

Product disclosure for financial products that promote environmental or social characteristics as per Section I of the COMMISSION DELEGATED REGULATION (EU) 2022/1288 of 6 April 2022

Product name: NEW MILLENNIUM SICAV – PIR BILANCIATO SISTEMA ITALIA
Legal entity identifier: 2138004IR2ZTRBJETI67

(a) Summary

This document provides information on sustainability pursuant to Regulation (EU) 2022/1288 and it does not constitute marketing material.

The information is intended to detail the characteristics of sustainability, as well as related risks.

In particular, the following sections describe the environmental and social characteristics promoted by financial products, the investment strategy adopted to meet these characteristics and how this is continuously monitored, the engagement policies adopted by the investment manager and the data sources used to ensure promotion of the environmental and social characteristics.

The information should be considered together with the other relevant documents on the financial product.

(b) No sustainable investment objective

This financial product promotes environmental and/or social characteristics, but does not have as a goal a sustainable investment.

(c) Environmental or social characteristics of the financial product

The financial product promotes good business practices by favoring investments in small and medium-sized enterprises which, also in terms of size, favor the circular economy. Furthermore, among the micro caps, particular attention is paid to those characterized by sustainable activity (which pursues one of the 17 SDGs developed by the United Nations) or which demonstrate an adequate commitment to sustainability.

Moreover, the following circumstances contribute to the promotion of environmental and social characteristics:

- stringent constraints imposed on the portfolio manager who is forced to be significantly orientated towards investments in companies characterized by high ESG ratings, attributed by leading ESG rating providers.
- the substantial exclusion of investments in controversial sectors and activities;

- the incentive to invest in financial instruments that promote environmental and social characteristics (Green bonds and Social bonds).

A benchmark has not been designated in order to satisfy the environmental or social characteristics promoted by the financial product.

(d) Investment strategy

The financial product is a moderate balanced fund, with a focus on the Italian real economy and productive investments. The portfolio complies with the criteria set out in the Law establishing the "Piani Individuale di Risparmio a lungo termine" (PIR) under the Italian 2017 Budget Law and subsequent amendments, including those made by the Italian 2022 Budget Law: at least 70% is invested in securities issued by Italian companies and, within this limit, 25% is allocated to companies not included in the FTSE MIB index and at least 5% in companies not included in the FTSE MIB index or FTSE Mid Cap index. Equity exposure can never exceed 50%. Diversified investment in medium or small companies is envisaged but with appropriate limits for companies that capitalize less than 1 billion Euro and, with even more stringent criteria for those that capitalize less than 200 million Euro. The financial product is actively managed with respect to the benchmark from which can, however, deviate significantly.

The investment strategy followed by this financial product integrates ESG aspects into the investment process and consists of:

- the improvement of the overall sustainability of the portfolio, by calculating an average ESG rating of the portfolio according to the methodology reported in the "ESG integration" practices section of the Prospectus and on the website of the management company and of the financial product;
- the strict definition of specific binding elements used to select the investments to which the investments must comply. They concern, *inter alia*:
 - taking into consideration the quality of the corporate issuers, preferring those who have formally declared the adoption of corporate policies on respect of human rights, protection of child labor, respect for the environment;
 - committing the asset manager to invest a significant portion of the portfolio in medium-sized companies and a smaller stake in "micro-caps", considering that among the "micro-caps" cases of relocation of production are very rare and, instead, there are very significant benefits on the community of reference (also in terms of economic growth and employment in the territory), and therefore that the allocation of resources on these microcaps promotes the development of a more circular, resilient and sustainable economic system in the long term;

- the compliance with a minimum investment in financial instruments with a very high ESG rating, including Green Bonds and Social Bonds;
- the application of the exclusion criteria.

(e) Proportion of investments

The minimum proportion of investments aligned with E/S characteristics envisaged for the financial product is 20%. This does not represent a strategic asset allocation but is instead the theoretical worst-case scenario with respect to the promotion of E/S characteristics, which could occur following the application of the binding elements and some extremely applied assumptions.

Furthermore, in fact, the residual proportion of investments may include:

- ancillary liquid assets, which in the aforementioned theoretical scenario are assumed to be equal to the maximum allowed (20%, a level which is normally never actually reached);
- investments in companies where ESG rating is not available just because they are small and medium-sized companies: an ESG rating of zero is prudently assigned although these companies pursue one of the 17 SDGs developed by the United Nations or demonstrate an adequate commitment to the promotion of E/S characteristics;
- other securities for which the ESG rating is in the worst quartile, therefore an ESG rating of zero is prudently assigned;
- UCI which are not classified as Article 8 or 9 under SFDR (Regulation EU 2019/2088), but may reasonably also include investments in securities that promote E/S characteristics.

Small and medium-sized companies pay for the fact that providers do not provide adequate coverage, while those companies are the target of this financial instrument. In the real portfolio, therefore, the proportion of investments aligned with E/S characteristics is expected to be significantly higher than the minimum indicated here.

(f) Monitoring of environmental or social characteristics

The indicator used to measure the achievement of the environmental or social characteristics promoted by asset management is the average portfolio ESG rating, which is calculated according to the provision of the Prospectus ("ESG integration" practices section).

Derivatives are not used to promote environmental and social characteristics.

(g) Methodologies

The methodology applied to promote environmental and/or social characteristics is based on:

- the calculation of the average ESG rating of the portfolio through a proprietary methodology, which will be equal or greater than 55 for this financial product;
- the application of additional constraints and investment limits are established (binding elements).

The minimum average ESG rating set at 55 is to be considered adequate in consideration of the fact that the financial product invests significantly in small and medium-sized companies that are not currently covered by the aforementioned providers. With regard to investments in SME listed on the dedicated regulated market, reference is made to consistency with one of the 17 SDGs or to the existence of a significant commitment in the light of an analysis carried out on each company.

Furthermore, the commitment of Italy as issuer's country of residence to exchange information between countries is considered an indicator of sustainability;

(h) Data sources and processing

The ESG data are provided by primary external independent info-providers and updated yearly in order to guarantee the accuracy of the data and reflect the deadlines of corporate disclosure. In case of missing or partial information, the info-provider provides a second best assessment (proxy score) in order to ensure the ESG assessment of the issuer.

In addition, the following data sources are used:

i) For Corporate Issuers:

1. Corporate financial statements;
2. Bloomberg.

ii) For Government Issuers:

1. World Bank;
2. Environmental Performance Index (EPI) of Yale University;
3. International Energy Agency.

(i) Limitations to methodologies and data

The main limitation of the data collection methodology is the lack of data in corporate disclosures. For this reason, the data of several providers can be used to obtain the necessary information through the use of second best evaluations.

Investments for which an ESG rating is not available or cannot be calculated are conservatively assigned an ESG rating of zero.

It should be considered that the data obtained from issuers and third-party providers could be incomplete or incorrect, involving a risk of incorrect evaluation of a security or an issuer, causing incorrect exclusions or inclusions of such issuers.

(j) Due diligence

In the event of missing data or anomalies in the ESG data provided by the info providers, random due diligence activities will be carried out.

(k) Engagement policies

The investment manager has not currently put in place direct engagement activities.

(l) where an index is designated as a reference benchmark to attain the environmental or social characteristics promoted by the financial product, 'Designated reference benchmark'

Not applicable