

# Guidelines for the Investment in Sensitive Sectors of the Poste Vita Group

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## 1. OBJECTIVES, SCOPE AND MANNER OF IMPLEMENTATION

### 1.1. Objective of the Document

The Poste Vita Group's Guidelines for Investing in Sensitive Sectors (the "**Guidelines**"), consistent with the provisions of the Responsible Investment Policy, establishes measures to find, assess and monitor exposure to activities that have an intrinsic relevant risk in terms of ESG, thereby enabling the incorporation of environmental, social, and governance aspects into the investment process of Poste Vita and Poste Assicura (hereafter jointly, the "**Companies**" and/or the "**Poste Vita Group**").

In general, the Companies have already adopted – In line with the provisions of IVASS Regulation No. 24/2016 – investment policies (the "**Investment Policies**") consistent with the prudent person principle, with the strategy as well as the risk appetite defined. The Responsible Investment Policy, consistent with the Investment Policies as well as the broader Poste Italiane Group Sustainability Plan, reinforces the Companies' commitment to integrate ESG issues into their investment strategy and decision-making processes.

In that context, the purpose of this document is to discover activities and sensitive sectors in terms of ESG, establishing for investment in the Selected Instruments (as defined below) appropriate monitoring processes. In addition, the application of the Guidelines makes it possible to integrate the assessment of any negative effects on sustainability factors (so-called "**PAI**"<sup>1</sup>) brought about by investment decisions with respect to these sectors.

These Guidelines is approved by the CEO of the parent company Poste Vita and implemented by the CEO of Poste Assicura.

### 1.2. Glossary

For the purposes of these Guidelines, the following are defined as:

- "**AuM**": Assets Under Management.
- "**Investment Committee**": instituted for each Company, it is a committee with an advisory role to Top Management to which it provides advice and support in the context of processes related to investment management and intervenes, *inter alia*, in monitoring the evolution of the ESG profile of the assets in the financial portfolios of each Company.
- "**Companies**": Poste Vita S.p.A. and Poste Assicura S.p.A. (Jointly also as the "Poste Vita Group" and each also as the "Company").
- "**Fossil Fuels Sector Issuers**": issuers of "Selected Instruments" who, directly or through holdings of more than 20%, meet the requirements of the Fossil Fuels Industry Guidelines (see paragraph "2.1 Fossil Fuels").
- "**Coal Sector Issuers**": issuers of the "Selected Instruments" who, directly or through holdings of more than 20%, meet the requirements of the Coal Sector Guidelines (see paragraph "2.2 Coal").
- "**Animal Testing Scope Issuers**": issuers of the "Selected Instruments" who, directly or through holdings of more than 20%, meet the requirements of the Animal Testing Guidelines (see paragraph "2.3 Animal Testing").

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

- **“Human Rights Protection Scope Issuers”**: issuers of 'Selected Instruments' that have been sanctioned for human rights violations as a result of disputes relating to the aspects covered by the Human Rights Guidelines (see paragraph “2.4 Human Rights”).
- **“ESG”**: Environmental, Social, Governance.
- **“FPIC”**: Free, Prior and Informed Consent.
- **“Delegated Manager”**: asset management companies and/or asset managers (selected by each Company in accordance with the outsourcing guidelines, conflict of interest management guidelines as well as applicable corporate regulations more generally) to which each Company has outsourced management and investment activities and which operate in accordance with the guidelines provided by the Companies and relevant policies, approved and forwarded from time to time.
- **“IPCC”**: Intergovernmental Panel on Climate Change.
- **“IUCN”**: International Union for Conservation of Nature.
- **“Guidelines”**: “Guidelines for the Investment in Sensitive Sectors of the Poste Vita Group”.
- **“OECD”**: Organization for Economic Co-operation and Development.
- **“UN”**: United Nations Organization.
- **“PAI”**: Principal Adverse Impacts in accordance with SFDR regulations.
- **“Sensitive sectors”**: sectors considered for the purposes of these Guidelines i.e. Fossil Fuels, Coal, Animal Testing, Human Rights.
- **“SFDR”**: “Sustainable Finance Disclosure Regulation” or UE 2019/2088 regulation.
- **“Selected Instruments”**: shares and bonds issued by entities operating in Sensitive Sectors.
- **“UNESCO”**: United Nations Educational, Scientific and Cultural Organization.

### 1.3. Scope of application

These Guidelines applies to Poste Vita S.p.A. and Poste Assicura S.p.A. (hereinafter each the **“Company”** and/or **“Poste Vita”** and **“Poste Assicura”** respectively).

The Guidelines applies to equity and (*corporate*) bond securities<sup>2</sup> in which the Companies have invested, issued by entities that are heavily involved - within the limits established in specific paragraphs - in the following sectors considered “sensitive” (**“Sensitive Sectors”**) from an ESG perspective:

- Fossil Fuels
- Coal
- Animal testing
- Human rights.

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<sup>2</sup> Selected Instruments in which Poste Vita and Poste Assicura and/or Delegated Managers have invested fall within the scope of the Guidelines. With regard to any equities and bonds underlying UCITS and/or other equivalent investment vehicles, in which the Companies and/or the Delegated Managers have invested, and which are managed autonomously by specific (external) asset management companies and/or asset managers, only the monitoring activities described in the Poste Vita Group's Responsible Investment Policy are envisaged (where the necessary data are available).

These Sensitive Sectors represent the areas currently considered a priority by the Poste Vita Group, which may consider expanding their scope in the future. In particular, these Guidelines shall be evaluated for updates periodically in the light of issues that may have occurred or from the monitoring of national and international trends in the field of responsible investments.

Aware that investing in equities and (*corporate*) bonds issued by entities operating in Sensitive Sectors (the "**Selected Instruments**") may increase the exposure of the investment portfolio to risks that could negatively impact performance, the Poste Vita Group has, in fact, decided to regulate investments in the Selected Instruments with specific monitoring criteria. As detailed below, depending on the type of transaction, specific analysis and monitoring activities will be carried out by the Companies.

#### 1.4. Recipients

These Guidelines is communicated to all personnel, also by means of specific training sessions, if the need arises, 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 each Company's corporate website

## 2. INVESTMENT IN SENSITIVE SECTORS

### 2.1. Fossil Fuels

The sector of Fossil Fuels has an important role in supplying energy to privates and companies at global level. Nonetheless, at the same time, the sector strongly contributes to emissions in the atmosphere. Therefore, in order to contain global warming well below 2 degrees Celsius compared to pre-industrial levels as established by the Intergovernmental Panel on Climate Change (IPCC) during the Paris Treaty, the sector has become – and will be more and more – subject of attention by the market, companies and governments. Investments in companies of this sector imply managing the risks linked to the sector as “carbon intensive” activities may suffer great losses in value in the future.

An effective monitoring and management of exposures in this sector may indeed contribute to reducing the level of long-term risks in one’s portfolio and accelerate the global transition towards an economy with low carbon emissions. At the same time, this activity allows to establish possible risks linked to negative social impacts on local communities and workers of the sector as well as contribute to their well-being.

These Guidelines regard companies involved in the sector who, within the scope of application of the Guidelines, the issuers of the Selected Instruments who, directly or through participations of more than 20%:

- activities in the sector of Fossil Fuels (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>), in particular, in upstream (exploration, drilling, production), midstream (transport), downstream (sales) and electricity generated from Fossil Fuels;
- own Fossil Fuel Reserves

(“**Fossil Fuels Sector Issuers**”).

Fossil Fuel Sector Issuers are subject to periodic assessment on a half-yearly basis in order to identify any exposure of portfolios to the Fossil Fuel sector. The following exposures have been considered particularly relevant:

Indicator	Criteria
Percentage of revenues from activities in the field of Fossil Fuels	≥20%
Presence of Fossil Fuel Reserves obtained from activities in the Sector	Yes

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

The Companies monitor, using also data and information from specialized external info-providers, the total amount of investments in Selected Instruments of the Fossil Fuels Sectors Issuers. In order to assess the negative effects of investment decisions, in line with the relevant PAI<sup>4</sup> indicator, in the event that such amount exceeds 10% of each Company's total AuM, the function in charge of investment management reports the case to the Investment Committee so that the necessary actions may be assessed and any proposals submitted to the competent corporate bodies.

With regard to the Selected Instruments, the Issuers of the Fossil Fuels Sector are audited to identify any critical issues in the ESG area through the investigation of significant aspects such as:

- Environmental Risks
  - No mitigation measures to reduce the impact on species at risk
  - No plans for the dismantling/“end of life” management of plants
  - No management systems nor action plans for leakages
  - Environmental impact assessments absent or not in line with national or international standards
  - Level of upstream or downstream impact
- Social risks
  - No compensation agreement for the local communities
  - No Free, prior and informed consent (FPIC) for the local communities
  - Incidents that may damage the local communities and/or the environment
  - Relocation of the local populations without a prior consultation - thus causing physical damages – or by reviewing property rights and rights on land and water
  - Involvement in child labour, forced labour or human trafficking
  - Inadequate work conditions, e.g. in terms of salary, health and safety
- Governance risks
  - No anti-corruption plans, systems or procedures
  - Potential damage to the Company's reputation and/or to that of its stakeholders.

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

The Issuers Fossil Fuels Sector present in the main ESG / Sustainability indexes – e.g. Dow Jones Sustainability Index, etc. – are not subject to further analysis because their presence in these indexes already represents a high level of propensity and sensitivity to ESG issues and specific risks deriving from their sector.

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<sup>4</sup> Share of investments in Selected Instruments issued by companies active in the fossil fuel sector, identified in accordance with Regulation (EU) 2018/1999 of the European Parliament and of the Council. It should be noted that the indicator is monitored cumulatively with exposure to the coal sector.

To carry out the above assessments, the Companies uses public data, data coming from external info-providers and information achieved during any talks with the Issuers Fossil Fuels Sector or its stakeholders.

For the Fossil Fuel Sector Issuers in their portfolios, faced with the identification of issues related to the dimensions described above, the Companies may consider resorting to collective engagement activities, undertaken in pool with institutional investors and trade associations as part of initiatives dedicated to the management of 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 Companies consider the exposure of the portfolios to the Selected Instruments for which critical issues have been identified; engagement will therefore be conducted according to a logic aimed at prioritising the most significant Fossil Fuel Sector Issuers in consideration of their weight in terms of percentage of each Company's total AuM. If this criterion does not allow an adequate level of priority to be expressed, detailed information may be requested from the external info-providers who support the Poste Vita Group in its portfolio monitoring activities, in relation to the problems identified.

The Engagement can be aimed at verifying how the Fossil Fuel Sector Issuer is managing the risks arising from its exposure to the sector in question, at raising management's awareness of the adoption of appropriate safeguards and, ultimately, at preventing the generation of negative environmental and social impacts from its activities. For further details on how to carry out engagement activities, please refer to the Poste Vita Group's "Guidelines on the Exercise of Voting Rights and Engagement Activities".

If the engagement has not led to satisfactory results in the 18/24 months following the detection of critical issues, the function in charge of investment management provides a report of the activities carried out to the Investment Committee for further evaluation. The Investment Committee has the power, in line and in compliance with the provisions of corporate governance, to propose further actions to be submitted to the competent corporate bodies, which may include, as an extreme solution, divestment from the Fossil Fuel Sector Issuer.

## **2.2. Coal**

Coal is one of the fossil fuels with the highest impact in terms of emissions in the atmosphere compared to the amount of energy produced. Therefore, in order to reach the target to contain global warming well below 2 degrees Celsius compared to pre-industrial levels, this sector should experience a contraction due to the closing of the current plants and reduced openings of new coal power plants.

That is why it is believed that investing in selected instruments of issuers involved in the coal sector could expose portfolios to great financial and extra-financial risks.

As for all Fossil Fuels, an effective monitoring and management of risk exposures can lead to a reduced long-term risk for the Company portfolio and accelerate the global transition towards an economy with low carbon emissions. At the same time, this activity allows to establish the risks linked to negative social impacts for the local communities and workers of the sector, thus contribute to their well-being.



These Guidelines regard companies involved in the scope of application of the Guidelines, who – directly or indirectly – hold stakes above 20% in:

- coal extraction
- energy generation from coal powered plants
- coal-related transport and infrastructure (e.g. pipelines, coal terminals, coal processing plants)

(The “**Coal Sector Issuers**”).

The Coal Sector Issuers are subject to periodic evaluation on a semi-annual basis in order to identify any exposure of portfolios to the Coal sector. Specifically, the following exposures are considered quite relevant:

Indicator	Criteria
Percentage of revenues deriving from coal extraction	≥33%
Percentage of coal in the mix of electrical energy sources	≥33%
Percentage of revenues deriving from coal infrastructure	≥33%

The Companies monitor, also using data and information from specialized external info-providers, the total amount of investments in Selected Instruments of Coal Sector Issuers. In order to assess the negative effects of investment decisions, in line with the relevant PAI indicator<sup>5</sup>, in the event that this amount exceeds 5% of all AuMs of each Company, the function in charge of investment management reports the case to the Investment Committee, which so that the necessary actions can be assessed and any proposals to be submitted to the competent corporate bodies can be formulated.

With regard to the Selected Instruments, Coal Sector Issuers are audited to identify any critical issues in the ESG area through the investigation of significant aspects such as:

- Environmental Risks
  - No mitigation measures to reduce the impacts on species at risk
  - No dismantling/management plan for the end-of-life of the plants
  - Inadequate storage and disposal of products
  - Environmental impact assessments absent or not in line with national or international standards
  - Level of upstream or downstream impact

<sup>5</sup> Share of investments in Selected Instruments issued by companies active in the fossil fuel sector, identified in accordance with Regulation (EU) 2018/1999 of the European Parliament and of the Council. It should be noted that the indicator is monitored cumulatively with exposure to the fossil fuel sector.

- Social risks
  - No compensation agreement for the local communities
  - No Free, prior and informed consent (FPIC) for the local communities
  - Incidents that may damage the local communities and/or the environment
  - Relocation of the local populations without a prior consultation - thus causing physical damages – or by reviewing property rights and rights on land and water
  - Involvement in child labour, forced labour or human trafficking
  - Inadequate work conditions, e.g. in terms of salary, health and safety
- Governance risks
  - No anti-corruption plans, systems or procedures
  - Potential damage to the Company's reputation and/or to that of its stakeholders

In any case, the evaluation of Coal Sector Issuers includes evaluation of the presence and quality of a transition plan accompanied by clear and achievable decarbonization goals.

Coal Sector Issuers present in the main ESG / Sustainability indexes – e.g. Dow Jones Sustainability Index, etc. – are not subject to further analysis because their presence in these indexes already represents a high level of propensity and sensitivity to ESG issues and specific risks deriving from their sector.

For their assessments, the Companies use public data, data coming from external info-providers or information achieved during any activities with the issuing company or its stakeholders.

For the Coal Sector Issuers in the portfolio, when faced with the identification of issues referring to the dimensions described above, the Companies may consider resorting to collective engagement activities, undertaken in pools with institutional investors and trade associations as part of initiatives dedicated to addressing 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 Companies consider the exposure of the portfolios to the Selected Instruments for which critical issues have been detected; engagement will therefore be conducted according to a logic aimed at prioritizing the most significant Coal Sector Issuers in consideration of their weight in terms of percentage of each Company's total AuM. If this criterion does not allow an adequate level of priority to be expressed, detailed information may be requested from external info-providers, who support the Poste Vita Group in its portfolio monitoring activities, with regard to the problems detected.

Engagement can be aimed at verifying how the Coal Sector Issuer is managing the risks arising from its exposure to the sector in question, raising management's awareness of the adoption of appropriate safeguards, and ultimately preventing the generation of negative environmental or social impacts from its activities. For further details on how engagement activities are carried out, please refer to the Poste Vita Group's "Guidelines on the Exercise of Voting Rights and Engagement Activities".

If the engagement activity does not satisfactory results within 18/24 months from discovering the

issue, the function in charge of investment management provides a report of the activities carried out to the Investment Committee for further evaluation. The Investment Committee has the power, in line and in compliance with the provisions of corporate governance, to propose further actions to be submitted to the relevant corporate bodies, which may include, as an extreme solution, divestment from the Coal Sector Issuer.

### 2.3. Animal Testing

Animal testing is an issue that raises ethical questions. These can be effectively managed by following internationally recognized criteria and standards. In particular, the use of modern scientific methods and procedures - that limit suffering and harm to animals - may allow these activities to be carried out, protecting as much as possible the well-being of the animals involved.

The Poste Vita Group believes the investment in Selected Instruments of issuers involved in tests on animals may expose the portfolio to ethical issues and reputational risks.

These Guidelines regard companies involved in the scope of application of the Guidelines, who – directly or indirectly – hold stakes above 20% in:

- production of cosmetic products tested on animals
- production of other products (e.g. household detergents) tested on animals
- testing on animals for companies that produce cosmetic or other products
- testing on animals for medical purposes (e.g. production of drugs)

(The “**Animal Testing Issuers**”).

Animal Testing Issuers are subject to periodic assessment on a semi-annual basis in order to identify any exposure of portfolios to animal testing activities. Specifically, the following exposures are identified as material:

Indicator	Criteria
Revenues deriving from the production of cosmetic products tested on animals	>0%
Revenues deriving from the production of other products (e.g. household detergents) tested on animals	>0%
Animal testing for companies that produce cosmetic or other products	Yes
Animal testing for medical purposes	Yes

The Companies monitor, also using data and information from specialized external info-providers, the total amount of investments in Selected Instruments of Animal Test Issuers. In the event that this

amount represents over 5% of each Company's total AuM, the function in charge of investment management reports the case to the Investment Committee so that the necessary actions can be evaluated and any proposals made to the relevant corporate bodies.

With regard to the Selected Instruments, the Animal Test Scope Issuers are audited to identify any critical issues in the ESG area through the investigation of significant aspects such as:

- The use of recognised scientific methods
- The use of updated procedures, protocols and best-practice
- The use of techniques that avoid long-term damages to animals
- The use of animal tests only when it is not possible to use alternative methods
- The continuous improvement of the environments in which the animals live.

The following matters are considered particularly critical:

- No use of standards that respect the animal's life conditions
- Inadequate medical controls
- Use of great apes or animals caught in the wild
- The use of invasive procedures without any anaesthesia

Animal Testing Scope Issuers present within the major ESG / Sustainability market indices (such as, for example, the Dow Jones Sustainability Index, etc.) are not subject to further analysis because membership in these indices already represents a high level of propensity and sensitivity on the part of the companies to ESG issues and the specific risks arising from the sector they belong to.

For their assessments, the Companies use public data, data from external info-providers, and information obtained during any dialogue activities with the issuer or from stakeholders. In assessing Animal Testing Scope Issuers, reference is made to international standards, including the "3 R's principles" (Replacement, Reduction and Refinement - i.e., replacement, reduction and refinement) enshrined in European Directive 2010/63 on the protection of animals used for scientific purposes.

For Animal Testing Scope Issuers in the portfolio, when faced with the identification of issues referring to the dimensions described above, the Companies may consider resorting to engagement activities, which may take the form of direct meetings with management, communications to corporate bodies, or other dialogue activities, including pooled dialogue with institutional investors and trade associations.

In order to define the priority level of engagement, the exposure of the portfolios to the Selected Instruments for which critical issues have been detected is considered; engagement will therefore be conducted according to a logic aimed at prioritizing the most significant Animal Testing Scope Issuers in consideration of their weight in terms of percentage of the total AuM of each Company. If this criterion does not allow a priority level to be expressed, detailed information may be requested from the external info-providers, who support the Poste Vita Group in its portfolio monitoring activities, with respect to the issues detected.

Engagement can be aimed at verifying how the Animal Testing Scope Issuer is managing the risks arising from exposure to the scope in question, raising management's awareness of the adoption of appropriate safeguards, and ultimately preventing the generation of negative environmental or social impacts from the activities carried out. For details on how engagement activities are carried out, please refer to the Poste Vita Group's "Guidelines on Voting Rights and Engagement Activities".

If the engagement activity does not bring satisfactory results within 18/24 months from discovering the issue, the head of investment management office provides a report of the activities carried out to the Investment Committee for further evaluation. The Investment Committee has the authority, in line with and in compliance with the regulations of corporate governance, to propose further actions to be submitted to the relevant corporate bodies, which may include, as an extreme solution, divestment from the Animal Testing Scope Issuers.

## 2.4. Human Rights

Poste Vita Group pays particular attention to human rights both at internal dimension and within its investment activities. In particular, based on international standards such as the International Labor 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 indicators, it periodically on a semi-annual basis evaluates the issuers of the Selected Instruments in order to verify that they have not been sanctioned for human rights violations as a result of disputes relating to some of the following:

- Incidents that may damage the local communities and/or the environment
- Relocation of the local populations without a prior consultation - thus causing physical damages – or by reviewing property rights and rights on land and water
- Involvement in child labour, forced labour or human trafficking
- Inadequate work conditions, e.g. in terms of salary, health and safety
- Discrimination in work places, e.g. based on gender, ethnicity, geographical origin, disability, sexual orientation, religious belief
- Violation of workers' rights to trade union activities and collective bargaining
- Violation of the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises.
- Lack of compliance processes and mechanisms to monitor compliance with the principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises.

(The “**Human Rights Protection Scope Issuers**”).

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

The Companies monitor, also using data and information from specialized external info-providers, the total amount of investments in Selected Instruments of Issuers involved in human rights-related disputes or sanctions. Should each Company's amount be over 5% of all AuMs, the function in charge of investment management reports the case to the Investment Committee so that the necessary actions can be evaluated and proposed to the competent corporate bodies.

Human Rights Protection Scope Issuers in the main ESG / Sustainability indexes – e.g. Dow Jones Sustainability Index, etc. – are not subject to the aforementioned monitoring. This because their presence in these indexes already represents a high level of propensity and sensitivity to ESG issues and specific risks deriving from their sector.

For their assessments, the Companies use public data, data coming from external info-providers or information achieved during any dialogue with the issuing company or its stakeholders.

For the Human Rights Protection Scope Issuers in the portfolio, when faced with the identification of issues referring to the dimensions described above, the Companies may utilize engagement activities, such as direct meetings with management, communications to corporate bodies, or other dialogue activities, including pooled dialogue with institutional investors and group associations.

In order to define the level of engagement priority, the portfolios' exposure to the Selected Instruments for which critical issues have been detected is considered; engagement will therefore be conducted according to a logic aimed at prioritizing the most significant Human Rights Protection Scope Issuers in consideration of their weight in terms of percentage of the Company's total AuM. If this criterion does not allow for the expression of a priority level, detailed information may be requested from the external info-providers who support the Poste Vita Group in its portfolio monitoring activities, with regard to the issues encountered.

Engagement can be aimed at verifying how the issuer is managing the risks arising from exposure to the area in question, raising management's awareness of the adoption of appropriate safeguards, and ultimately preventing the generation of negative environmental or social impacts by the activities carried out. For details on how engagement activities are carried out, please refer to the Poste Vita Group's "Guidelines on the Exercise of Voting Rights and Engagement Activities".

If the engagement activity does not bring satisfactory results within 18/24 months from discovering the issue, the function in charge of investment management provides a report of the activities carried out to the Investment Committee for further evaluation. The Investment Committee has the authority, in line with and in compliance with the regulations of corporate governance, to propose further actions, which may include, as an extreme solution, divestment from the Human Rights Protection Scope Issuer.