



Type of engagement	Response for intervention
Individual/institutional scale engagements	<input type="checkbox"/> To support investment decisions and to monitor ESG issues <input type="checkbox"/> To encourage corporate actions for sustainability <input type="checkbox"/> Other: specify
Collaborative engagements	<input type="checkbox"/> To support investment decisions and to monitor ESG issues <input type="checkbox"/> To encourage corporate actions for sustainability <input type="checkbox"/> Other: specify
Service provider engagements	<input type="checkbox"/> To support investment decisions and to monitor ESG issues <input type="checkbox"/> To encourage corporate actions for sustainability <input type="checkbox"/> Other: specify

CLIMATE TRANSPARENCY REPORT 2020

Etica SGR

About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (<https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-6D463CBA-1C27-4E22-970C-48B5A09120CC/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1>). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	✓	Public				
SG 07.7 CC	✓	Public				
SG 07.8 CC	-	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	✓	Public				
SG 14.7 CC	-	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Public				
SG 15.2	✓	Public				
SG 15.3	✓	Public				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
Name	Etica SGR
Signatory Category	Fund Management - Majority
Signatory Type	Investment Manager
Size	US\$ 5 - 9.99 billion AUM
Main Asset Class	Multi-Asset
Signed PRI Initiative	2009
Region	Europe
Country	Italy
Disclosure of Voluntary Indicators	65% from 38 Voluntary indicators

Etica SGR

Reported Information

Public version

Strategy and Governance

PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

Investment policy

SG 01	Mandatory	Public	Core Assessed	General
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New selection options have been added to this indicator. Please review your prefilled responses carefully.

SG 01.1	Indicate if you have an investment policy that covers your responsible investment approach.
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SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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SG 01.6 CC	Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.
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Yes

Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.
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Etica Sgr's investment strategy is exclusively dedicated to sustainable and responsible investing. The selection of securities is the result of a thorough screening aimed at evaluating issuers' sustainability not only from a financial perspective but also in terms of social factors, environmental considerations and good governance (ESG).

With climate change as a crucial element among the environmental considerations, for both overarching investment strategies into which Etica Sgr's funds are grouped - i.e. the Linea Valori Responsabili and the Linea Futuri Responsabili -, climate-related screening criteria are applied by the ESG Analysis and Research team when evaluating corporate and sovereign issuers for their overall ESG profile. Such criteria are both negative (i.e. exclusion of sectors based on their climate impact and exclusion of issuers based on climate-related controversies) and positive (i.e. the presence of climate-related indicators in the assessment of an issuer's ESG performance).

The results of the analysis carried out by the ESG Analysis and Research team are then complemented with the work conducted by Risk Management, and with inputs received by the autonomous and independent Ethics Committee. Then, the BoD determines the final investible universe.

The funds of Sistema Etica are grouped into two overarching investment approaches where the incorporation of climate-related considerations is set for each investible universe accordingly:

Linea Valori Responsabili: these funds select securities issued by corporate and sovereign issuers based on the issuers' ESG performance with a sectoral approach. Currently, Linea Valori Responsabili comprises five funds with different risk/return profiles.

Linea Futuri Responsabili: these funds select securities issued by corporate and sovereign issuers according to a thematic approach. Currently, Linea Futuri Responsabili is made of one fund, Etica Impatto Clima, focused on the climate change theme and, in particular, on low carbon emissions with an attention also for social and governance issues.

No

SG 01.7 CC	Indicate whether the organisation has assessed the likelihood and impact of these climate risks?
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Yes

Describe the associated timescales linked to these risks and opportunities.

ESG considerations are integrated into Etica Sgr's risk management through the proprietary methodology "Rischio ESG" (i.e. ESG Risk). However, Etica Sgr does not formally integrate solely climate-related risks into its overall risk management.

"Rischio ESG" is a statistic and predictive tool that calculates the risk arising from ESG-related issues that impact the performance of stocks in a mutual fund. Every security in Etica Sgr's portfolio holdings is assigned an ESG score. The timeframe applied considers 3 years perspective, while the progress is conducted on annual basis.

Moreover, the updates of ESG Score of issuers (i.e. the update of eligible universes) is planned twice a year, therefore the "Rischio ESG" is fully updated consequently on the same timeframe.

No

**SG 01.8
CC**

Indicate whether the organisation publicly supports the TCFD?

Yes

No

**SG 01.9
CC**

Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.

Yes

Describe

The identification of climate-related risks and opportunities is central to i) Etica's investment strategy ii) and engagement policy, iii) and it is reflected in the participation in dedicated industry initiatives.

Etica Sgr's investment strategy is centered around the concept of sustainable and responsible investing. The selection of securities is the result of a thorough screening aimed at evaluating issuers' sustainability not only from a financial perspective but also in terms of social factors, environmental considerations and good governance (ESG). The results of the analysis carried out by the ESG Analysis and Research team are then complemented with the work conducted by the Investment Committee and Risk Management, and with inputs received by the autonomous and independent Ethics Committee. Then, the BoD determines the final investible universe.

With regards to engagement, Etica Sgr's Engagement Policy identifies climate change among the "strategic" issues for potential engagement activities (dialogue and/or voting) for the long term. Etica Sgr aims to discuss several climate-related issues for potential engagement activities: those span from GHG emission reporting to GHG emission reduction target setting to the impact of the product and/or service portfolio. For the medium and short term, the most recent Engagement Plans list climate change as one of the five engagement domains. The three topics in the climate change domain are GHG emission management, climate change adaptation, and deforestation.

Regarding industry initiatives, Etica Sgr's stance on climate-related risks and opportunities is also reflected into several internal and external initiatives. As mentioned in the 1.a subsection, Etica Sgr was the first Italian asset management company to sign the Montreal Carbon Pledge in 2015 and is hence committed to measuring and reporting on the carbon footprint of its investments in line with the TCFD on an annual basis. Externally, Etica Sgr promotes the "CDP Non-Disclosure Campaign" among invested companies with the aim to encourage the response to the CDP Questionnaires on climate change, water and forests. Etica Sgr has also endorsed the "Statement of Investor Commitment to Support a Just Transition on Climate Change", which seeks to address the decarbonisation challenge and the significant social and economic implications for affected communities.

No

**SG 1.10
CC**

Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other

specify

Carbon Footprint of equity portfolio is calculated based on metrics in line with TCFD recommendations.

- We currently do not publish TCFD disclosures

Governance and human resources

SG 07 CC

Mandatory to Report Voluntary to Disclose

Public

Descriptive

General

**SG 07.5
CC**

Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

Board members or trustees

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Other Chief-level staff or heads of departments

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Dedicated responsible investment staff

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

Other role, specify (1)

Risk Manager

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

SG 07.6 CC	For board-level roles that have climate-related issue oversight/accountability or implementation responsibilities, indicate how these responsibilities are executed.
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Etica Sgr, as the first Italian asset management company to have signed the Montreal Carbon Pledge in 2015, is committed to measuring and reporting on the carbon footprint of its investments; since last year the carbon footprint metrics are in line with the TCFD recommendations. The carbon footprint is calculated on an annual basis.

The Board of Directors (BoD) is Etica Sgr's decision-making body and is final accountable for climate-related matters, which are incorporated into Etica Sgr's overall investment strategy focused on issuers that adopt good practices from an ESG viewpoint. The BoD oversees climate risks and opportunities via three main channels:

- 1) The supervision of integration of climate-related considerations into the investment process by defining the final Countries and Companies investible universe;
- 2) The definition of climate-related issues for engagement in the form of dialogue with issuers and/or the exercise of voting and other shareholders' rights;
- 3) The supervision of key initiatives in the climate change domain such as the annual carbon footprint of investments.

SG 07.7 CC	For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.
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Etica Sgr's General Manager supervises the activities of the ESG Analysis and Research Team, which has the operational mandate of i) incorporating climate-related considerations into the investment process by applying negative exclusion criteria that rule out certain sectors or activities as well as positive evaluation criteria, ii) guiding the iterative process mainly concerning the definition of investible universe of Etica Sgr's funds with other key corporate areas such as the Risk Management Team and the Ethics Committee, iii) and steering engagement activities.

The General Manager is active part of the definition of an annual Engagement Plan and oversees the implementation of key climate initiatives within Etica Sgr. Every year, the General Manager assesses the results of the investment carbon footprint analysis aligned with the TCFD recommendations to allow the BoD to oversee the risks and opportunities through the three channels outlined above in PRI indicator SG 07.6CC.

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1
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SG 13.1	Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).
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- Yes, in order to assess future ESG factors

	Describe
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Etica Sgr performs stress test of portfolios comparing them with benchmark and other ESG indices, estimating potential losses in terms of VAR decomposed by Environmental, Social and Governance risks factors. Etica Sgr calculates every day the stress test of ESG Risks metrics, based on the variations of ESG constituents' scores.

- Yes, in order to assess future climate-related risks and opportunities

Describe

Scenario Analysis integrated in Data Analysis, provides a quantitative assessment in relation to the alignment with a 2°C climate scenario compliant with Paris Agreement. Furthermore, the scenario analysis is incorporated in engagement to encourage companies towards decarbonisation and pursue efforts to limit warming and climate change.

- No, our organisation does not currently carry out scenario analysis and/or modelling

SG 13.2

Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.

We do the following

- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify

Asset allocation can take in consideration factors deriving from the annual engagement plan approved by Board of Directors.

- We do not consider ESG issues in strategic asset allocation

SG 13 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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SG 13.4 CC

Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans.

- Initial assessment

Describe

In the boundary of listed equity portfolio of the Line "Futuri Responsabili " the scenario analysis is integrated in the Data Analysis' process, which, inter alia, provides a quantitative assessment in relation to the alignment with a 2°C climate scenario Etica Sgr aims to use the results as an initial tool to integrate climate scenario analysis into the investment strategy.

- Incorporation into investment analysis

Describe

In the boundary of listed equity portfolio of the Line "Futuri Responsabili " the scenario analysis and climate change indicators are integrated in the investment analysis and risk-return valuation. Moreover, the fund "Etica Impatto Clima" has an investment policy focus on low-carbon transition strategy for companies and governments. Etica Sgr calculates every day the stress test on ESG Risk, based on the daily variations of ESG issuers' scores.

- Inform active ownership

Describe

The use of scenario analysis is already incorporated in Etica Sgr's engagement activities around companies' decarbonisation goals by endorsing the Science-Based Target initiative (SBTi), and therefore the definition and implementation of GHG emission reduction targets that are consistent with what the latest climate science says is necessary to meet the goals of the Paris Agreement to limit global warming to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C. Moreover, Etica Sgr publishes the number of companies that have committed to science-based targets (SBTs) in its impact report. This applies to portfolios of all funds of Sistema Etica.

Other

**SG 13.5
CC**

Indicate who uses this analysis.

- Board members, trustees, C-level roles, Investment Committee
- Portfolio managers
- Dedicated responsible investment staff
- External managers
- Investment consultants/actuaries
- Other

**SG 13.6
CC**

Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.

Yes

Describe

Risk management department of Etica Sgr has conducted analysis in short and medium term perspectives for ESG factors. In particular have been identified relevant climate change indicators to define risky variables in short and medium term, moreover in the analysis with medium term timeline have taken into consideration also significant and unforecasted shocks on climate change variables.

No

**SG 13.7
CC**

Indicate whether a range of climate scenarios is used.

- Analysis based on a 2°C or lower scenario
- Analysis based on an abrupt transition, consistent with the Inevitable Policy Response
- Analysis based on a 4°C or higher scenario
- No, a range is not used

**SG 13.8
CC**

Indicate the climate scenarios your organisation uses.

Provider	Scenario used
IEA	<input checked="" type="checkbox"/> Beyond 2 Degrees Scenario (B2DS)
IEA	<input type="checkbox"/> Energy Technology Perspectives (ETP) 2 Degrees scenario
IEA	<input type="checkbox"/> Sustainable Development Scenario (SDS)
IEA	<input type="checkbox"/> New Policy Scenario (NPS)
IEA	<input type="checkbox"/> Current Policy Scenario (CPS)
IRENA	<input type="checkbox"/> RE Map
Greenpeace	<input type="checkbox"/> Advanced Energy [R]evolution
Institute for Sustainable Development	<input type="checkbox"/> Deep Decarbonisation Pathway Project (DDPP)
Bloomberg	<input type="checkbox"/> BNEF reference scenario
IPCC	<input type="checkbox"/> Representative Concentration Pathway (RCP) 8.5
IPCC	<input type="checkbox"/> RPC 6
IPCC	<input type="checkbox"/> RPC 4.5
IPCC	<input type="checkbox"/> RPC 2.6
Other	<input type="checkbox"/> Other (1)
Other	<input type="checkbox"/> Other (2)
Other	<input type="checkbox"/> Other (3)

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1
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SG 14.1

Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

- Changing demographics
- Climate change
- Resource scarcity
- Technological developments
- Other, specify(1)
- Other, specify(2)
- None of the above

SG 14.2

Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

- Established a climate change sensitive or climate change integrated asset allocation strategy
- Targeted low carbon or climate resilient investments

Specify the AUM invested in low carbon and climate resilient portfolios, funds, strategies or asset classes.

	trillions	billions	millions	thousands	hundreds
Total AUM			243	069	513
Currency	EUR				
Assets in USD			267	935	839

Specify the framework or taxonomy used.

The AuM reported refers specifically to the newly launched fund Etica Impatto Clima which investment policy focus on selecting issuers with best performance on environmental domain, and with particular attention to the transition towards a low carbon economy. Social and governance items are taken into consideration as well.

Climate related risks are taken in consideration also for the funds of "Linea Valori Responsabili" for investment decisions making, active ownership and engagement activities to encourage a climate-supportive company activity. Climate related risks and opportunities are taken in consideration throughout the whole investment process for issuers from different sectors where climate change is a significant area of concern (e.g. Utility and Industrial sectors).

- Phase out your investments in your fossil fuel holdings
- Reduced portfolio exposure to emissions intensive or fossil fuel holdings
- Used emissions data or analysis to inform investment decision making
- Sought climate change integration by companies
- Sought climate supportive policy from governments
- Other, specify
- None of the above

SG 14.3

Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

- Scenario analysis
- Disclosures on emissions risks to clients/trustees/management/beneficiaries
- Climate-related targets
- Encouraging internal and/or external portfolio managers to monitor emissions risks
- Emissions-risk monitoring and reporting are formalised into contracts when appointing managers
- Weighted average carbon intensity
- Carbon footprint (scope 1 and 2)
- Portfolio carbon footprint
- Total carbon emissions
- Carbon intensity
- Exposure to carbon-related assets
- Other emissions metrics
- Other, specify

other description

Carbon avoided, carbon efficiency, low carbon product; Science Based Targets; CDP Score; Investments for emissions reduction.

- None of the above

SG 14 CC	Voluntary	Public	General
SG 14.6 CC	Provide further details on the key metric(s) used to assess climate-related risks and opportunities.		

Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
Weighted average carbon intensity	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	This metric is used to steer portfolios towards sustainability, improve the risk-return ratio of the equity portfolio and obtain relevant information for engagement with companies.	Tons CO2e / \$M revenue	Scope 1 and Scope 2 GHG emissions are allocated based on portfolio weights (the current value of the investment relative to the current portfolio value), rather than the equity ownership approach (as described under methodology for Total Carbon Emissions).
Carbon footprint (scope 1 and 2)	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	This metric is used to steer portfolios towards sustainability, improve the risk-return ratio of the equity portfolio and obtain relevant information for engagement with companies.	Tons CO2e / \$M invested	Scope 1 and Scope 2 GHG emissions are allocated to investors based on an equity ownership approach as described under methodology for Total Carbon Emissions. The current portfolio value is used to normalize the data. As reported by TCFD Annex weaknesses of this metric include: metric does not take into account differences in the size of companies (e.g., does not consider the carbon efficiency of companies) and changes in underlying companies' market capitalization can be misinterpreted.
Total carbon emissions	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	This metric is used to steer portfolios towards sustainability, improve the risk-return ratio of the equity portfolio and obtain relevant information for engagement with companies.	Tons of CO2e	Scope 1 and Scope 2 GHG emissions are allocated to investors based on an equity ownership approach. Under this approach, if an investor owns 5 percent of a company's total market capitalization, then the investor owns 5 percent of the company as well as 5 percent of the company's GHG (or carbon) emissions. As reported by TCFD Annex weaknesses of this metric include: metric is generally not to be used to compare portfolios because the data are not normalized and changes in underlying companies' market capitalization can be misinterpreted.
Carbon intensity	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	This metric is used to steer portfolios towards sustainability, improve the risk-return ratio of the equity portfolio and obtain relevant information for engagement with companies.	Tons CO2e / \$M revenue	Scope 1 and Scope 2 GHG emissions are allocated to investors based on an equity ownership approach as described under methodology for Total Carbon Emissions. The company's (or issuer's) revenue is used to adjust for company size to provide a measurement of the efficiency of output. As reported by TCFD Annex weaknesses of this metric include: changes in underlying companies' market capitalization can be misinterpreted.
Exposure to carbon-related assets	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	This metric is used to steer portfolios towards sustainability, improve the risk-return ratio of the equity portfolio and obtain relevant information for engagement with companies.	\$M and %	This metric focuses on a portfolio's exposure to sectors and industries considered the most GHG emissions intensive according to TCFD sector classification. As reported by TCFD Annex weaknesses of this metric include: metric does not provide information on sectors or industries other than those included in the definition of carbon-related assets (i.e., energy and utilities sectors under the Global Industry Classification Standard excluding water utilities and independent power and renewable electricity producer industries).

**SG 14.8
CC**

Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.

- Processes for climate-related risks are integrated into overall risk management

Please describe

ESG considerations are in fact integrated into Etica Sgr's risk management through the proprietary methodology "Rischio ESG" (i.e. ESG Risk). "Rischio ESG" is built on an ESG score that inter alia includes the climate-related indicators.

Etica Sgr does not formally integrate specifically climate-related risks into its overall risk management, however Etica decomposes ESG Risk in 3 contributors: E, S and G, so that the Environmental part is considered and analysed by Risk Management to have a first order evaluation in terms of climate-related risk value.

Rischio ESG is a statistic and predictive tool that calculates the risk arising from ESG-related issues that impact the performance of stocks in a mutual fund. Every security in Etica Sgr's portfolio holdings is assigned an ESG score. This score is higher for the securities of corporate and sovereign issuers that have a better ESG profile, and securities are then categorised in terms of classes of Rischio ESG. Considering this distribution, the ESG Risk is lower when the best performing securities (in ESG terms) are concentrated in the classes with a higher score.

Etica Sgr has measured a strong statistical correlation between Rischio ESG and the traditional financial risk represented by non-diversified Value-at-Risk (VaR), which consists in the potential loss on an investee in a given timeframe. This statistical correlation applies to both sectors and countries. A fund with a higher VaR also has a higher Rischio ESG and vice versa. Therefore, Etica Sgr approach to the risk/return analysis of a portfolio can be regarded as holistic since it includes traditional as well as non-financial (ESG) variables.

- Processes for climate-related risks are not integrated into overall risk management

**SG 14.9
CC**

Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.

- Yes

Please describe

Climate change is fully incorporated in Etica Sgr's approach to engagement. From a long-term perspective, the Engagement Policy identifies climate change among the strategic issues for potential engagement activities (dialogue and/or voting). In the short- and medium-term, the most recent Engagement Plans define climate change as one of the engagement domains. Climate change is one of the strategic issues in the environmental pillar of Etica Sgr's Engagement Policy. Etica Sgr aims to discuss, inter alia, the following issues, and to vote in favour of any shareholder resolution in that respect:

- GHG emissions reporting, monitoring and setting of reduction targets (preferably SBT);
- GHG emission intensity per unit of output (product or service) disclosure;
- Investment into a low-carbon economy;
- Link of manager remuneration to the achievement of environmental objectives;
- Disclosure around strategy on use of energy from renewable energy sources and energy efficiency of facilities and/or production.
- Disclosure on environmental certification of facilities;
- Disclosure on "dematerialisation" - i.e. the reduction of the quantity of inputs needed for the same amount of a given product.
- Climate-related issues within other environmental areas for engagement such as water management and deforestation.

- No, we do not undertake active ownership activities.
- No, we do not undertake active ownership activities to encourage TCFD adoption.

SG 15.1	Indicate if your organisation allocates assets to, or manages, funds based on specific environmental and social themed areas.
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Yes

SG 15.2	Indicate the percentage of your total AUM invested in environmental and social themed areas.
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%	
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100

SG 15.3	Specify which thematic area(s) you invest in, indicate the percentage of your AUM in the particular asset class and provide a brief description.
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	Area
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- Energy efficiency / Clean technology
- Renewable energy
- Green buildings
- Sustainable forestry
- Sustainable agriculture
- Microfinance
- SME financing
- Social enterprise / community investing
- Affordable housing
- Education
- Global health
- Water
- Other area, specify

Etica Sgr allocates 100% of its assets for equity and bond portfolio on specific environmental and social themed areas without any limit defined ex ante.

	Asset class invested
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Listed equity

	Percentage of AUM (+/-5%) per asset class invested in the area
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100

Fixed income - SSA

	Percentage of AUM (+/-5%) per asset class invested in the area
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100

Fixed income - Corporate (financial)

Percentage of AUM (+/-5%) per asset class invested in the area

100

- Fixed income - Corporate (non-financial)

Percentage of AUM (+/-5%) per asset class invested in the area

100

- Fixed income - Securitised
 Cash

Brief description and measures of investment

Etica Sgr identifies main investment topics in Environmental and social areas. In 2019, the most significant topics, among others, have been: energy efficiency / clean technology; renewable energy; sustainable forestry; sustainable agriculture; global health; water, just transition.

- No