



**EURIZON**  
ASSET MANAGEMENT

**ENGAGEMENT POLICY  
OF  
EURIZON CAPITAL S.A.**

July 2020

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## FOREWORD

Eurizon Capital S.A. (hereinafter also "the Company") believes that good standards of governance contribute to promote confidence in the capital market and that the role played by institutional investors, asset managers and their advisors is fundamental in the internal dialogue of the investee companies. The Company has a fiduciary commitment aimed at protecting and creating value for its Clients and Investors, which requires it to effectively address issues related to the corporate performance of the companies in which it invests on behalf of the assets under management. In this context, the Company attaches importance to the supervision of the so-called "external corporate governance", understood as corporate governance in relation to issuing companies.

This document represents the "Engagement Policy" adopted by the Company and describes the conduct that the Company adopts to stimulate discussion with the issuers in which it invests, integrating its commitment as a shareholder in its investment strategy.

## SCOPE OF APPLICATION

The Company adopts a "targeted" approach to corporate governance, favouring - in application of the principle of proportionality - participation in Shareholders' Meetings and engagement with companies considered "relevant" according to qualitative/quantitative criteria specified in internal regulations.

The Company does not intend to implement a "micro-management" of the businesses of the listed issuers in which it holds an interest, nor does it preclude any decision to dispose of an interest, where this represents the most effective solution to protect the interests of Clients / Investors.

The principles contained in this Engagement Policy apply in relation to performance:

- the collective asset management service;
- investment services.

Eurizon Capital SA has adopted, in compliance with sector regulations, specific organisational and/or procedural measures in order to guarantee, in the presence of the discretionary attribution of the exercise of participation and voting rights inherent to the shareholdings "managed" by the same, independence and autonomy in the exercise of such rights. In this context, the Company has developed a specific "Strategy for the exercise of participation and voting rights attached to the financial instruments held in the managed UCITS" (the "Strategy").

## ORGANIZATIONAL MEASURE ADOPTED BY THE COMPANY

The Company assigns importance to activities related to monitoring and engagement with the companies in which it invests, as well as participation in the relevant Shareholders' Meetings.

In this regard, the Head of Investments, with the support of the ESG & Strategic Activism unit of Eurizon Capital SGR SpA and the Product Development unit of the Company, coordinates activities related to participation in Shareholders' Meetings in relation to the exercise of voting rights for investments held by the products established by the Company, monitors and coordinates engagement with significant issuers in relation to significant issues in terms of strategy, financial and non-financial results, risks, capital structure, as well as in terms of social, environmental and corporate governance impact.

The Company pursues the interests of investors in the assets it manages both through investment or disinvestment choices and when exercising voting rights at Shareholders' Meetings, taking into account the usefulness of participation in relation to the interests of the assets managed. In this context, the Company's Investment Function is involved in the process of external corporate governance, with particular reference to the

- sharing of relevant Shareholders' Meetings to attend;
- participation in the definition of proposals relating to voting instructions and any further requests to be expressed at the Shareholders' Meeting;
- taking care of management engagement activities.

The Compliance & AML Function monitors the development of the corporate governance process, verifying the correct application of the controls regulated in external and internal regulations, with particular reference to the management of conflicts of interest.

The Board of Directors has given to the Conducting Officers the power to attend or delegate participation in both ordinary and extraordinary meetings and meetings of shareholders and/or bondholders of companies whose securities are held in the portfolios of the products established by the Company. The Conducting Officers then delegated this power to the Head of Investments of the Company.

The Head of Investments authorises the participation in a Shareholders' Meeting, also defining the procedures for exercising voting rights, the vote to be expressed and any specific requests to be made during the Meeting.

The Committee of Independent Directors is assigned with specific control and participation powers in order to assess how to exercise the right to participate and vote in the event of conflicts of interest. The opinions expressed by the Committee of Independent Directors are not binding and any decisions taken by the Head of Investments that are not in accordance with the opinion of the Independent Directors must be motivated.

With specific reference to the procedures for exercising participation and voting rights, the Committee of Independent Directors is informed by the Head of Investments:

- in advance, of the relevant Shareholders' Meetings in which the Company intends to take part; the Company shall provide information on the attendance of Shareholders' Meetings, if any, where issues of particular interest arise;
- on a half-yearly basis, by means of a report on the participation in the Shareholders' Meetings of the companies whose securities are present in the portfolio of UCITS.

When the Head of Investments intends to exercise voting rights in relation to positions held by dedicated products with specific governance schemes, such as Investors' Advisory Committees, the Head of Investments shall take into consideration the prior opinion of such committees when defining the votes to be expressed on behalf of such positions.

## **POLICY OF THE EXERCISE OF PARTICIPATION AND VOTING RIGHTS**

The Company has adopted specific organisational and/or procedural measures in order to guarantee, in the presence of the discretionary attribution of the exercise of voting rights relating to the shareholdings "managed" by the Company, independence and autonomy in the exercise of participation and voting rights.

Consequently, the Company has made available to investors a specific "Strategy for the exercise of participation and voting rights attached to the financial instruments held in the managed UCITS". The Strategy defines a set of procedures and measures for:

- monitor corporate events related to the financial instruments in the portfolio of the managed UCIs, where required by the characteristics of the financial instruments incorporating the rights to be exercised;
- assess the modalities and timing for the possible exercise of participation and voting rights, based on a cost-benefit analysis that also takes into account the investment objectives and policy of each managed UCI.

In detail, the Strategy defines the modalities for:

- the monitoring of listed issuers participating;
- the management of conflict of interest situations;
- prevent the circulation of information between Group companies and the Parent Company ("Chinese Wall");
- the designation of the persons responsible for deciding how to exercise voting rights;
- the engagement strategy and approach (both collectively and independently);
- the exercise of voting rights (possibility of delegation to specialised companies and use of "postal voting" or "electronic voting").

The Company exercises the participation and voting rights relating:

- to the umbrella funds for which it exercises the role of management company, also on behalf of sub-funds whose investment management activities have been delegated to other fund managers;

- to other collective investment schemes whose investment management activities have delegated to the Company, provided this right is included in the management mandate received;
- to individual portfolio management mandates, when clients release a specific and valid power of attorney to the Company in accordance with the relevant laws and regulations in force from time to time to time,.

In accordance with the Strategy, the exercise of participation and voting rights is an integral part of the Company's wider investment process. In this context, the Head of Investments, with the support of the relevant Investment Area Managers work in close coordination in order to analyse and investigate every relevant aspect of the governance of the listed companies in which the Company invests, based also on analyses provided by the ESG & Strategic Activism unit of Eurizon Capital SGR SpA.

In any case, the Company monitors the effectiveness of the measures for exercising participation and voting rights and, in any case, reviews the Strategy adopted at least once a year.

The Company makes the Strategy and any updates to it available to participants in UCIs on its website.

### **MONITORING METHODS FOR PARTICIPATING ISSUERS**

The Company actively monitors corporate events related to the financial instruments in the portfolio of managed UCIs, where required by the characteristics of the financial instruments incorporating the rights to be exercised.

In this regard, the Company adopts a "targeted" approach to corporate governance which provides for the selection of the "significant issuers" under consideration:

- the usefulness of the interaction with respect to the interests of the managed assets;
- the possibility of influencing decisions in relation to the voting shares held.

With specific reference to the reasons based on the decision to exercise participation and voting rights, the Company has identified the following quantitative and qualitative criteria in its Strategy:

- participation in the shareholders' meetings of those companies in which significant shares of capital are held, as identified from time to time in company procedures, interacting with the Board of Directors;
- participate in Shareholders' Meetings considered relevant in the interest of the assets managed in order to discourage situations of particular interest, in protection or support of the interests of minority shareholders;
- contribute to the election of statutory auditors or directors through the list voting mechanism, representing minority shareholders;
- participate in Shareholders' Meetings at which extraordinary transactions are approved if, depending on the interests of the assets under management, participation is necessary to support or oppose the proposed transaction.

The Company reserves the right not to exercise the right to vote in cases where it may not result in an advantage for the assets under management, for example, if it does not:

- the agenda does not include significant topics;
- the holding of "significant shares of capital" is of a temporary nature and forms part of a short-term investment strategy.

The Company also draws on the United Nations (UN PRI) "Principles for Sustainable Investment" to which the parent company Eurizon Capital SGR is a signatory, and gives particular attention to the policies implemented by issuers in which it invests on behalf of the products it manages, in the belief that sound corporate governance policies and practices (incorporating environmental, social and governance issues) are able to create long-term shareholder value. In this context, the Company has also adopted a methodology for the selection of financial instruments that takes into account the principles of Sustainable and Responsible Investments (SRI). The escalation process and related restrictions are applied to all actively managed products, both benchmark and flexible.

The Company believes that environmental, social and corporate governance factors have an impact on portfolio performance and that the application of the SRI criteria contributes to improving the ability to respond more effectively to Client/Investor expectations, aligning investment activities with the wider interests of issuers.

As part of its monitoring activities, the Company requires participating listed issuers and their advisors to ensure that any information that could compromise the ability to trade the financial instruments of such issuers is not disclosed without prior consent.

The Head of Investments monitors, also with the support of the ESG & Strategic Activism structure of the outsourcer Eurizon Capital SGR, the evolution of the performance, corporate governance and sustainability of the participated companies, in order to evaluate the activation of a comparison with the representatives of the companies invested. The purpose of this interaction is to identify any problems in advance and minimize, at the same time, potential losses in value.

In this context, the monitoring activity is complementary both to the analysis of investments and to the exercise of voting rights because it makes it possible to address specific governance concerns of issuers, avoiding, in the first instance, to assess the disposal of the shareholding or voting against it.

In addition, the Company can activate a further process of comparison with its participated companies, promoting, for example, joint collaboration with other institutional investors.

The Company recognises the benefits that may derive from the activation of forms of collective engagement with other investors. In particular, the Company assesses this solution when it considers it the most effective choice to improve communication with issuers. This may occur in the event of significant corporate events or issues of public interest.

Any method of collective engagement is conducted in compliance with internal and external regulations on the management of conflicts of interest and on insider information (market abuse), paying particular attention to regulations on concerted action.

In addition, the Company may collectively carry out monitoring, participation and engagement activities also through participation in the activities of the Corporate Governance Committee and the Committee of Managers promoted by Italian industry association Assogestioni.

In any case, if it considers that it has not obtained a satisfactory result through dialogue with issuers, the Company's approach may result in an abstention or vote against resolutions during the Shareholders' Meeting.

## **CONSCIOUS EXERCISE OF VOTING RIGHTS**

The Company adopts a "targeted" approach to corporate governance by participating in the Shareholders' Meetings of selected companies with shares listed on the Italian Stock Exchange and international markets, taking into account the usefulness of participating in the interests of the assets under management and the possibility of influencing decisions in relation to the voting shares held.

Participation in the Shareholders' Meetings of other companies is in any case envisaged if significant amounts of capital are held or is considered significant in the interest of the assets managed.

This method allows the Company to avoid a "box-ticking approach" by focusing on a selected number of companies that allows an adequate level of in-depth analysis, aimed at minimizing the risk of *over-reliance* on *proxy* advisors.

The Head of Investments defines the proposals relating to voting instructions on the basis of the analyses and in-depth analyses carried out on public documents, the results of any interaction with the issuing company, the indications provided by advisors specialised in research to support corporate governance decisions and voting recommendations, as well as the indications provided by the relevant Managers.

The Company may delegate, at individual Shareholders' Meetings, specialised third-party companies, giving explicit instructions for the exercise of voting rights. If considered the most efficient way in the interest of the managed assets, the Company also reserves the right to use "proxy voting" or "electronic voting", if provided for by the issuers.

The Company pay particular attention to the policies implemented by the issuers in which it invests, in the belief that sound corporate governance policies and practices (incorporating environmental, social and governance issues) are capable of creating long-term shareholder value. In this regard, in support of investment decisions and the exercise of participation and voting rights, the Company makes use of specialized research that also includes information on the social and environmental responsibility of issuers, aimed at identifying possible impacts in terms of reputation, competition and business opportunities determined by corporate governance choices.

The Company considers as a situation of conflict of interest the exercise of voting rights relating to financial instruments related to assets under management issued by group companies or by companies with which the Company, its relevant shareholders or group companies have strategic relationships or with respect to which the group companies to which the Company belongs appoint or designate one or more members of the corporate bodies. Therefore, the Company has adopted the Protocol of Autonomy for the management of conflicts of interest prepared by Assogestioni with the aim of safeguarding the Company's decision-making autonomy in making choices concerning the provision of management services. In this context, as a preventive measure to neutralise the same, the Company does not exercise the voting rights relating to shares pertaining to the managed assets issued by companies directly or indirectly controlling or in respect of which the companies in the group to which the Company belongs appoint or designate one or more members of the corporate bodies. The Company may aggregate the shares pertaining to the assets under management issued by such companies in order to achieve the minimum shareholding required by the regulations in force from time to time for the submission of lists of candidates for the renewal of corporate offices of the companies in question.

With regard to discretionary portfolio management, voting rights are exercised exclusively in the presence of specific instructions from the investor - given by power of attorney and in accordance with applicable laws and regulations - in compliance with and within the limits of the instructions given by the same, which must be received no later than the contractual cut-off.

## REPORTING

The Company provides on its website the "Engagement Policy" and the "Strategy for the exercise of participation and voting rights attached to the financial instruments held in the managed UCITS" showing its commitment to high standards of external corporate governance.

In addition, the Company provides transparency in the exercise of participation and voting rights through:

- the website, publishing a half-yearly report on the participation in the Shareholders' Meetings and on the engagement, activities carried out with companies whose securities are present in the portfolios of the managed UCIs;
- the Management Report of the UCIs, in which details are provided on the votes expressed and the conduct of voting.

These documents include both qualitative and quantitative information.

The Company considers it important to formalise the documentation necessary to ensure complete traceability of the decision-making process followed for the exercise of participation and voting rights and comparison with the issuing companies.

The updating of the Engagement Policy is carried out by the Head of Investments, who is supported by the Company's and Parent Company's competent structures.

The Compliance & AML Function periodically checks the correct application and effectiveness of the measures adopted by the Company for the purposes of implementing the regulations in force from time to time.