COMPANY´S INFORMATION RELATED TO SUSTAINABILITY IN THE FINANCIAL SERVICES SECTOR

Strategies for Sustainability Risk Integration into the Investment Decision-Making Process

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INTRODUCTORY PROVISIONS

The information about Generali Investments CEE, investiční společnost, a.s. was prepared in accordance with the laws of the Czech Republic and EU legislation, in particular in accordance with Article 3 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, as of 30 June 2023. This information is available on request at the Company's registered office or on its website http://www.generali-investments.cz, section Sustainability-related information.

Generali Investments CEE, investiční společnost, a.s. reserves the right to amend or supplement the information at any time without prior notice.

Clients will be notified of significant changes in advance.

LIST OF USED TERMS AND ABBREVIATIONS

Term	Definition
ESG FACTORS	Environmental and social factors and principles of responsible corporate governance
GIC	Generali Investments CEE, investiční společnost, a.s.
CLIENT	For the purposes of this document, Client means entities to which GIC provides investment management services for individual portfolios. Furthermore, the Client is considered to be a holder of securities issued by investment funds managed by GIC.
KPI	Key performance indicators
SUSTAINABILITY RISK	An environmental or social or corporate governance event or condition that, if it were to occur, could materially adversely affect the value of an investment.

Roles and Responsibilities

Body / Department / Position	Role and Responsibility
BOARD OF DIRECTORS	The Board of Directors of GIC is responsible for approving and reviewing the sustainability risk management strategy. The Board of Directors has established committees to carry out some of its powers and activities, i.e. purpose-focused expert groups designed to discuss, evaluate and resolve important agendas related to GIC's activities, such as the ESG/Engagement Committee and the Investment Committee.
ESG/ENGAGEMENT COMMITTEE	The ESG/ Engagement Committee (ESG Committee) is responsible for defining the methodology for assessing and evaluating sustainability risks, as well as for managing the ESG classification and other data sets and parameters provided by the Generali Group. In addition, the ESG Committee approves the methodology and risk exposure values of the portfolios, taking into account selected ESG criteria, in line with Generali's strategy. In addition, the ESG Committee is responsible for carrying out active voting activities (voting at issuers' general meetings and other forms of engagement).
INVESTMENT COMMITTEE	The Investment Committee (IC) assesses, among other things, the financial market situation and is responsible for the consistency between the strategic asset allocation or the established investment policy and the performance of asset management. This obligation is ensured by means of established rules for tactical asset allocation and by monitoring their
PORTFOLIO MANAGEMENT	The internal unit of GIC, in its work, it collaborates with the ESG Committee to incorporate quantitative and qualitative data on ESG issues and research on relevant ESG topics within the investment process.
RISK MANAGEMENT	The internal unit of GIC, which work is based also on the ESG factors defined by the ESG Committee and available expert information, it regularly monitors the exposure of portfolios to ESG-listed issuers and verifies compliance with investment limits that take into account ESG factors.

Mission

GIC believes that incorporating environmental and social factors and corporate governance principles ("ESG", see table below) into the management process of individual portfolios and investment funds positively impacts financial returns and contributes to the social benefit of the investment process. GIC also seeks to positively influence issuers' behaviour through voting at their general meetings and through other engagement.

When providing the Discretionary Asset Management ("DAM") investment service for individual third party portfolios, GIC is bound by the instructions of its Clients regarding the fulfilment of the ESG criteria, whereas when providing the DAM service for individual Generali portfolios, GIC is bound by the internal ESG rules and Generali Group guidelines. GIC also promotes selected ESG factors in the management of selected investment funds.

The European institutions have created a legal environment for a wider consideration of sustainability in asset management to achieve long-term sustainable development. This legal framework requires financial market participants and financial advisers to put in place an appropriate governance structure and to provide accurate information on sustainability risks.

In this context, on 27 November 2019, the European Parliament and the Council adopted Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector, or "SFDR", which entered into force on 29 December 2019.

This Regulation aims to provide comparable information to end investors on sustainability risks and to promote the ESG factors in the provision of investment services. The SFDR regulation has been further complemented by Regulation (EU) 2020/852 establishing a framework to facilitate sustainable investments and amending Regulation (EU) 2019/2088 (the "Taxonomy Regulation"), which defines criteria for determining whether an activity can be considered environmentally sustainable.

To meet the requirements set out in the SFDR and the Taxonomy Regulation, and taking into account its size, scope of activities and the types of financial products it provides, GIC issues this document including a strategy for integrating sustainability risks into the investment decision-making process as set out in Article 3 of the SFDR.

Factor category	Factor examples
E- ENVIRONMENTAL	Aspects related to the quality and functioning of the environment and natural systems, including climate change; availability of natural resources including energy and water; changes in land use and urbanisation; air, water and soil quality; waste production and management; habitat and biodiversity conservation.
S- SOCIAL	Aspects related to the rights, well-being and legitimate interests of national and local communities, including human rights, respect for diversity and the promotion of equal opportunities; demographic changes; employment and the right to decent working conditions, including the prohibition of child and forced labour, occupational health and safety; the distribution of wealth and inequality within and between countries; migration; education and human capital development; digital transformation, artificial intelligence, the Internet of things and robotics; health and access to social assistance and health care; consumer protection; waste of energy and crisis of traditional elites.
G- GOVERNANCE, PRINCIPLES OF RESPONSIBLE CORPORATE GOVERNANCE	Aspects related to the governance and management of companies and organizations, including transparency; ethics and integrity in business practice and compliance with laws; corruption; tax liability; management structure, independence and diversity; incentive mechanism for corporate governance; stakeholders and their rights, protection/distortion of competition.

1. Strategies for Sustainability Risk Integration into the Investment Decision-Making Process

The aim of this strategy, required by Article 3 of the SFDR, is to integrate sustainable development risks into investment decision-making through the identification, measurement and mitigation of risks as implied by the ESG factors.

For asset managers with a long-term horizon, the material impact that ESG factors have on long-term returns is of utmost importance. It is therefore essential to consider how the integration of ESG factors affects long-term investment returns and to take advantage of risk anticipation by analysing individual asset classes with ESG factors in mind if risks are significant. ESG risks can have a significant impact on the return on an investment in an individual portfolio or funds.

The level of implementation of this strategy may vary for different types of products and Clients.

1.1 Sustainability Risk Assessment

Sustainability Risk Identification

The aim of the sustainability risk identification process is to ensure that all significant risks to which GIC is exposed are properly identified, assessed and considered based on the likelihood of their occurrence and the severity of their impact, and that mitigation measures are properly implemented.

GIC activities in the field of ESG risk assessment are based on cooperation with Generali Group and on available data provided by external suppliers and include the identification of ESG risks at the level of the selected sector and issuer:

- Sector: The purpose of identifying ESG risks within a sector is to identify risks that could potentially cause sector-specific negative changes, such as technologies with adverse environmental impacts, sector-specific constraints and the impacts of climate risks. The sectoral analysis of ESG factors seeks to identify influences that could potentially alter long-term sector-specific competitive forces. As not all sectors are exposed to the same ESG challenges, the first step in the sectoral analysis is to establish a priority matrix that defines sector-specific ESG criteria.
- Issuer: The assessment of ESG factors at the issuer level begins with a description of the material risks affecting the issuer, taking into account the sector to which it belongs and the specific risks to which it is exposed. The identification of ESG risks at the issuer level is designed to detect sustainability risks and opportunities that may affect its performance. Successful ESG risk management strategies can add value to a company and contribute to its resilience to sectoral and macroeconomic adverse trends. The ongoing analysis of ESG risk management at an issuer carried out by the Generali Group allows it to measure ESG risks and also to monitor whether the issuer's ESG practices are improving or deteriorating over time.

Measurement of Sustainability and Priority Risks

Risks that may have a negative impact on the value of an investment are measured in both quantitative and qualitative ways to provide the most up-to-date and reliable data and information for the investment process.

Sustainability risk can be measured in both absolute and relative terms (comparative/neutral allocation). In order to create a relevant data base, internal research conducted by ESG experts of the Generali Group is used in conjunction with sustainability information, ESG scores and data from external providers. Third-party data are reviewed and compared with external and internal surveys. GIC may perform a qualitative assessment in cases where the available data are insufficient to properly measure and manage significant sustainability risks.

GIC may also use ESG risk measurement inputs from two other key activities carried out by the Generali Group, i.e. engagement with issuers and participation in general meetings. In the event that significant ESG risks are associated with a particular issuer, the aim of the collaboration is to understand the company's position, processes and behaviours, identify specific improvements that could be implemented, and support the company in advocating for a transition to broader ESG compliance. Activities related to the exercise of voting rights can also be a source for identifying and measuring risks.

The ESG assessment focuses on the significant risks in each sector or business.

The ESG risk assessment is based on best efforts and aims to identify, measure and monitor sustainability risks for each issuer based on available data from the Generali Group or external providers and on available data from issuers. This process is a combination of several elements, starting with the aforementioned priority matrix, which aims to identify the ESG factors that are relevant to each industry sector, and then taking into account other ESG factors such as the voting results and cooperation rates mentioned above.

Based on the data collected, GIC aims to identify and quantify those factors and insights that can strengthen and better shape investment recommendations, taking into account their financial materiality.

Sustainability risks may include increased costs of income, research and development, capital expenditures (Capex), extraordinary expenses, contingent liabilities and reserves, pension and other liabilities, capital costs for issuers. Issuers can also capture opportunities by entering new markets (for example through green products) or by adapting their existing products to demand developments. These elements can also lead to positive and negative price dynamics and direct impacts on tangible and intangible assets.

1.2 Risk Sustainability Strategy

Based on available data from the Generali Group and other data providers, GIC can implement a wide range of ESG screening strategies based on agreements with Clients and their preferences, such as the application of negative/exclusionary screening aimed at limiting investments in countries, companies or sectors based on specific ESG criteria and issuers that do not meet minimum international industry or government practice standards.

Negative/Exclusionary Screening

The Generali Group uses negative/exclusionary screening to exclude certain issuers from investment based on their involvement in specific business activities.

GIC is also entitled to use limits for investments in companies with negative/exclusionary screening and may apply this procedure for different categories of Clients and products and for different ESG risk categories.

ESG data providers make it possible to identify issuers that do not meet the screening criteria. The list of issuers that do not meet the ESG factor compliance requirements set out in the investment strategy or the fund's constitution or prospectus is used to define restrictions on specific portfolio and fund investments.

Screening based on Issuer Identification

The screening based on issuer identification applied by GIC on the basis of data collected from external providers corresponds to the identification of issuers involved in, for example:

- violation of the Treaty on the Non-Proliferation of Nuclear Weapons;
- violation of the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction;
- violation of the Ottawa Treaty;
- violation of the Convention on Cluster Munitions (CCM);
- violation of the UN Global Compact;
- violation of human rights principles;
- serious damage to the environment;
- cases of gross corruption.

GIC collects available data to assess the eligibility of issuers in whose securities it invests on a case-by-case basis. It is based on a risk assessment prepared by a Generali Group specialist, taking into account the severity of the relevant ESG risks at the level of individual issuers.

Risks are taken into account when making investment decisions depending on the type of Client and their risk profile.

The main risk management tool is the setting of maximum limits for the portfolio's exposure to risk, namely:

- List of issuers with very high exposure to ESG risks and
- List of issuers with high exposure to ESG risks.

Inclusion of Reputational Risk

Controversy over ESG factors can be costly and even highly reputable issuers are subject to reputational risk. As an additional tool to facilitate the integration of ESG factors and to help inform short-term investment performance (although there are no restrictions in terms of ESG criteria in Clients' investment strategies), GIC monitors the reputational risk of issuers based on data collected from external data providers and assesses the possibility of excluding them from the investment universe based on ethical considerations or the identification of additional ESG risks. The evaluation of controversies is a key part of the ESG integration framework in the Generali Group. This is because companies often face lawsuits, class actions and sanctions from regulators arising from controversies that may affect current financial valuations and/or future performance, but which are not reflected in real-time ESG ratings. To immediately capture positive/negative signals, the Generali Group uses an internal database that is regularly updated.

Integration of Climate Factors

Among the ESG topics, climate-related concerns have become most important due to the growing regulatory and societal pressures and their growing impact on issuers in terms of changing their operation and physical risks. As such, climate-related topics are integrated into the Generali Group's own ESG research.

Climate protection regulations are growing exponentially and GIC carefully takes their impact into account when developing its own climate strategies.

As part of the Generali Group, GIC is also active in particular in supporting Clients in fulfilling their decarbonisation strategies.

When analysing and optimizing the impact of climate on bonds and stocks in managed individual portfolios and funds, GIC relies on the Generali Group's methodology based on fundamental and quantitative metrics. Within the analysis, it is possible to take into account a wide range of dynamic indicators, such as:

- Backward and forward-looking emission criteria (actual and expected emissions: decarbonisation methods);
- Compensation of temperature scenarios;
- Climate historical data;
- Independent climate comparison;
- Current climate position of companies;
- Current climate position of countries.

Based on the analysis, climate strategies can be implemented to ensure that a Client's investment position reflects the GIC view.

1.3 Process Management

Management of the ESG Risk Assessment and Integration Process

The Board of Directors of GIC is responsible for approving and reviewing the sustainability risk integration strategy. The Board of Directors of GIC approves the strategy on the proposal of the ESG Committee, to which responsibility for its implementation has been delegated.

In collaboration with GIC, Clients have the opportunity to define sustainability goals, KPIs and guidelines to be achieved and implemented, such as decarbonisation or excluded sectors.

The ESG Committee is also responsible for defining the sustainability risk assessment methodology and managing ESG scores and metrics and parameters for considering climate impacts, based on input from third parties and the Generali Group. In addition, the ESG Committee supports other stakeholders in the investment process it cooperates with and provides with opinions, views and surveys on relevant ESG topics, including climate, in order to support the investment decision-making process with up-to-date quantitative and qualitative information.

The ESG Committee plays a supporting role in the decision-making process of the Investment Committee.

Information on the ESG Risk Assessment and Integration Process

GIC publishes an updated version of this strategy on its website each year; if the updated version is not published, no changes are deemed to have been made.

Internally, the Board of Directors of GIC is informed annually about the implementation of this strategy in order to assess and review the underlying methodology and results.

Internal participants in the investment process are recipients of relevant information related to the assessment and integration of ESG risks in order to fulfil their oversight roles in the investment process. In addition, other stakeholders receive up-to-date information and participate in the process described above as needed.

The Clients with individual portfolios will receive ad hoc regular reports on the implementation of the process and the achievement of the objectives described in this policy on the basis of individual arrangements between them and GIC.

2. ACTIVE ENGAGEMENT POLICY

GIC activity aimed at mitigating its own negative impacts is not only through investment decisions, investing or offering investment products and services, but is also promoted through active engagement in dialogue with companies (issuers) and voting at general meetings to promote positive change. Reducing the impact on sustainability factors by influencing issuers' actions is a positive solution for issuers, investors and sustainability itself.

GIC subscribes to the Generali Group Engagement Policy (available online), which defines the principles, active ownership activities and responsibilities that guide role of the Generali Group as asset manager. In this role, the Generali Group acts responsibly and, in line with this approach, (i) monitors issuers and their involvement in financial and non-financial matters, including ESG matters, and (ii) promotes the dissemination of good practices in terms of governance, professional ethics, social cohesion, environmental protection and digitization. GIC coordinates engagement activities with the Generali Group to achieve maximum impact in active engagement. Cases suitable for active engagement are submitted and approved by the ESG Committee following the results of the Engagement Committee of the Generali Group.

The Generali Group Engagement Policy has been developed in accordance with the obligations set out in Article 3(g) of Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement, and takes due account of best practices from international standards.

GIC has incorporated the above principles into its voting policy, which is available on-line, and implemented mainly through voting at general meetings.

Briefly, the process of active engagement is structured as follows:

- **Approach to engagement** – The Generali Group considers active engagement generally as a constructive dialogue with different objectives: to strengthen issuers' knowledge, to share the Generali Group's ESG approach and then to make actionable recommendations to address potential ESG issues. The aim of meetings with company managers is to share a long-term orientation with a constructive, results-oriented approach. The meetings focus on becoming familiar with how companies have transformed their operating model to embed the ESG principles across their organizations. In addition, where relevant, it is possible to cooperate with other investors sharing the same issues or topics in order to maximize the impact on the company that is the subject of active involvement.
- **Definition of the list of priorities for active engagement** – The first step is to define the lists of priorities for active engagement (issuer list), defined within the respective active engagement committees and taking into account the risk assessment of ESG investments. The list of priorities for active engagement is reviewed during each ESG Committee meeting, also taking into account the main adverse impacts associated with each particular issuer.
- **Active engagement case** – Each active engagement case submitted to the ESG Committee consists of different elements: identified risk, questions, proposals, working group, strategy, status and results.
- **Implementation of active engagement** – The ESG Committee is responsible for implementation of active engagement. During this activity, the ESG Committee monitors ongoing actions and external elements that could have an impact on active engagement.
- **Monitoring of active engagement** – The ESG Committee evaluates the status of each active engagement case submitted according to the defined initial objectives. On the basis of this evaluation, the ESG Committee may decide to continue or increase the intensity of the active involvement or to close the active involvement case.
- **Impacts of active engagement** – In all cases of active engagement, specific metrics are identified as indicators for improvement over time, as results of improvement. They can include:
    - Carbon emissions, carbon intensity, reduction of carbon capacity in climate-related active engagement cases,
    - Management independence, degree of diversity, salary ratio for active engagement related to corporate governance,
    - Human rights, the impact of corruption on active social engagement.

A more detailed description of other activities carried out by the Generali Group through active participation and voting at general meetings can be found in the Generali Group Active Ownership Report, which is available online.