-yearly basis in order to identify any exposure to animal testing activities. In particular, the following exposures are identified as relevant:

Indicator	Criterion
Percentage of revenues deriving from the production of cosmetics tested on animals	>0%
Percentage of revenues 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

When assessing such Issuers, the SGR refers to international standards, including the '3Rs principles' (Replacement, Reduction and Refinement) enshrined in European Directive 2010/63 on the protection of animals used for scientific purposes.

Animal Testing Issuers - for which involvement in animal testing activities has been found on the basis of one of the criteria described above - present in the main ESG / Sustainability market indices (such as the Dow Jones Sustainability Index, etc.) are not subject to further specific analysis as belonging to these indices already represents a high level of propensity and sensitivity on the part of the companies to ESG issues and specific risks arising from the sector they belong to.

Animal Testing Issuers not included in the main ESG / Sustainability market indices (such as the Dow Jones Sustainability Index, etc.), which individually represent a percentage greater than 1% of the total AUM of BPF SGR, are submitted to the Management Committee for evaluation in order to define whether such exposure determines the opportunity to carry out monitoring aimed at identifying any critical issue in the ESG area, through the in-depth examination of significant aspects such as:

- 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 to be 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

To carry out its assessments, the SGR makes use of public information, data from external info-providers and information obtained in the course of normal dialogue with the issuer.

Following the identification of issues related to the dimensions described above, the SGR resorts to collective engagement activities, undertaken in a pool with other institutional investors as part of initiatives dedicated to managing the issue, which may take the form of direct meetings with management, communications to corporate bodies or other dialogue activities.

In order to define the priority level of engagement, the SGR considers the exposure of the portfolios to the Animal Testing Issuers for which critical issues have been detected; the engagement will therefore be conducted according to a logic aimed at prioritising the most significant Issuers in consideration of their weight in terms of percentage of the SGR's total AuM. If this criterion does not make it possible to express an adequate level of priority, detailed information may be requested to the external info-providers who support the SGR in its portfolio monitoring activities, in relation to the problems encountered.

The engagement - which can be carried out with the support of experts in the field - can be aimed at verifying how the Animal Testing Issuer is managing the risks deriving from the performance of the activities and at making the management aware of the adoption of adequate safeguards and, ultimately, at mitigating the generation of negative environmental and social impacts by the activities carried out. For details on how engagement activities are carried out, please refer to the SGR's "Guidelines on the exercise of voting rights and engagement activities".

In the event that the engagement has not led to satisfactory results in the 18/24 months following the detection of the critical issues, the Management Committee, through the CEO, provides a report of the activities carried out to the Board of Directors for its evaluation. In particular, the Board of Directors has the right to approve further actions, which include, as a last resort, the divestment from the Animal Testing Issuer.

In addition, the Management Committee monitors the total amount of investments in Animal Testing Issuers involved in animal testing activities. Should this amount exceed 5% of BPF SGR's total AUM, the Committee reports the situation to the Board of Directors, which assesses the necessary actions.

## 5.4 Protection of Human Rights

The SGR pays particular attention to the respect of human rights both with reference to its internal dimension and in its investment activities. In particular, the SGR periodically monitors, on the basis of international standards such as "The International Labour Organization's Declaration on Fundamental Principles and Rights at Work and its Follow-up", the Global Compact and the UN Declaration of Human Rights and PAI <sup>6</sup>indicators, the corporate issuers in which it invests in order to verify that they have not been sanctioned for violating Human Rights for disputes relating to any of the following:

- 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

<sup>6</sup> PAI Indicator 10: Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises;  
PAI Indicator 11: Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises.

- Violations of the right of the workers to union activity and collective contractual bargaining
- Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
- Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises

(below “**Human Rights Protection Scope Issuers**”)

Effective monitoring and management of exposures to these issues can, in fact, help reduce the level of risk in portfolios over the long term, mitigating the possibility of generating negative impacts on communities and territories.

Human Rights Protection Scope Issuers with exposure to one of the aspects described above present in the main ESG / Sustainability market indices (such as the Dow Jones Sustainability Index, etc.) are not subject to further specific analysis as belonging to such indices already represents a high level of propensity and sensitivity on the part of companies to ESG and Human Rights Protection issues.

The Human Rights Protection Scope Issuers not included in the main ESG / Sustainability market indices (such as the Dow Jones Sustainability Index, etc.), which individually represent more than 1% of the total AUM of the SGR, are submitted to the Management Committee for evaluation in order to define whether such exposure determines the opportunity of further analysis.

To carry out its assessments, the SGR makes use of public information, data from external info-providers and information obtained during any dialogue activities with the Issuer.

Following the identification of issues related to the dimensions described above, the SGR resorts to collective engagement activities, undertaken in a pool with other institutional investors as part of initiatives dedicated to managing the issue, which may take the form of direct meetings with management, communications to corporate bodies or other dialogue activities.

In order to define the priority level of engagement, the SGR considers the exposure of the portfolios to Human Rights Protection Scope Issuers for which critical issues have been detected; the engagement will therefore be conducted according to a logic aimed at prioritising the most significant Issuers in consideration of their weight in terms of percentage of the SGR's total AuM. If this criterion does not make it possible to express an adequate level of priority, detailed information may be requested to the external info-providers who support the SGR in its portfolio monitoring activities, in relation to the problems encountered.

The engagement - which can be carried out with the support of experts in the field - can be aimed at verifying how the Human Rights Protection Scope Issuer is managing the risks deriving from the exposure to the sector and at making the management aware of the adoption of adequate safeguards and, ultimately, at mitigating the generation of negative environmental and social impacts by the activities carried out. For details on how engagement activities are carried out, please refer to the SGR's "Guidelines on the exercise of voting rights and engagement activities".

In the event that the engagement has not led to satisfactory results in the 18/24 months following the detection of the critical issues, the Management Committee provides a report of the activities carried out to the Board of Directors for its evaluation. In particular, the Board of Directors has the right to approve further action, which includes, as a last resort, divestment from the Human Rights Protection Scope Issuer.

The Management Committee monitors the total amount of investments in corporate issuers involved in human rights disputes or sanctions. Should this amount exceed 5% of the SGR's total AuM, the Committee reports, through the CEO, the situation to the Board of Directors, which assesses the necessary actions.

In addition, the SGR excludes from the investment universe corporate issuers directly involved in the production of weapons banned by UN Conventions that violate basic humanitarian principles (anti-personnel mines, cluster bombs,

depleted uranium, biological weapons, chemical weapons, invisible fragmentation weapons, blinding lasers, incendiary weapons, white phosphorous, nuclear weapons).



## 6 Responsibility to update

The department responsible for the document, ensuring that it is updated, is Business Development/ESG.



## 7 References

This document is defined in accordance with the current internal regulatory instruments and external regulatory references applicable to BancoPosta Fondi S.p.A. SGR. For details please refer to the document "Instruments and Regulatory References".

## 8 Management systems and/or organisational models of reference\*

Model pursuant to Legislative Decree No. 231/2001	<input type="checkbox"/>
262 Model	<input type="checkbox"/>
Privacy Model	<input type="checkbox"/>
Quality Management System	<input checked="" type="checkbox"/>
Information Security Management System	<input type="checkbox"/>
Environmental Management System	<input type="checkbox"/>
Management System for Occupational Safety and Health Protection	<input type="checkbox"/>
Anticorruption Management System	<input checked="" type="checkbox"/>
Management System for Energy Consumed for Own Use	<input type="checkbox"/>
IT Services Management	<input type="checkbox"/>
Sector regulations/regulations from supervisory bodies (e.g. banking, financial, insurance, postal regulations)	<input type="checkbox"/>

## 9 Recipients

The recipients of the document are all the Functions of BancoPosta Fondi S.p.A. SGR.

The recipients of the document must ensure the dissemination of the documentation within their own Functions, in accordance with the operational and applicable scopes of reference.

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