POSTE VITA GROUP: GUIDELINES FOR THE INVESTMENT IN SENSITIVE SECTORS

Summary

Introduction

Poste Vita S.p.A. and Poste Assicura S.p.A' s (hereinafter each one the "Company") Guidelines for investments in sensitive sectors establishes measures to find, assess and monitor exposure to activities that have an intrinsic relevant risk in terms of ESG. Thus, the Guidelines allow to include environmental, social and governance in the investment process.

To implement the provisions contained in this document, the Investment – ESF Assessment Committee makes use of the analyses and reports from the Head of investment management office and has the authority to suggest a change in the Guidelines due to specific issues found.

These Guidelines are published on the Company's website.

1. Objectives

The purpose of this document is to discover activities and sensitive sectors in terms of ESG and establish a specific process for this kind of investments that can be applied to all the Company's direct investments in terms of listed share and bond securities (hereinafter, "**Financial Instruments**"). Moreover, the Company assesses the policies used by each manager and - in case of any difference - shall propose the use of these Guidelines.

The Company is aware that the investment in companies operating in sensitive sectors in terms of ESG may increase the exposure of its portfolio to risks that may have a negative impact on performances. Thus, it has decided – within the limits established in specific paragraphs – to establish specific criteria for investments in companies heavily involved in the following sectors:

- Fossil Fuels
- Coal
- Tests on Animals
- Human Rights

These are the current priority sectors for the Company that in the future may even include other sectors within these Guidelines.

2. Investments 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 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 –directly or indirectly – hold stakes above 20% in:

- Activities in the sector of Fossil Fuels (coal, unconventional and conventional oil and natural gas such as tar sands, shale oil and gas, artic oil and gas, offshore oil and gas, liquified natural gas deriving from unconventional fossil fuels[1]), in particular, in upstream (exploration, drilling, production), midstream (transport), downstream (sales) and electricity generated from Fossil Fuels
- Fossil Fuel Reserves obtained from activities in the sector

The following exposures have been considered particularly relevant:

Indicator	**Criterion**
Percentage of profits from activities in the field of Fossil Fuels	≥20%
Presence of Fossil Fuel Reserves obtained from activities in the sector	Yes

The investment management office monitors, using also data and information from specialized external info-providers, the total amount of investments in Financial Instruments of companies involved in the Fossil Fuels sector and government bodies adopting energy policies that may imply environmental risks. Should the Company's amount be over 10% of all AuMs, the Head of investment management office shall report the matter to the Investment – ESF Assessment Committee that will evaluate the actions required.

The issuing companies – with specific reference to the Financial Instruments in which the Company has invested – are monitored in order to discover possible issues related to some of the following ESG risks:

- 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
  - Government bodies with energy policies that may imply risks for the environment, e.g. since they have not signed/entered into any international agreement on this matter
- 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
  - Repositioning 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

Issuers present 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.

[1] Where turnover data are not available, the Company monitors issuers involved in the abovementioned activities regardless of their exposure in the industry.

For its assessments, the Company uses public data, data coming from external info-providers or information achieved during talks with the issuing company or its stakeholders.

When the Company has to face the aforementioned potential issues, it may utilize collaborative engagement activities in pool with other institutional investors and group associations in the context of initiatives focusing on this aspect, such as direct meetings with the management, communications to social bodies or other liaising activities. The engagement activity can even be with experts of the field. Its goal is to verify the issuing company is managing the risks linked to the exposure in the given field or telling their management to use adequate safety measures. For further details on how to carry out engagement activities, see 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 shall report all activities made to the Investment – ESF Assessment Committee that, in line and in compliance with what foreseen by the company governance, may propose further actions and, as an extreme solution, the disinvestment from the issuing company.

The issuing companies for which no ESG data is available at the moment of investment shall undergo the aforementioned process after the regular portfolio assessment or regardless of this assessment should the Company become aware during its monitoring activities of facts or news regarding ESG matters.

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 by reducing greenhouse gas emissions, 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 the Company believes that investing in Financial Instruments of issuing companies 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 theirwell-being.

These Guidelines regard companies involved in the sector 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 following exposures are considered quite relevant:

Indicator	**Criterion**
Percentage of profits 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 investment management office monitors, using also data and information from specialized external info-providers, the total amount of investments in Financial Instruments of companies involved in the coal sector. Should the Company's amount be over 5% of all AuMs, the Head of investment management office shall report the matter to the Investment – ESF Assessment Committee that will evaluate the actions required to be proposed.

The issuing companies – with specific reference to the Financial Instruments in which the Company has invested – are monitored in order to discover possible issues related to some of the following ESG risks:

- 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
  - Government bodies with energy policies that may imply risks for the environment, e.g. since they have not signed/entered into any international agreement on this matter
- 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
  - Repositioning 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

Issuers present 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 its assessments, the Company uses public data, data coming from external info-providers or information achieved during talks with the issuing company or its stakeholders.

When the Company has to face the aforementioned potential issues, it may utilize collaborative engagement activities, in pool with other institutional investors and group associations in the context of initiatives focusing on this aspect, such as direct meetings with the management, communications to social bodies or other liaising activities. The engagement activity can even be with experts of the field. Its goal is to verify the issuing company is managing the risks linked to the exposure in the given field or telling their management to use adequate safety measures. For further details on how to carry out engagement activities, see 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 shall report all activities made to the Investment – ESF Assessment Committee that, in line and in compliance with what foreseen by the company governance, may propose further actions and, as extreme solution, the disinvestment from the issuing company.

The issuing companies for which no ESG data is available at the moment of investment shall undergo the aforementioned process after the regular portfolio assessment or regardless of this assessment should the Company become aware during its monitoring activities of facts or news regarding ESG matters.

2.3 Tests on Animals

Testing on animals 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 Company believes the investment in Financial 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 sector 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)

Indicator	Criterion
Profits deriving from the production of cosmetic products tested on animals	Yes
Profits deriving from the production of other products (e.g. household detergents) tested on animals	Yes
Testing on animals for companies that produce cosmetic or other products	Yes
Testing on animals for medical purposes	Yes

The investment management office monitors, using also data and information from specialized external info-providers, the total amount of investments in Financial Instruments of companies involved in tests on animals. Should the Company's amount be over 5% of all AuMs, the Head of investment management office shall report the matter to the Investment – ESF Assessment Committee that will evaluate the actions required.

The issuing companies – with specific reference to the Financial Instruments in which the Company has invested – are monitored in order to discover possible issues related to some of the following ESG matters:

- 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

Issuers present 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 its assessments, the Company uses public data, data coming from external info-providers or information achieved during talks with the issuing company or its stakeholders. The Company uses international standards to evaluate these issuers, among which the 3R's principle – Replacement, Reduction and Refinement – established in EU Directive 2010/63 for the protection of animals used for scientific purposes.

When the Company has to face the aforementioned potential issues, it may utilize engagement activities, such as direct meetings with the management, communications to social bodies or other talks including those with government investors or group associations. The engagement activity can even be with experts of the field. Its goal is to verify the issuing company is managing the risks linked to the exposure in the given field or telling their management to use adequate safety measures. For details on how to carry out engagement activities, see 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 shall report all activities made to the Investment – ESF Assessment Committee that, in line and in compliance with what foreseen by the company governance, may propose further actions and as extreme solution the disinvestment from the issuing company.

The issuing companies for which no ESG data is available at the moment of investment shall undergo the aforementioned process after the regular portfolio assessment or regardless of this assessment should the Company become aware during its monitoring activities of facts or news regarding ESG matters.

3. Protection of Human Rights

The Company pays particular attention to human rights both at internal level and within its investment activities. In particular, the Company monitors the issuers of Financial Instruments in which it invests in order to verify the issuing companies have not been sanctioned for violating human rights following disputes related to what indicated here below. The monitoring activity is made according to international standards such as the "Declaration of the International Labour Organization on Principles and Fundamental Rights at Work, inclusive of all amendments", the Global Compact and the UN Declaration of Human Rights:

- Incidents that may damage the local communities and/or the environment
- Repositioning 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

The investment management office monitors, using also data and information from specialized external info-providers, the total amount of investments in Financial Instruments of companies involved in disputes or sanctions related to human rights. Should the Company's amount be over 5% of all AuMs, the Head of investment management office shall report the matter to the Investment – ESF Assessment Committee that will evaluate the actions required to be proposed.

The issuing companies undergo specific assessments on the Financial Instruments in which the Company has invested.

Issuers present 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 its assessments, the Company uses public data, data coming from external info-providers or information achieved during talks with the issuing company or its stakeholders.

When the Company has to face the aforementioned potential issues, it may utilize engagement activities, such as direct meetings with the management, communications to social bodies or other talks including those with government investors or group associations. The engagement activity can even be with experts of the field. Its goal is to verify the issuing company is managing the risks linked to the exposure in the given field or telling their management to use adequate safety measures. For details on how to carry out engagement activities, see 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 shall report all activities made to the Investment – ESF Assessment Committee that, in line and in compliance with what foreseen by the company governance, may propose further actions and, as extreme solution, the disinvestment from the issuing company.

Moreover, the Company will:

- Exclude from its investments all issuing companies operating directly in the production of weapons forbidden by UN Conventions as they violate fundamental human rights, i.e. landmines, cluster bombs, depleted uranium, biological weapons, chemical weapons, invisible fragmentation weapons, blinding lasers, incendiary weapons, white phosphorus
- Carefully monitor government bodies at risk of systematic and deliberate violation of human rights, due to the failure to ratify international conventions – e.g. the "Declaration of the International Labour Organization on Principles and Fundamental Rights at Work, inclusive of all amendments" – or that have been sanctioned for violating human rights

The issuing companies for which no ESG data is available at the moment of investment shall undergo the aforementioned process after the regular portfolio assessment or regardless of this assessment should the Company become aware during its monitoring activities of facts or news regarding ESG matters.

4. Distribution and updates

These Guidelines are communicated to all personnel even during training sessions based on the areas of operation, roles and responsibilities, and are available on the Company's website for all stakeholders, including the market and financial community and institutions.

The Company Managers shall apply the commitments defined in these Guidelines in their business decisions and operations.

These Guidelines shall be evaluated for updates at least once a year in the light of issues that may have occurred or from the monitoring of national and international trends in the field of responsible investments.