Template pre-contractual disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: AZ Equity - Environmental FoF **Legal entity identifier:** 549300P735VQL5TGW820

Environmental and/or social characteristics

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

Does this financial product have a sustainable investment objective?

☐ **Yes**	☒ **No**
☐ It will make a minimum of **sustainable investments with an environmental objective:** ___%	☒ It **promotes environmental/social (E/S) characteristics** and while it does not have as its objective a sustainable investment, it will have a minimum proportion of 20% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☒ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☒ with a social objective
☐ It will make a minimum of **sustainable investments with a social objective:** ___%	☐ It promotes E/S characteristics, but **will not make any sustainable investments**

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities.** That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

What environmental and/or social characteristics are promoted by this financial product?

The Sub-fund promotes environmental and social characteristics by integrating ESG (environmental, social and governance) factors into the investment process. As stated by the United Nations

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

Principles for Responsible Investment (the "**UN PRI**"), ESG integration is "the systematic and explicit inclusion of material ESG factors in investment analysis and investment decisions".

The integration of ESG factors has a positive impact on the environment and society, as companies with the best environmental and social practices are favoured over those with lower standards.

Companies with the highest ratings on the environmental pillar tend to adopt better standards and pay close attention to issues such as: prevention of climate change (e.g. in terms of reduced carbon emissions, carbon footprint, vulnerability to climate change); natural resources (e.g. in terms of water stress, biodiversity and land use); pollution and waste prevention (in relation to emissions and toxic waste; packaging materials and waste; electronic waste); environmental opportunities (in clean technologies; in renewable energy).

Companies with the highest ratings on the social pillar tend to adopt better standards and pay close attention to issues such as: human capital (labour management; health and safety; human capital development; supply chain labour standards); product responsibility (product safety and quality; chemical safety; consumer financial protection; confidentiality and data security; responsible investment; health and demographic risks); social opportunities (access to communications; access to finance; access to health care; opportunities in nutrition and health); stakeholder opposition (controversial procurement; community relations).

In addition to the positive environmental and social impacts, ESG integration also leads to better long-term financial returns on investments, as well as higher risk-adjusted returns and long-term profitability. Since companies with good ESG practices have higher revenue and profit growth, lower volatility, higher productivity and lower costs, they are less exposed to regulatory risks, fines and penalties.

The Sub-fund, which is a fund of funds, also promotes environmental characteristics by investing in funds whose investment objective is to invest in environmentally friendly industries. Environmentally friendly industries include, among others, pollution control, waste management, clean technologies, sustainable development, renewable energy and climate change.

In addition, the Sub-fund promotes environmental and social characteristics by excluding investments in funds with an ESG rating of CCC or B as their underlying investments are likely to be excessively exposed to issuers with poor ESG performance, and therefore more likely to be unsustainable and/or involve significant environmental and social risks.

No benchmark has been designated to achieve the environmental or social characteristics promoted by the Sub-fund.

What sustainability indicators are used to measure the attainment of each of the environmental or social characteristics promoted by this financial product?

The achievement of the environmental or social characteristics promoted shall be measured by the following sustainability indicators:

- the absence of investments in assets that are on the exclusion list as a result of the exclusion policy. The Manager undertakes to avoid investments in companies operating in sectors that are considered unsustainable and/or that may involve significant environmental and social risks (such as, among others, controversial weapons and tobacco). Additional information is available in the Manager's ESG Policy available at the following link: https://www.azimutinvestments.com/policies-and-documents;

- The weighted average ESG score of the portfolio. The ESG score is monitored, both at the level of each investment and on an aggregate basis. The environmental, social and governance scores of each investment are considered in addition to traditional analysis and evaluation criteria. For this Sub-fund, the average ESG rating at the portfolio level must always be equal to or greater than BBB. The ESG rating is calculated using MSCI ESG Research data and methodology. Thus, the Manager ensures that the Sub-fund is financially efficient and as sustainable as possible on an ongoing basis. Additional information is available in the Manager's ESG Policy available at the following link: https://www.azimutinvestments.com/policies-and-documents;

- a minimum commitment to sustainable investments;

- consideration of the negative impacts on sustainability ("PAIs").

What are the objectives of the sustainable investments that the financial product partially intends to make and how does the sustainable investment contribute to such objectives?

The Sub-fund undertakes to invest a minimum portion of its portfolio in sustainable investments aimed at contributing to one or more environmental and social objectives, as detailed below:

- environmental objective: climate change mitigation and energy efficiency, pollution prevention and waste reduction, sustainable management of water resources, forests and land, and/or

- social objective: access to basic needs, such as health care, housing and nutrition, lending to SMEs and individuals, education services and the creation of digital gateways in least developed countries.

An investment is considered sustainable if it generates a positive contribution to one or more social or environmental objectives. The positive contribution is determined in terms of the amount (at least 20%) of the income generated by each beneficiary company of the investment from products or services contributing to one or more social or environmental objectives.

In addition, only companies benefiting from investments that comply with good governance practices can be considered as sustainable investments. Good governance practice is assessed against the ability of companies to sustainably manage resources, including human capital, to ensure operational integrity based on sound management practices and to comply with applicable standards, including tax laws.

To perform this analysis, the portfolio manager will use data provided by proprietary models from external ESG research providers (e.g., MSCI).

Additional information is available in the ESG policy of the Manager.

How do the sustainable investments that the financial product partially intends to make not cause significant harm to any environmental or social sustainable investment objective?

Sustainable investments aim to generate a positive contribution to one or more objectives without significantly impairing any other environmental or social objective in terms of assessing the potential negative impact on them. To perform this analysis, the Manager uses data provided by proprietary models from external ESG research providers (e.g., MSCI) to test the principle of not "causing material harm" (the "**DNSH**").

How were the indicators for adverse impacts on sustainability factors taken into account?

The main negative impacts are also considered, insofar as reliable data are available, to test the DNSH principle. To perform this analysis, the Manager uses data provided by proprietary models from external ESG research providers (e.g., MSCI).

Negative impacts on sustainability factors are considered by the Manager and mitigated in three ways.

The first is the integration of ESG factors into the investment process: companies with high E, S and G ratings normally have lower main negative impacts (in general terms and/or relative to their sector) due to higher standards/better operational practices.

The second is the application of the exclusion policy, which prohibits investment in funds with an ESG rating of CCC or B as their underlying investments are likely to be excessively exposed to issuers with poor ESG performance, and therefore more likely to be unsustainable and/or to involve significant environmental and social risks. More information is available on the website.

The third ground is the selection of funds, which is intended to favour, as far as possible and if available, funds classified under Article 9 SFDR or, as a second choice, those classified under Article 8 SFDR (without excluding the possibility of also holding Article 6 SFDR funds in the portfolio). The greater the weight of funds classified as Article 9 or 8 SFDR, the more contained the PAIs should be.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Alignment with the OECD Guidelines for Multinational Enterprises and the United Nations Guidelines on Business and Human Rights is based on the exposure of the investment beneficiary to controversy. The involvement of a beneficiary company in serious and wide-ranging controversies may indicate a violation of the OECD Guidelines for Multinational Enterprises and/or the UN Guidelines on Business and Human Rights and, therefore, this investment cannot be considered sustainable.

The Manager aims to favour, as far as possible and if available, funds classified under Article 9 SFDR or, as a second choice, funds classified under Article 8 SFDR (without excluding the possibility of also holding Article 6 SFDR funds in the portfolio). The greater the weight of Article 9 or 8 SFDR funds, the more compliance with the Guidelines for Multinational Enterprises and the OECD's UN Guidelines on Business and Human Rights is ensured.

To perform this analysis, the Manager uses data provided by proprietary templates from external ESG research providers (e.g., MSCI).

The EU Taxonomy sets out a "do no significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and which is accompanied by specific EU criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

Does this financial product consider the principal adverse impacts on sustainability factors?

☐ No

☒ Yes,

While all mandatory PAIs are calculated and monitored, the Manager has focused on prioritising a specific subset of PAIs, which may increase over time.

Additional information on the PAIs taken into account is available on the Management Company's website.

The Sub-fund Manager continuously monitors PAI data through an ad hoc tool where PAI values can be viewed at both position and aggregate level, in order to be considered in the investment decision-making process in the same way as ESG scores and traditional financial measures. However, given the still limited availability of reliable data on many PAIs, the high variability of PAIs at sectoral and geographical level, and their retrospective nature, no strict threshold or limit is set.

The first reason why no strict limit is set for PAIs is that at present, the percentage of companies reporting PAIs is sometimes still very low and it is reasonable to expect that new companies will start reporting PAI data in the future. Since portfolio-level PAIs are only calculated on companies that publish relevant data, it is possible that over time, the value of portfolio-level PAIs will increase as companies begin to report their data. In this case, the increase in the value of PAIs at the portfolio level does not necessarily mean that the portfolio is invested in companies with greater negative impacts, but rather that it is simply an effect of the increased hedging. The Manager must therefore assess the evolution of PAIs, taking into account the distortive effect caused by increased hedging.

Another reason why strict limits have not been set for PAIs is that focusing only on the absolute value of the PAI can lead to sub-optimal choices in terms of sustainability, especially if companies have embarked on a path of improving their practices, because PAIs are specifically a retrospective indicator. The greatest reduction in negative impacts is possible precisely by encouraging companies which currently have low operating standards and therefore high negative impacts, to improve their practices by supporting them financially in the transition, and by exercising our duty as a responsible investor and guiding the strategic business decisions of the beneficiary companies through active participation in a way that (among other things) reduces the negative impacts of the companies.

It is also possible that, over the years, companies benefiting from an investment experience cases where one or more of their PAIs increase rather than decrease. The Manager therefore assesses the PAIs first at the global level to determine the overall sustainability trajectory of the company, and then for each PAI separately.

In addition, exclusion criteria are applied to a subset of PAIs. More information is available on the website.

Information on the PAIs on sustainability factors will be available in the Sub-fund's annual report.

What investment strategy does this financial product follow?

The Sub-fund is a fund of funds and aims to achieve capital appreciation through an active asset allocation policy involving third-party managers specialising in shares and similar securities of companies in developed and emerging countries, of any market capitalisation, in environmentally friendly industries (pollution control, waste management, clean technologies, sustainable development, renewable energy and climate change).

Additional information on the general investment strategy and on the investment policy and restrictions of the Sub-fund can be found in Appendix I of the Prospectus.

The **investment strategy** guides investment decisions based on factors such as investment objectives and risk tolerance.

In addition to traditional financial analysis, the following activities, focusing on environmental and social characteristics, are an integral part of the investment process:

ESG integration

The environmental, social and governance scores of each individual investment are taken into account alongside traditional analytical and evaluation criteria, both at the level of each security and on a global basis. This objective is achieved through optimisation that mainly consists of disregarding and/or reducing positions with the lowest ESG scores, preferring companies with higher ESG scores.

Exclusion list

In addition, investments in funds with an ESG rating of CCC or B calculated according to the MSCI ESG Research methodology are also excluded.

Further information is available at https://www.azimutinvestments.com/sustainable.

Minimum percentage of sustainable investments

The Manager undertakes to always maintain a percentage of sustainable investments equal to or above 20%, as stated in the section "Does this financial product have a sustainable investment objective?".

Consideration of PAIs

The negative impact of investments on sustainability factors is calculated and monitored, focusing on a specific subset of PAIs. The Manager assesses the subset of PAIs considered first at the global level to determine the overall sustainability trajectory of the company, and then for each PAI separately.

What are the binding elements of the investment strategy used to select the investments to attain each of the environmental or social characteristics promoted by this financial product?

ESG integration

- Investments aligned with the environmental and social characteristics promoted by the Sub-fund are those with a minimum score equal to or greater than "**BB**" (in the following ascending order: CCC, B, **BB**, BBB, A, AA, AAA) for the "Environmental" or "Social" pillar. The rating is calculated from the MSCI ESG Research data and methodology.

- The portfolio of the Sub-fund has a minimum weighted average score of "BBB". The rating is calculated from the MSCI ESG Research data and methodology.

Exclusion list

- In addition, investments in funds with an ESG rating of CCC or B are excluded because their underlying investments are likely to be excessively exposed to issuers with poor ESG performance, and therefore more likely to be unsustainable and/or pose significant environmental and social risks.

What is the committed minimum rate to reduce the scope of the investments considered prior to the application of that investment strategy?

The Sub-fund does not commit to a minimum percentage to reduce its investment universe prior to the application of its investment strategy.

Good governance practices include sound management structures, employee relations, remuneration of staff and tax compliance.

What is the policy followed to assess good governance practices of the investee companies?

The assessment of good governance practices is a central pillar of the investment process adopted by the Manager and consists in ensuring that the governance of each company benefiting from an investment is based on rules of conduct aligned with international best practices and inspired by consideration of the interests of all stakeholders, including through a remuneration policy.

The Manager applies a binding element, consisting of a score equal to or greater than "**BB**" for the Governance pillar of the companies receiving investments (considering the following scale: CCC, B, **BB**, BBB, A, AA, AAA). This rating is calculated from the MSCI ESG Research data and methodology. In addition, companies benefiting from investments marked with a red flag, for which the assessment of direct involvement in the most serious negative impacts shows that these have not yet been mitigated to the satisfaction of all stakeholders involved, are excluded from the scope of investment.

Asset allocation describes the share of investments in specific assets.

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies;
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy;
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

What is the asset allocation planned for this financial product?

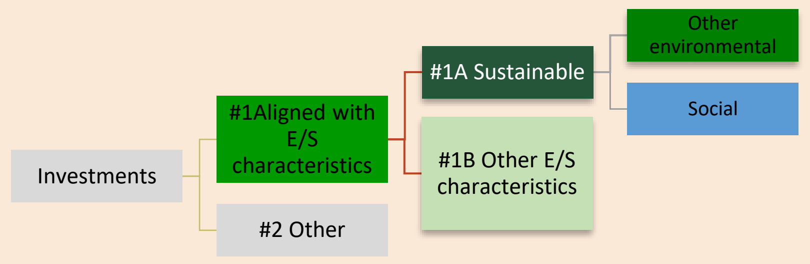
In accordance with the binding elements of the investment strategy adopted to promote environmental and social characteristics, the minimum proportion of investments aligned with environmental and social characteristics (#1 Aligned with E/S characteristics) is at least 80% of the portfolio.

The Sub-fund undertakes to make a minimum proportion of sustainable investments (#1A Sustainable) equal to at least 20% of all investments (#1A Sustainable).

The remaining share of investments that are not included in investments to promote environmental or social characteristics or in the classification of sustainable investments (#2 Other) is limited to:

- cash, which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives that may be held for investment purposes in order to implement its investment policy and/or for risk hedging purposes, but not to promote environmental and/or social characteristics; and
- securities for which the relevant data is not available or, if available, does not meet the minimum criteria established by the binding elements.

With regard to minimum environmental and social guarantees, the Manager shall monitor all relevant aspects for each company receiving an investment, including violation of the OECD Guidelines for Multinational Enterprises and the UN Guidelines on Business and Human Rights, using data from third parties.



Category **#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

Category **#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor qualified as sustainable investments.

Category **#1 Aligned with E/S characteristics** includes:
- sub-category **#1A Sustainable** covering sustainable investments with environmental or social objectives;
- sub-category **#1B Other E/S characteristics** covering investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

While the Sub-fund may use derivatives for hedging and investment purposes, derivatives are not used to promote environmental or social characteristics.

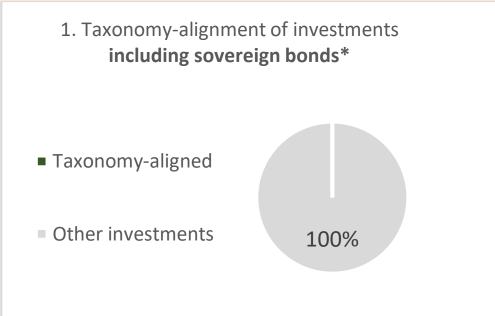
Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

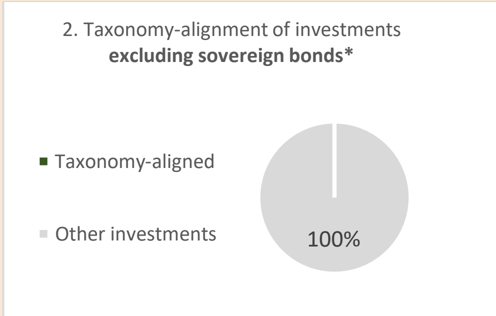
Transitional activities are those for which low-carbon alternatives are not yet available and which, among other things, have greenhouse gas emission levels corresponding to the best achievable performance.

To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable.

The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.





**For the purpose of these graphs, "sovereign bonds" consist of all sovereign exposures.*

What is the minimum share of investments in transitional and enabling activities?

Not applicable.

The symbol represents sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable energy activities under the EU taxonomy.

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU taxonomy?

There is no prioritisation between "Other environmental" (i.e. not aligned with EU taxonomy) and "Social" objectives, and the strategy does not target any specific allocation or minimum proportion for either of these categories.

For the avoidance of doubt, the sum of sustainable investments with an "Other environmental" and/or "Social" objective must at all times be equal to or greater than 20%, as stated in the section "Does this financial product have a sustainable investment objective?".

The ESG factors that are incorporated into the sub-fund's investment process do not necessarily target sustainable investments with an environmental objective that are aligned with the EU taxonomy.

What is the minimum share of socially sustainable investments?

There is no prioritisation between "Other environmental" (i.e. not aligned with EU taxonomy) and "Social" objectives, and the strategy does not target any specific allocation or minimum proportion for either of these categories.

For the avoidance of doubt, the sum of sustainable investments with an "Other environmental" and/or "Social" objective must at all times be equal to or greater than 20%, as stated in the section “Does this financial product have a sustainable investment objective?”.

What investments are included under the “#2 Other” category, what is their purpose and are there any minimum environmental or social safeguards?

The proportion of investments not aimed at promoting environmental or social characteristics, or in the classification of sustainable investments (#2 Other) is limited to:

- cash, which may be held as ancillary liquidity or for risk balancing purposes;
- derivatives that may be held for investment purposes in order to implement its investment policy and/or for risk hedging purposes, but not to promote environmental and social characteristics; and
- securities for which the relevant data is not available or, if available, does not meet the minimum criteria established by the binding elements.

There are no minimum environmental or social safeguards on these investments.

Is a specific index designated as a benchmark to determine whether this financial product is aligned with the environmental and/or social characteristics that it promotes?

Benchmarks are indices to measure whether the financial product attains the environmental or social characteristics that it promotes.

No benchmark has been designated to achieve the environmental or social characteristics promoted by the Sub-fund.

- ***How is the benchmark continuously aligned with each of the environmental or social characteristics promoted by the financial product?***

  Not applicable.

- ***How is the alignment of the investment strategy with the methodology of the index ensured on a continuous basis?***

  Not applicable.

- ***How does the designated index differ from a relevant broad market index?***

  Not applicable.

- ***Where can the methodology used for the calculation of the designated index be found?***

  Not applicable.

Where can I find more product-specific information online?

More product-specific information can be found on the website:

- https://www.azimutinvestments.com/sustainable
- https://www.azimutinvestments.com/policies-and-documents
- https://www.azimutinvestments.com/sustainable/websitedisclosures