STRATEGY TO EXERCISE PARTICIPATION AND VOTING RIGHTS INHERENT TO THE FINANCIAL INSTRUMENTS PERTAINING TO THE MANAGED ASSETS OF EURIZON CAPITAL S.A.

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CONTENTS

1. Introduction

As set forth in Directive 2010/43/EU (implementing Directive 2009/65/EC of the European Parliament, regarding organizational requirements, conflicts of interests, conduct of business, risk management and content of agreements entered between a depositary and a management company) and related implementing regulations (CSSF Regulation 10-4 of December 22nd, 2010), Eurizon Capital S.A. (herein referred to as "ECSA" or the "Company") has adopted a set of procedures and measures to:

- Monitor corporate events related to the financial instruments held in managed portfolios, where required by the nature of the financial instruments that incorporate rights to be exercised;
- Assess, also through active engagement, the methods and timelines of any possible exercise of participation and voting rights, based on a cost-benefit analysis that also considers the objectives and investment policy of each managed portfolio;
- prevent or manage any conflict-of-interest situations that may arise from the exercise of voting rights on behalf of managed assets.

In this context, ECSA has established a specific "Engagement Policy"[1], as set forth in:

- Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 ("Shareholders Rights II Directive"), amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement;

- the (i) "*Stewardship Code*" promoted by the European Fund and Asset Management Association (EFAMA) in order to encourage, at a European level, the development of good corporate governance practices and (ii) the "*Italian Stewardship Principles*" for the exercise of administrative and voting rights in listed companies as well as the related best practice recommendations defined by Assogestioni.

ECSA undertakes to adopt and apply this Strategy to exercise participation and voting rights inherent to the financial instruments pertaining to the managed assets, to ensure that such rights are exercised in the sole interest of the investors. For this purpose, the Company has defined specific internal procedures.

2. Scope

ECSA promotes engagement with the companies in which it invests on behalf of managed portfolios and participation in relative shareholders' meetings[2], according to a differentiated approach based on the significance of the issuer, related reference markets and/or the specific circumstance, and qualitative/quantitative criteria specified by internal regulations from time to time.

This Strategy applies to UCIs:

- set up by the Company, including those with a management mandate, apart from specific UCIs, with a mandate contract that specifically envisages, in view of the portfolio's characteristics and reference markets, the assignment of voting rights to the delegated manager, in order to achieve the best interests of investors; in such cases, the Company (i) verifies the consistency of the manager strategy aligns with this Strategy to ensure that the participants receive an equivalent level of protection and (ii) makes this Strategy available to investors upon request;

- managed through a mandate, if the contract specifically envisages the assignment of voting rights, and if specific information flows have been activated for monitoring managed assets.

3. Criteria, Procedures and Timelines for the Exercise of Intervention and Voting Rights

ECSA takes part, on behalf of managed assets, in the shareholder meetings of selected companies with shares listed on international markets, considering the usefulness of participating in the interests of the managed assets, also based on the individual reference markets and/or specific circumstance, and the possibility to impact decisions in relation to shares held with voting rights.

[1] The Company's Engagement Policy, along with any significant updates, is available on the website www.eurizoncapital.com

[2] If deemed appropriate in the interest of the managed assets, ECSA reserves the right to exercise the voting rights relating to bond financial instruments, upon the occurrence of specific transactions involving the financial instrument (so-called "corporate action").

In particular, based on a cost/benefit analysis that takes into account the investment objectives and policies of the managed products, the Company has adopted preliminary and operating processes that differ for the exercise of voting rights, depending on whether the decision concerns resolutions of shareholders' meetings:

- considered more significant, based on one or more of the following criteria;
- for which the Company uses electronic voting (*proxy voting)*.

Based on the above, the Company has defined the following criteria to identify the most significant shareholder meetings:

- holding of significant amounts of capital, as identified from time to time in company procedures;
- presence of situations where, in the interests of the managed assets, it is intended to (i) highlight particularly significant issues, in defence or in support of the interests of minority shareholders; or (ii) supporting significant decisions related to environmental, social and good corporate governance practices;
- appointment of statutory auditors or board members of Italian listed companies based on list voting, specifically to represent the interests of minority shareholders;
- resolutions on extraordinary transactions considered significant for the interest of the managed assets, in order to support or oppose the proposed transaction.

If one or more of these criteria are met, the Investment Department, defines proposals for voting instructions based on (i) analyses and in-depth analyses carried out on public documents, (ii) available research supporting corporate governance decisions and voting recommendations, (iii) indications provided by reference managers*,* and (iv) the results of outcomes of any interaction with the issuer company ("engagement"). Participation in individual meetings is authorised by the Conducting Officers of the Company, who also defines (i) the vote to be cast, (ii) any specific requests to be made in the interest of investors, independently of any internal or external influence on the Company, and (iii) the methods of participation, including proxy, at individual meetings, to be given to specialised third party companies, giving explicit instructions.

If deemed the most efficient procedure in the interest of managed assets and the above qualitative/quantitative criteria do not apply, the Company also exercises voting rights by electronic voting, if contemplated by issuers. To this end, ECSA uses an IT platform to streamline the process of exercising voting rights, with particular reference to foreign issuers. In these situations, voting instructions are defined based on specific guidelines approved by the Board of Directors and proposals from the Conducting Officers in the context of the Management Committee, for this purpose the Management Committee takes into account also the proposals of the ESG Committee of Eurizon Capital SGR. The Investment Department, with the support of ESG & Strategic Activism unit of the outsourcer Eurizon Capital SGR S.p.A., monitors the correct performance of the process, forwarding (i) any aspects that are not regulated in the guidelines or (ii) voting proposals that differ from those arising from the adoption of the criteria in this Strategy to the Conducting Officers. In these cases, the decision regarding voting instructions to give is undertaken directly by the Conducting Officers according to procedures consistent with those for meetings of more significant shareholders, taking account of the adoption of the above-mentioned criteria. Decisions taken are brought to the attention of the Management Committee on the first possible occasion. The Committee also monitors the correct adoption of this Strategy, in order to assess, in the interest of managed assets, any developments in guidelines for exercising voting rights.

Even if one the above conditions met, ECSA may opt to not exercise the voting right in cases where the situation might not benefit the managed assets, for example:

- overall, the Company has a marginal investment;
- it is necessary to block the availability of financial instruments for a period of time considered too long, which would influence management strategies;
- the agenda of the shareholders' meeting does not include significant topics;
- the necessary administrative costs, also considering the procedures required in some countries, are considered higher than the expected benefits of participating in the meeting, especially in the case of short-term investment strategies.

Under no circumstances is ECSA bound to voting trusts or block voting.

Eurizon Capital S.A., pays particular attention to the policies adopted by the issuers in which it invests, convinced that sound corporate governance policies and practices (which incorporate environmental, social and governance issues), can create value for shareholders in the long term. In this context, the Company has adopted specific methodologies to select financial instruments which take account of the Environmental, Social and Governance (ESG) factors and principles of Sustainable and Responsible Investments (SRI).

In this context, the specialist research used by the Company to support investment decisions and exercise participation and voting rights, also includes information on the social and environmental responsibility of issuers, in order to identify any impacts in terms of reputation, competition and business opportunities determined by corporate governance choices.

4. Principles and Conduct to Exercise Voting Rights

Eurizon Capital S.A. has defined principles and conduct to assess the most significant proposals pertaining to most common topic on the agenda of shareholders' meetings in major markets[3] where the UCITs it manages and for which the Company exercises voting rights.

These voting principles, expressed through general indications and illustrative scenarios are designated to support the formalisation of specific voting instructions for individual shareholders' meetings and are aligned to market best practices, i.e., the Italian Corporate Governance Code and main international Codes of Conduct[4].

While recognizing that *corporate governance* practices may vary across different markets, the Company believes that it is possible to identify general guidelines.

The Guidelines defined by the Company refer to 6 specific scenarios:

- operational aspects;
- corporate bodies;
- capital structure, mergers, acquisitions and other extraordinary operations;
- remuneration policies;
- independent auditors;
- environmental, social, and corporate governance (ESG) aspects.

The assessments conducted result in the following voting decisions:

- For, when the proposed decision reflects good practice and is considered to be in the long-term interest of stakeholders;
- Abstain, in cases where exercising voting rights may not result in a benefit for the managed assets, for example, if the management's proposal lacks sufficient information or if the meeting agenda does not include significant topics;
- Against/Withhold[5], when the proposal is not acceptable, as it is not considered to be in the long-term interest of stakeholders or has aspects of concern for the latter.

Eurizon Capital S.A. promotes a constructive approach towards the Board of Directors of the companies in which it invests; however, the Company does \not hesitate to abstain or to oppose management recommendations in case of inadequate corporate governance practices, if the proposals are not deemed to be in line with the pursuit of the best interests of shareholders in the long term and conflict with the principles outlined in this Strategy. For further details, please refer to the behaviours described in the following Sections and in Annex *"Guidelines for defining voting instructions".*

[3] ECSA periodically revises the list of significant markets to exercise voting rights.
[4] The guidelines of the Company are prepared also considering the *best practices* endorsed by the UN and *World Economic Forum*.
[5] For issuers incorporated in the United States and Canada, the "Withhold" vote (abstention on approval of a director) applies to shareholder meetings of companies with multiple voting share classes, while for companies with single-class common stock, the "Against" vote will apply.

5. Procedure for the Management of Conflicts of Interest

ECSA has defined internal procedures that prevent the dissemination of information among various Group companies and the Parent Intesa Sanpaolo in relation to the exercise of voting rights connected with “managed investments", i.e., within each company, among organisational units that are segregated (“Chinese walls”).

Eurizon Capital S.A. considers exercising the right to vote concerning financial instruments of managed assets issued by group companies or by companies with whom the Company, its significant members or group companies have strategic relations or in relation to which group companies of ECSA nominate or appoint one or more members of corporate bodies as a conflict of interest. Therefore, the Company has adopted the “*Protocol for independence in managing conflicts of interest”* prepared by Assogestioni, with the aim of safeguarding the decision-making autonomy of the Company in its choices concerning the provision of management services. In this context, as a preventive neutralising measure, the Company does not exercise the right to vote concerning shares of managed assets issued by companies that are directly or indirectly parents, or in relation to whom ECSA Group companies appoint or designate one or more members of the company boards. The Company may still aggregate shares of managed assets issued by these companies, to reach the minimum quota of holdings required by regulations in force for presenting lists of candidates for the renewal of the corporate positions in question.

With reference to procedures to exercise participation and voting rights, ECSA may delegate - for each single meeting, specialist third-party companies, giving them specific voting instructions. In any case, ECSA does not delegate Group companies or officers to exercise the right to vote concerning shares of managed assets, apart from the case of another management company, and ensures, in any event, that the delegated party exercises the right to vote in compliance with the interest of participants in the UCIs or their clients.

When exercising company rights relative to the choice and appointment of candidates to the administrative and control bodies of companies listed on Borsa Italiana in minority lists representing institutional investors, the Company adopts the principles and criteria adopted by Assogestioni Corporate Governance Committee, that establish the requirements for the professionalism, good standing, and independence of candidates, as well as the conditions for their ineligibility and incompatibility. In this regard, the Company also refers to the Corporate Governance Code of companies listed on Borsa Italiana (the Italian Stock Exchange) and principles of international best practices.

To support its investment decisions and the exercise of its participation and voting rights, the Company may also use the services of a voting consultant (*proxy advisor*, to streamline - in accordance with the principle of proportionality - the analyses preparatory to the definition of voting instructions. Recommendations made by this advisor are not binding and the Company undertakes to make, in the best interest of managed assets, voting decisions that differ from both proxy advisor’s and investee’s management recommendations. In any case, the Company actively liaises with its advisor, to avoid any risk of over-reliance.

The independent directors on the Board of Directors of Eurizon Capital S.A. check the correct adoption of the principles and procedures concerning the exercise of administrative rights of financial instruments of managed assets, also with the specialist support of the Compliance & AML Function.

6. Updates and Transparency

In the context of the Management Committee, the Company periodically monitors the effectiveness of measures to exercise participation and voting rights, or if significant circumstances occur that require an amendment and/or addition, so that the definition of the conduct the Company is committed to adopting, is updated at all times, also to take account of changes in its own organisation and the services it provides, and to maintain a high level of oversight of solutions identified to mitigate any conflicts of interest detected.

ECSA publishes on its website www.eurizoncapital.com this Strategy and any updates to it.

In relation to their relevance, the Company provides information about votes cast and the conduct adopted in exercising participation and voting rights, in the annual management report of the UCIs. In any case, the Company formalises and keeps specific documentation with evidence of the decision-making process adopted to exercise voting rights and the reasons for the decision made.

Finally, Eurizon Capital S.A. publishes a summary document describing how this Strategy will be implemented, including a general description of voting behaviour, an explanation of the most significant votes and the use of the services of proxy advisors. This document is made available to investors every six months on the Company's website.

7. ANNEXES

Annex - Guidelines for defining voting instructions.

Annex - Guidelines for Defining Voting Instructions

Eurizon Capital S.A. has defined the following general indications, comprising example scenarios, that support the formalisation of voting instructions in various shareholders' meetings.

1. Operational Aspects

The long-term sustainability of a company depends to a significant extent on the management and operational choices implemented. In this framework, Eurizon Capital S.A. encourages companies to adopt practices and procedures aimed at maintaining and increasing corporate value over time.

Financial Statements and Financial Reports

Eurizon Capital S.A. gives importance to investees adopting and implementing a robust financial reporting system, which is considered essential for effective risk management. Generally, the Company votes for the approval of financial statements and auditors' reports, unless concerns have been raised regarding the integrity of information provided and the audit procedures used, without said having been presented to and clarified with shareholders in time.

Distribution of Profits

Generally, the Company votes for the allocation of profit and distribution of dividends, unless the dividends distribution index is considered to be unusually low or excessive, considering the financial situation and reasons of the company.

Change to the Tax Period

Eurizon Capital S.A. generally votes in favour of decisions to change the tax period unless the underlying reason is to postpone the annual shareholders' meeting.

Changes to the Articles of Association

The articles of association of a company are key to *governance* and of considerable interest for investors. Eurizon Capital S.A. undertakes to vote against changes to the articles of association that are not in the interest of minority shareholders, and which are not strictly required by current regulations in the relevant market. However, ECSA supports statutory changes based on a sound rationale or predominantly related to operational and/or technical requirements.

Procedures for Participation in the Shareholders' Meeting

Shareholders' meetings form the basis of an efficient *corporate governance* system and are an important occasion when the strategic supervisory board is required to be accountable in public, to all shareholders, both institutional and private. Shareholders' meetings are an important occasion for engagement and dialogue, enabling investors to exercise *stewardship*.

The Company recognises the benefits of using technology to hold shareholders' meetings virtually. However, the virtual method can never replace entirely shareholders' meetings where persons participate and, when used, must allow for the correct identification of people taking part and must ensure that they are able to follow and take part in proceedings. In this context, the Company undertakes to vote proposals that enable "hybrid" meetings to be convened (i.e., with persons both present and attending virtually), so as to guarantee fair participation for all shareholders. In order to ensure the proper functioning of General Meetings of Shareholders, the Company votes in support of proposals concerning operational, administrative or procedural matters, except in cases where there are disputes that require specific review and/or the proposals do not comply with the company's Articles of Association and the applicable Corporate Governance code.

Dual- Listing

Eurizon Capital S.A. supports proposals that aim to increase the transparency and liquidity of financial instruments subject to investment. For this reason, the Company supports "*dual listing*[6]" proposals when these are justified and take into account the interests of shareholders.

Limit on Significant Shareholdings

Eurizon Capital S.A. encourages transparency whenever an entity or group of entities acquires a significant interest in a company, which exceeds 5% of a category of securities with voting rights or less if envisaged by the individual regulation.

2. Corporate Bodies

Strategic Supervisory Board

The strategic supervisory Board (hereinafter also referred to as the Board of Directors) is responsible for managing the company and must guarantee the alignment of the company's objective with the interests of shareholders and various stakeholders.

ECSA believes that issuers who adopt robust governance practices are able to better manage corporate risks. The Board of Directors must assess how environmental, social and governance (*ESG*) factors can affect company performance and report on the actions taken by the company in these areas. The Board is also responsible for guaranteeing the integrity of accounting and the related *reporting*, and the effectiveness of internal control systems.

Eurizon Capital S.A. acknowledges that the characteristics of a company's management board may vary from country to country and these guidelines take account of this diversity.

In choosing and electing Board members, the Company takes account of the following, fundamental principles:

- composition: the Board of Directors should comprise members with a varied expertise regarding company activities, who are independent, have experience in the sector and diverse perspectives to encourage dialogue, decision-making processes and ambitious objectives, also in line with the company's long-term strategy;
- responsibility: in performing its role, the Board of Directors is accountable to shareholders and stakeholders, and has the objective of maintaining and increasing the company's value in the long term;
- responsiveness: Board Directors should respond to matters raised by shareholders, indicated for example through: (i) significant debate regarding *management's proposals*, (ii) significant support for shareholders' proposals (binding and otherwise) or (iii) public purchase or sale offerings to identify the majority of shares;
- independence: the Board of Directors must have clarity and balance in its management and executive roles and an independent process which has integrity, in order to protect the interests of shareholders and stakeholders.

Independence Requirements

An independent Board of Directors is essential to ensure the supervision of risks and guarantee at all times the protection and alignment of the company's interests with those of its *stakeholders*. In line with the principles set out in the Italian *Corporate Governance* Code and *ICGN*, Eurizon Capital S.A. encourages the Board of Directors of the companies it invests in to have at least 50% of the board made up of independent directors. In the case of companies with concentrated ownership[7], the Company believes that the Board of Directors should include at least one-third independent directors. If this minimum standard is not met, the Company will vote against non-executive directors who are not independent and are proposed

[6] That is, the listing of a security on two different markets with the aim of stimulating liquidity and ensuring more trading hours on the security itself.

[7] A controlled or concentrated-ownership company is a company in which one or more shareholders who are party to a shareholders' agreement hold, directly or indirectly (through controlled companies, trustees, or intermediaries), a majority of the votes that can be exercised at an ordinary general meeting.

for election, if this minimum standard is not met, the Company will vote against the candidates who are not independent that have been presented for election or re-election.

As outlined in the Italian *Corporate Governance* Code, a director is not independent if he/she:

- represents a significant shareholder;
- is or has been, in the last three years, an executive director or an employee of the company, its subsidiary with strategic importance or a company subject to common control or a significant shareholder of the company;
- has or has had, in the last three years, a business, financial or professional relationship with the company or its subsidiaries, or with relative executive directors or *top management* or with a subject that, together with others through a shareholders' agreement, controls the company;
- receives, or has received in the last three years, remuneration from the company, in addition to fees as director[8], such as options on the company's share, remuneration related to results or the pension plan;
- has been on the Board of Directors for more than nine years from the date of first-time election;
- holds cross-over positions or has significant ties with other directors through involvement in other companies or entities;
- has close family ties with any of the directors, senior employees or consultants of the company or its subsidiaries.

Eurizon Capital S.A. acknowledges the value that non-independent and non-executive directors may bring in terms of expertise and sector knowledge. Therefore, the Company appreciates and supports the transparency of companies as regards the contribution each non-independent director makes to the company.

Eurizon Capital S.A. contributes to electing Statutory Auditors and/or Board Directors of issuers listed on Borsa Italiana based on list voting, representing minority shareholders.

When exercising company rights relative to the choice and appointment of candidates to the administrative and control bodies representing institutional investors, the Company adopts the principles and criteria adopted by Assogestioni Corporate Governance Committee, that establish the requirements for the professionalism, good standing, and independence of candidates, as well as the conditions for their ineligibility and incompatibility. In this regard, the Company also refers to the Corporate Governance Code of companies listed on Borsa Italiana (the Italian Stock Exchange) and principles of international best practices.

DIVERSITY WITHIN THE BOARD OF DIRECTORS

Eurizon Capital S.A. believes that broad-ranging, diversified expertise, experience, and perspectives are essential for the optimal working and efficiency of a Board of Directors. Fostering diversity throughout the company, and in particular at an executive level, is essential for improving the corporate decision-making process, minimising business risk, improving the sustainability of profit and consequently maximising long-term returns for investors.

Therefore, the Nominating Committee, on election, should take account of all diversity aspects, such as gender, age, nationality, as well as *background* and general experience. Corporate policy on diversity must be adapted to the geographic and cultural context in which the company operates.

Eurizon Capital S.A. aims to promote transparency in the procedures used by investees to select new executives. The Company encourages all companies to disclose the breakdown, by geographic area, main expertise, age and gender of Board Directors, executive directors, senior managers, and employees. This guarantees that the selection process is as fair as possible, and companies recruit the most competent candidates.

ECSA supports shareholder proposals that promote transparency with respect to the expertise and diversity within the Board of Directors.

[8] Specifically, this refers to significant remuneration in addition to fixed fees for the position and fees allocated for participation in committees recommended by the Code or envisaged by applicable regulations.

GENDER DIVERSITY ON THE BOARD OF DIRECTORS

In line with the Italian *Corporate Governance Code* and principles of the ICGN, at least 33% of positions on the Board of Directors should be held by the least represented gender.

The Company votes against candidates presented for election or re-election if their appointment would lead to a decrease in gender diversity below 33%.

The Company votes against re-appointing the Chair of the Nominating Committee if less than 33% of Board Members are of the least represented gender; if local practices or regulations[9] apply stricter thresholds, the Company will align with them.

APPOINTMENT OF DIRECTORS

The Company undertakes to vote for the appointment of Board Members, unless it has not promptly received adequate information on the candidates, or there are concerns or conflicts of interest regarding the proposed names, the candidates have acted unlawfully to the detriment of minority shareholders, or there are candidates with more experience or qualifications available for appointment to the Board.

METHOD TO ELECT CANDIDATES

To guarantee the composition and working of the Board of Directors, shareholders must be able to effectively exercise voting rights. The Company is against the practice of grouping names proposed for Board appointments under a single item on the agenda (*Bundling of Proposals*), as this does not enable shareholders to vote for individual candidates.

Eurizon Capital S.A. undertakes to not support the election or re-election of any director if the company proposes a single list of candidates. The rule does not apply if this procedure is a consolidated market practice at local level.

ECSA shall abstain from voting if the company does not timely disclose information about the candidates submitted for appointment, even in cases where the issuer's reference market requires the mechanism of "cumulative voting"[10], i.e., according to which a shareholder may exercise voting rights in proportion to the number of shares owned as well as divide votes among several candidates or allocate them to a single candidate.

EXTERNAL POSITIONS HELD BY DIRECTORS

The Company votes against candidates presented for election or re-election if they hold external positions where:

- they are partners with unlimited liability in competitor companies; or
- they carry out an activity which is in competition, on their own or others' behalf; or
- they act as directors or general managers of competitor companies.

THEY ARE THE CHAIR OF THE BOARD OF DIRECTORS AND CEO

The Chair of the Board of Directors is assigned specific duties to balance the operational power of executive directors and that of company positions assigned to ensure an effective functioning of the management board. The Chair also defines the agenda of Board meetings and guarantees that directors receive accurate, prompt information about the meetings.

The *Chief Executive Officer (CEO*) is instead responsible for adopting the strategy agreed by the Board and for defining the procedures and steering the company in achieving a *sustainable* performance.

INDEPENDENCE OF THE CHAIR AND SEPARATION FROM THE ROLE OF CEO

Considering the significance and powers related to the role, the Company prefers the Chair to be independent at the time of his/her appointment and for the entire duration of the mandate. Therefore, an outgoing CEO should not take on the position of Chair; for this reason, the Company votes against the

[9] For Japan, China, and Hong Kong, ECSA acknowledges that at least one woman must sit on the Board of Directors.
[10] Cumulative voting mechanism is used to elect a new director or board of directors and is a common market practice in Brazil.

election[11] of a former CEO as Chair of the Board of Directors or of the Supervisory Board, regardless of the jurisdiction and cooling-off period.

The role of Chair, in the light of the powers and prerogatives of this position, would risk being compromised or in any case attenuated, if the Chair were also to have authorised management powers and above all if he/she also held the position of CEO in the company. Therefore, Eurizon Capital S.A. supports the separation of the position of Chair from that of CEO, to retain and guarantee a balance among powers within the management board.

However, the Company supports the position of CEO together with that of Chair when the independence limit of the Board is above 50%, and a Lead Independent Director or Independent Deputy Chair is present or is nominated.

LEAD INDEPENDENT DIRECTOR AND/OR DEPUTY CHAIR

ECSA acknowledges the advantages and supports the presence of a *Lead Independent Director* and/or Deputy Chair, even when the Chair is independent, and roles of Chair and CEO are not joint.

The *Lead Independent Director* and/or Deputy Chair, as an independent, non-executive director, has an essential role on the Board and is tasked with overseeing the succession process for the Chair and evaluating his/her performance. In addition, this position encourages engagement with shareholders, with parties concerned and with Directors as regards issues that could result in a conflict of interests for the Chair.

EMPLOYEES' AND/OR WORKERS' REPRESENTATIVES

The Company acknowledges that directors in charge must always take into consideration employees' opinions. Therefore, Eurizon Capital S.A. supports the presence of employees' and/or workers' representatives on the Internal Control and Audit Committee or Remuneration Committee, when required by local regulations.

TERM OF DIRECTORS

The Company votes against the election or re-election of directors when the term is not disclosed or if the term exceeds four years[12], considered a *corporate governance* best practice, without an adequate explanation being given.

Based on the general principle whereby the responsibility of directors is maximised in the case of short-term mandates, the Company votes against proposals to change the articles of association aimed at extending the term of directors.

TENURE OF DIRECTORS

The regular renewal of the Board of Directors contributes to guaranteeing that board members remain independent of *management*, that debate within the Board is fostered by an exchange of different opinions and the expertise of Directors is always adequate for the role and corporate context.

In line with the Italian *Corporate Governance* Code, the Company votes against independent non-executive candidates presented for election or the re-election in the case where the overall term of overall mandates is more than nine years, or when Directors of the company have been in office for more than nine years, even on a non-consecutive basis, over the last twelve financial years.

NUMBER OF POSITIONS HELD BY DIRECTORS

Although it recognises that external positions held contribute to expanding the expertise and knowledge of directors, the Company, also believes that the number of external positions must be such as to enable functions to be optimally carried out.

Therefore, Eurizon Capital S.A. encourages non-executive directors to limit the number of their positions to a total of five roles on the Boards of Directors of listed companies, unless local regulations impose a more restrictive regime. The calculation of roles is based on the complexity and commitment required by the

[11] This guideline will be applied only on the first-time appointment of the Chair.
[12] If local regulations or practices are stricter, these will prevail.

position (for example the role of independent Chairman of a Board of Directors counts as two roles, while the role position of executive director counts as three roles).

Moreover, the Company encourages a greater transparency regarding the contribution of each director and how different mandates are managed.

If a director, besides holding a position as a natural person, also has one or more positions as representative of a legal person on the same Board of Directors, the Company votes against the election or re-election of the legal person and in favour of the natural person. However, this does not apply in the case where the representative of the legal person holds the position of CEO.

NO ASSESSMENT OF THE ESG RISKS BY THE BOARD OF DIRECTORS

Directors must carefully assess the possible risks arising from environmental, social and corporate governance factors. To this end, companies should put in place dynamic processes to analyse ESG risks, identifying them in the short-, medium- and long-term.

The Company undertakes to not support the re-election of directors and, if present, the Chair or members of the Risks or Sustainability Committee, in the case of:

- shortcomings in managing or supervising risk or the fiduciary responsibilities of the company, including the inability to adequately manage or mitigate environmental, social and *governance* risks;
- a lack of adequate reporting on the management and mitigation of ESG risks;
- improper conduct of directors giving rise to fundamental doubts as to their ability to effectively supervise management and serve the best interests of shareholders.

DIRECTORS' ACCOUNTABILITY IN THE IMPLEMENTATION OF DECARBONIZATION STRATEGIES (SO-CALLED "DIRECTORS ACCOUNTABILITY FRAMEWORK")

As part of the commitments following the participation of Eurizon Capital SGR to the Net Zero Asset Managers Initiative, the subsidiary Eurizon Capital S.A. believes that good corporate governance practices may encourage issuers' decarbonization process as well as the achievement of the net zero target by 2050 (Net Zero).

In this regard, with respect to the companies monitored by CA100+ and TPI initiatives (so-called target issuers, which are considered priorities for the achievement of climate neutrality), ECSA has adopted an internal methodology to assess possible responsibilities of directors if (i) shortcomings are highlighted in the oversight of climate change issues or (ii) the decarbonisation strategies implemented by companies are not considered sufficiently ambitious or robust.

This methodology assesses (i) the effective oversight and monitoring of climate-related issues by the Board of Directors, a dedicated committee, or a member of the Board of Directors as well as (ii) the effective implementation of the decarbonisation strategy.

In the absence of the requirements related to the oversight of climate-related issues, ECSA will vote against the renewal of the Board of Directors.

In order to assess the effective implementation of the decarbonization strategy, ECSA has defined a scoring process that takes into account specific KPIs[13] to support the definition of the vote to be cast at the Shareholders' Meeting, adjusted according to the relevance of the evidence gathered, as follows:

1. Vote against the re-election of the incumbent Chairman of the Sustainability Committee;
2. Vote against the re-election of the incumbent members of the Sustainability Committee;
3. Vote against the re-election of the incumbent members of the Sustainability Committee and the Chairman of the Board of Directors;

[13] The KPIs take into account the following factors: Net Zero Ambition; Short/medium/long-term greenhouse gas decarbonization targets; Carbon Performance, evaluation of the performance of emissions reduction compared to the targets defined by companies; Disclosure, publication by companies of their level of emissions; Decarbonization strategy (so-called. "target delivery") and management of related risks/opportunities; Alignment of capital expenditures; Presence of dedicated climate commitment policies; Presence of disclosures based on TCFD methodology and comprehensive and transparent reporting; Presence of SBTi commitment.

4. Vote against the re-election of the members of the Board of Directors (including the CEO).

BOARD COMMITTEES

Eurizon Capital S.A. encourages listed companies to establish separate specific Board Committees, to monitor the core functions of the Board of Directors regarding auditing, appointments, and remuneration.

The Company considers it important to have transparent communication about the roles, composition of Committees and their activities, so that investors may assess their effectiveness.

The Company therefore votes against the (re-)election of Directors, including the CEO in the absence of these Committees.

Moreover, the Company undertakes to vote against the (re-)election of executive directors when they are part of the Internal Control and Audit Committee, the Nominating Committee or Remuneration Committee of investee companies, or if information is not sufficient to determine whether an executive director is or will be part of a Committee in the near future.

Lastly, Eurizon Capital S.A. votes against the re-election of members of the Internal Control and Audit Committee, the Nominating Committee or Remuneration Committee if the Chair of the related Committee is not identified.

INTERNAL CONTROL AND AUDIT COMMITTEE

This Committee is responsible for the integrity of the company's financial statements, the appointment of independent auditors, the monitoring of their qualifications and their independence. More in general, the Committee is responsible for the management of company risks, whether financial, operational, or reputational.

As the Internal Control and Audit Committee carries out a fundamental role in protecting investors' interests, Eurizon Capital S.A. believes that this committee must comprise a majority of independent directors, with an independent Chair (in line with the Italian *Corporate Governance* Code) and include at least one member with sufficient financial expertise to effectively oversee the company. Conversely, The Company will vote against the (re-)election of non-independent directors.

NOMINATING COMMITTEE

This Committee is responsible for supervising appointments to the Board of Directors and other senior managers and guarantees the effectiveness of the succession process. The Committee must also ensure that the Board of Directors has the right composition, taking account of important *governance* considerations, such as expertise, diversity, terms of office and the number of roles associated with positions (*overboarding*). The Nominating Committee also works closely with the Remuneration Committee in order to guarantee adequate contractual conditions.

Given the key role of this Committee in matters concerning the composition of the Board of Directors, Eurizon Capital S.A. considers that the majority of Committee members must comprise independent directors (in line with the Italian *Corporate Governance* Code). If this condition is not met, the Company will vote against the (re-)election of non-independent directors.

In addition, the chair of the Board of Directors must not chair the Committee when his/her succession is being discussed[14].

REMUNERATIONS COMMITTEE

This Committee is tasked with defining and controlling the operation of the company's remuneration strategy for executive directors and senior managers.

Eurizon Capital S.A. considers that companies should have a Remunerations Committee comprising the majority of independent directors and an independent Chair (in line with the Italian *Corporate Governance* Code). If this condition is not met, the Company will vote against the (re-)election of non-independent directors.

[14] ECSA generally votes against the appointment of the chair of the Nominating Committee if the Chair is also chairing the Board of Directors, unless it is a local corporate governance practice (e.g., UK) and the chair is independent.

Other Board Committees

Investees may consider it appropriate to establish additional Board Committees to assist in the board's activities. In particular, for companies whose environmental and/or social risks represent a significant part of the *business* model, Eurizon Capital S.A. encourages the establishment of a Committee to supervise *ESG* issues that include Board members.

To this end, ECSA supports those shareholder proposals requesting the establishment of a committee to oversee climate transition-related risks and to implement the corporate sustainability strategy.

1. Capital Structure, Mergers, Acquisitions and other Extraordinary Operations

An adequate capital structure is important to carry out a company's activities. In this regard, the Company takes into consideration the economic terms of capital operations and the strategic logics of proposals, assessing the impact on value for shareholders in the short and long term.

The Board of Directors is fundamentally responsible for guaranteeing an effective allocation of capital and supervising its management, and for having to balance the company's long-term investment needs with short- and medium-term returns for investors.

Eurizon Capital S.A. therefore supports shareholders' right to have a separate vote for instruments and for the powers given to the Board to manage the capital structure.

Issue of shares

The issue of shares is a way for companies to increase their capital. Eurizon Capital S.A. supports this activity provided it is limited to guaranteeing the performance of company functions and does not expose minority shareholders to an excessive dilution of their interest held in the capital.

The existence of pre-emptive rights[15] is essential for protecting shareholders from an excessive dilution. The thresholds established by the Company are in line with consolidated best practices of various markets.

In particular, as regards the European market, Eurizon Capital S.A. supports:

- issues of securities with pre-emptive rights up to a maximum of 50% of the issued capital, on condition that the validity periods for the issue of shares are clearly notified and in line with specific practices of the reference market;
- the issue of securities without pre-emptive rights up to a maximum of 10% (or less is envisaged by reference market best practices) on condition that the validity periods for the issue of shares are clearly notified and in line with specific practices of the local market.

The One Share-One Vote Principle

The Company promotes share structures in which the shares have the same voting right and these rights are commensurate with the economic value held. The Company therefore discourages the practice of issuing shares with increased or reduced voting rights and encourages the gradual elimination of differentiated voting rights. The Company votes against requests to create or maintain a dual class capital structure or shares with a multiple vote *("super vote" or "supervoting shares*").

Issue of Bonds or Loan Agreements

The Company is in favour of proposals for existing debt restructuring agreements unless the restructuring terms do not have an adverse impact on shareholders' rights. Eurizon Capital S.A. supports the issue of bonds and/or loan financing/ agreements in the ordinary course of business unless the terms of such loans are unfavourable to shareholders due to the lack of sufficient information regarding the size and terms of the financing, as well as the possible risks of not undertaking the transaction.

The Company votes in favour of the creation/issue of convertible debt instruments, on condition that the maximum number of ordinary shares issued for conversion meet the guidelines for the issue of shares.

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[15] This is the right of shareholders to be offered new shares, in proportion to the existing shares they hold, before the new shares are offered to non-shareholders.

SHARE BUYBACKS

The Company believes that the Board of Directors of the company must be transparent on the advisability of using capital to buy back shares in relation to other uses (such as dividends, internal or external investments through mergers and acquisitions).

In general, the Company votes in favour of share buyback plans if the conditions meet the following criteria:

- a buyback limit up to 10% of share capital issued (or as established by local governance *practices* and regulations);
- a limit on holding 10% of share capital issued by a company for treasury (or as established by local governance *practices* and regulations);
- a buyback plan duration of no more than 5 years or less if established by legal regulations.

The annual limit on the number of shares that may be bought back will vary depending on the reference market: buy backs above 10% of the share capital issued will be supported only when carried out in the interest of shareholders and if required by local regulations.

SPIN-OFF TRANSACTIONS

The Company assesses on a case-by-case basis spin-off transactions aimed at increasing shareholder returns, simplifying the company's governance structure and strengthening the corporate skills and managerial efficiency of the division being spun-off.

In assessing spin-off transactions, the Company considers, among others, factors such as the rationale of the transaction, the use of proceeds, possible tax implications, possible conflict of interest situations.

JOINT VENTURE AGREEMENTS

Eurizon Capital S.A. evaluates on a case-by-case basis joint venture transactions that enhance the resources, skills, and expertise of individual companies in order to reduce production costs and facilitate entry into new markets.

In assessing possible joint venture agreements, the Company takes into consideration, among others, factors such as the value of the transaction for shareholders, the market reaction, synergies in terms of costs and revenues, possible conflict of interest situations, and the governance structure.

OPERATIONS INVOLVING SPECIAL PURPOSE ACQUISITION CORPORATIONS (SPAC)

The Company assesses on a case-by-case basis transactions involving Special Purpose Acquisition Corporations (“SPACs”). In evaluating these transactions, the Company considers, among others, factors such as the acquisition target, favourable trading conditions ensuring that the transaction is completed within 18-24 months, the third-party valuation of the SPAC, the rationale of the transaction, possible conflict of interest situations, and the governance structure.

RECAPITALISATION PLANS

Eurizon Capital S.A. evaluates on a case-by-case basis recapitalisation plans as means for consolidating a company's capital structure.

In assessing possible recapitalisation plans, ECSA takes into consideration, among others, factors such as the capital structure resulting from the recapitalisation, the liquidity profile, possible impacts on voting rights and possible conflict of interest situations.

RELATED-PARTY TRANSACTIONS

The Company believes that issuers should have a process in place to revise and monitor related-party transactions and encourages adequate safeguard measures to be adopted to protect shareholders’ interests.

The Company votes against the election of directors involved in related-party transactions, or against the entire Board of Directors in the case of transactions considered problematic and not subject to the shareholders’ vote.

ANTI-TAKEOVER DEFENCE MECHANISMS

The Company considers the voting right of shareholders in the case of purchase offerings to be essential.

The Company is against anti-takeover defence mechanisms unless they:

- give shareholders the right to decide at the last moment;
- create long-term value for stakeholders;
- are not permanent;
- are not planned to consolidate management powers;
- do not allow for a significant dilution of shares or create conflicts of interest with shareholders.

The Company is in favour in cases where the company has a history of good governance practices with minority shareholders and/or does not have other anti-takeover mechanisms or the proposal is assessed positively by a third-party, independent entity.

MERGERS & ACQUISITIONS INCLUDING AFFILIATION CONTRACTS WITH SUBSIDIARIES

For an informed assessment of proposals relating to M&A, including possible affiliation contracts with subsidiaries, the Company considers it necessary to give the Board of Directors transparent disclosure regarding the terms of the merger or acquisition or affiliation, any financial implications and cultural integration as well as the long-term company strategy. The Company also encourages companies to explain how the transaction produces significant benefits for shareholders and stakeholders in general.

2. REMUNERATION POLICIES

Eurizon Capital S.A. acknowledges the importance of executives' remuneration, convinced that the balance between remuneration policies and company performance is fundamental for ensuring an effective leadership to steer the company.

Eurizon Capital S.A. believes that the Board of Directors should guarantee remuneration for executive directors which:

- is aligned with the strategy, growth and long-term performance of the company;
- is fair in terms of results achieved;
- is balanced in terms of remuneration opportunities for stakeholders ("*Pay for Performance" principle).*

The Company believes that transparency about the remuneration structure as regards, among others, the description of parameters and objectives used in the context of incentive plans, *performance* premiums assigned, the use of deferral clauses or discretionary payments, is fundamental for correctly assessing the remuneration of directors.

FIXED REMUNERATION OF SENIOR MANAGERS

The Company believes that the basic salary of senior managers must be commensurate with the size, sector and results of the company. Although the remuneration levels of equal-par companies may be considered, these should not be taken as an absolute point of reference.

ANNUAL INCENTIVES

The Company believes that each annual incentive should be geared towards developing the company strategy and achieving financial results, as well as personal goals.

Companies exposed to high levels of environmental, social, or corporate governance (ESG) risks, should include relevant goals that are clearly measurable and that focus management's attention and efforts on the mitigation of such risks.

Annual incentives should be fixed as a proportion of the basic salary, with a maximum amount. To better align with the interests of investors and company performance in the long term, the Company encourages companies to also pay a part of annual incentives as shares.

LONG-TERM INCENTIVE PLANS

The Company believes that companies must motivate and reward senior managers, setting up long-term incentive plans focussed on sustainable growth. The long-term incentive plans should therefore include "Key Performance Indicators" (KPI) related to the business strategy and ESG metrics (for example related to "Net Zero" objectives).

In order for assessors to evaluate the adequacy of long-term incentive plans, companies must promptly notify the parameters and objectives used.

INTEGRATION OF CLIMATE TARGETS INTO REMUNERATION POLICIES

Eurizon Capital S.A. believes that good corporate governance practices can facilitate the decarbonization process and, in particular, that the integration of ESG factors into executive remuneration policies is desirable for achieving the company's sustainability objectives, as well as the goal of net-zero emissions by 2050.

Specifically, the Company believes that executive remuneration policies aligned with the company's strategy can incentivize the adoption of behaviours and decisions consistent with the company's sustainability objectives and the creation of long-term shareholder value.

In this regard, for companies monitored within the CA100+ and TPI initiatives (so-called "target issuers", considered a priority for achieving climate neutrality), ECSA has developed an internal methodology[16] to assess the presence of indicators related to climate and/or sustainable development objectives in the remuneration plan of executive directors. In the absence of such indicators, the Company expresses a negative opinion on the proposed remuneration policies.

REMUNERATION OF NON-EXECUTIVE DIRECTORS

The remuneration of non-executive directors must be consistent with the responsibilities and time dedicated to carrying out duties on the Board and/or committees, without comprising the ability to act independently. Otherwise, the Company will cast a vote which is not in favour, in the shareholder meeting.

REMUNERATION IN THE FORM OF SHARES

Eurizon Capital S.A. supports share incentive plans for senior management, up to a maximum of 5%[17] of the share capital issued by the company, which envisage:

- clear performance conditions, measured over a period of at least 3 years;
- the allocation of premiums in line with reference market practices;
- any discounts justified by appropriately defined performance criteria.

Eurizon Capital S.A. promotes share purchase plans for employees of a company, up to a maximum of 10% of the share capital issued, to promote the alignment of employees' interests with those of the company.

ANNUAL VOTE ON SENIOR MANAGERS' REMUNERATION POLICIES ("*SAY ON PAY*")

Eurizon Capital S.A. believes that the advisory vote on executive compensation is a fundamental element of good corporate governance as it allows for transparency regarding the adequacy of remuneration practices in relation to company performance and alignment with the long-term interests of shareholders.

The Company undertakes to vote against *management* proposals regarding the so-called "*Say on Pay*", if the remuneration practices for senior managers are not aligned with shareholders' interests.

In addition, Eurizon Capital S.A. will oppose the Remuneration Committee members if there is significant dissent from shareholders over remuneration proposals made, without the company giving an adequate response.

[16] This methodology is based on information obtained from the info-provider MSCI ESG Research and from public databases such as TPI, CDP, and Climate Action 100+.

[17] The exception to this is companies with a strong growth or adequately conceived plans for which a dilution ranging from 5 to 10% is permitted.

3. INDEPENDENT AUDITORS

The presence of an external, independent auditor provides shareholders with a guarantee of the solidity of the company's financial statements. Any concerns raised by the independent auditors must be explained fully by the Board of Directors to shareholders, also indicating how they are dealt with.

The Board of Directors is responsible for appointing the independent auditors for the company and is required to notify the name, reasons why the Board considers the auditors as independent and how potential conflicts are attenuated. The independent auditors must not have been involved in significant disputes in years prior to the appointment and the fees for non-audit services must not exceed 100% of the audit fees without a valid reason.

In accordance with Regulation (EU) No 537/2014 on specific requirements regarding statutory audit of public-interest entities, the Company considers that the appointment of the same independent auditors should not exceed a maximum of ten years unless:

- a public tender is called for statutory auditing; in this case the period may be extended once for a maximum of ten years, up to a maximum of twenty years;
- several auditors or audit firms are appointed at the same time; in this case the period may be extended once for a maximum of another fourteen years, up to a maximum of twenty-four years.

4. PROPOSALS REGARDING ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE ASPECTS

In order to support the corporate practices of issuers with a focus on long-term sustainability, the Company has identified specific issues characterised by significant environmental, social or corporate governance aspects in relation to which it gives its unequivocal opinion, regardless of the reference country.

Eurizon Capital S.A. is generally in favour of shareholder proposals that address ESG issues, as these are considered sensitive for managing the issuer's sustainability risk. However, the Company adopts a pragmatic approach to analysing proposals motioned at shareholders' meetings: if these requests are considered rhetorical, poorly reasoned, or prepared, Eurizon Capital S.A. may decide to not support them.

With specific reference to sustainability risks, the Company attaches importance to mitigating climate change, in line with the commitment signed through the so-called "Net Zero Asset Managers Initiative", the international initiative promoted by asset managers committed to supporting the goal of achieving the neutrality of net greenhouse gas emissions by 2050 (so-called "Net Zero"), consistently with the commitments made by the States that signed the Paris Agreement, aiming at containing the impacts of climate change and limiting the rise in temperatures by 1.5°C by 2050.

To this end, the Company supports initiatives that promote the transparency of both direct and indirect greenhouse gases produced by investees, in line with the Paris Agreement's goal.

TRANSPARENCY OF STRATEGIES FOCUSSED ON SUSTAINABLE GROWTH

Company strategies should address financial objectives and growth goals that are sustainable over time, creating resilience where risks related to environmental, social, and corporate governance factors have been identified. In this context, the Company:

- encourages companies to define specific environmental, social, and corporate governance goals in their own corporate strategy, so they may maximise the positive impacts for stakeholders. Measuring objectives should be based on previously defined, adequate metrics that can enable investors to effectively monitor progress made in relation to set objectives;
- believes that transparent communication is as the base of a solid analysis of the risks and investment opportunities and capital allocation of a company. Therefore, the Company considers the disclosure of information and data on the sustainability of company production processes as a positive factor. Moreover, the Company encourages companies to align sustainability reporting with best practices (i.e., "*Task Force on Climate-Related Financial Disclosures" – TCFD, "Global Reporting Initiative" – GRI, "Sustainability Accounting Standards Board" – SASB, "International Organization for Standardization" – ISO*) and highlight the link between SDG ("*Sustainable Development Goals" – SDG*) and strategic priorities.

CLIMATE CHANGE

In accordance with the reference framework established by the *Task Force on Climate-Related Financial Disclosures* (TCFD), Eurizon Capital S.A. encourages investees to (i) analyse the risks related to climate change with reference to the short-, medium- and long-term, (ii) describe the impact of these risks on activities, strategy and financial planning, and (iii) explain the resilience of the strategy adopted, taking account of any commitment made by companies to achieve the Net Zero scenario by 2050.

Besides the provisions in the TCFD framework, Eurizon Capital S.A. encourages companies to report using the parameters defined in the "*CDP*" climate questionnaire, so that investors can have uniform data on the climate from a large number of companies and easily make comparative analyses when voting.

Eurizon Capital S.A. encourages investees to define and work towards achieving decarbonisation goals which are science-based, and to disclose how their business model is consistent with the climate transition envisaged by the Paris Agreement and the Net Zero goal.

Eurizon Capital S.A. hopes that investees:

- adopt objectives to reduce greenhouse gas emissions ("*GHG emissions*");
- increase their efforts to reach an increasingly greater efficiency in production processes;
- intensify the use of energy from renewable sources;
- commit to reducing methane emissions;
- do not expand their operations into protected areas or near fragile ecosystems without adequate safeguards to monitor possible negative impacts;
- establish policies to recycle products and packaging and/or to have "Extended Producer Responsibility").

SAY ON NON-FINANCIAL STATEMENT

ECSA is committed to voting on management proposals related to the submission and approval of non-financial statement (e.g., the Consolidated Non-financial Statement). In determining the vote to be cast, ECSA takes into consideration the alignment of information disclosed by companies with internationally recognized frameworks [18].

SAY ON CLIMATE

The Company undertakes to vote *management* proposals related to the "*Say on Climate*", where shareholders are presented with the company's energy transition strategy during the shareholders' meeting. In deciding on the vote to cast, the Company analyses the decarbonisation progress of issuers according to the guidelines presented by initiatives, such as "*Climate Action 100+",* the UN's "*Principles for Responsible Investment*" (*UN PRI*) and "*Institutional Investors Group on Climate Change"* (*IIGCC*), also considering the results of any *engagement* activities.

To this end, Eurizon Capital S.A. has developed a framework aimed at adopting a consistent approach to the so-called "*Say on Climate*" proposals of investee issuers, regardless of the company's sector. The evaluation model is based on the analysis of the information included in the "Transition Plans" presented to shareholders at the Meeting and is integrated by additional evaluation criteria defined by ECSA.

The analysis conducted in determining the vote to be cast at the Shareholders' Meeting considers, among other things, the presence of climate neutrality objectives, decarbonization and "*Just Transition*" strategies, the reporting methods adopted by the companies, as well as the outcomes of any engagement activities carried out by Eurizon. In particular, ECSA evaluates the following factors:

- the presence of a declared climate neutrality objective (*Net Zero)* by 2050, that covers all direct operating emissions (*Scope1*) and indirect emissions relating to the supply chain ("*Scope 2" and "Scope 3"*);
- the presence of objectives to reduce greenhouse gas emissions in the short-, medium- and long-term aligned with the goal of keeping global warming to within 1.5°C;

[18] For instance, *Global Reporting Initiative (GRI); Sustainability Accounting Standards Board (SASB); CDP (Carbon Disclosure Project); IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures; Taskforce on Climate-related financial disclosure (TCFD).*

- The disclosure by the company of its direct and indirect greenhouse gas emissions (so-called "*Scope 1, 2 and 3*");
- the presence of a decarbonization strategy that outlines the actions identified by the company to achieve its stated goals and specifies the possible use of emission offsetting solutions (so-called "carbon offsets") as well as the plan for investments aimed at climate solutions (so-called climate solutions);
- the assessment and/or approval of the company's decarbonisation goals based on scientific scenarios (i.e., which are *science-based*);
- company disclosure aligned with the recommendations of the *TCFD*. Finally, ECSA will vote against "*Say on Climate*" proposals in the absence of a climate neutrality target by 2050 that covers direct "*Scope 1*" and indirect "*Scope 2*" operational emissions.

BIODIVERSITY

Biodiversity is defined as the *variety of living organisms of any origin, including terrestrial, marine and other aquatic ecosystems and the ecological systems that are part of them; it includes the diversity of species, including the species of ecosystems*[19].

The loss of biodiversity represents a high risk for shareholders.

The Company hopes that companies measure their impact on the environment and biodiversity, in order to manage risk, mitigate and, over time, reverse the adverse effects of such a loss. Companies should acquire a greater awareness of how the loss of biodiversity can represent a threat to a company's business in the short- and long-term and how the company can contribute to protecting ecosystems.

The Company hopes that companies increase transparency regarding activities that may have an adverse impact on the marine ecosystem, as it is highly vulnerable and exposed to several environmental and anthropic phenomena (such as the heating and acidification of the oceans).

To this end, ECSA encourages companies to disclose information about their impact on nature and ecosystems, in line with the recommendations of the Taskforce on Nature-related Financial Disclosure (TNFD).

In line with Eurizon Capital SGR membership to "Nature Action 100" collective engagement initiative, ECSA is committed to voting in favor of shareholder proposals that require companies:

- an explicit corporate commitment to mitigate biodiversity loss and ecosystem protection;
- assessment and reporting on biodiversity-related impacts, risks and opportunities;
- defining strategic plans to mitigate risks and exploit opportunities related to natural capital, and publishing progress against stated goals;
- oversight by the Board of Directors of matters relating to biodiversity conservation and preservation;
- involvement of Stakeholders in the implementation of strategic plans.

DEFORESTATION

Eurizon Capital S.A. is aware of the importance of ending deforestation, in order to combat climate change and reduce the loss of biodiversity.

Deforestation and the degradation of forests contribute to the global climate crisis, increasing emissions of greenhouse gases associated with forest fires, permanently eliminating the capacity to retain CO_2, decreasing its absorption, reducing the resilience of the affected area to climate change and its biodiversity.

To this end, ECSA encourages the transparent communication of companies that use these raw materials and supports circular economic practices and the re-use of materials. To assess the environmental risks shareholders may encounter, companies must commit to declaring the progress made, such as the elimination of deforestation practices in supply chains.

ECSA is committed to voting in favour of shareholder proposals that demand greater transparency, product traceability and certification of sustainability from companies.

[19] Source: Convention on Biological Diversity.

With particular reference to the cultivation of palm oil crops, this may have adverse effects on local communities and ecosystems. The environmental and social problems of the sector mainly depend on how the palm oil is produced and processed: palm oil which is responsibly cultivated limits the negative effects on the ecosystem.

WATER RISK

Eurizon Capital S.A. requires companies to increase transparency with respect to the risks, opportunities, and impacts associated with the use of water resources. To this end, it encourages the disclosure of quantitative and qualitative indicators aimed at (i) identifying the company's exposure to water risk and (ii) assessing the effectiveness of policies and practices implemented to prevent water-related uncertainties.

Therefore, ECSA is committed to voting in favour of shareholder proposals that require (i) identification of areas characterized by increased water risk, (ii) monitoring and engagement with its supply chain, and (iii) oversight by the Board of Directors.

POLLUTION AND CIRCULAR ECONOMY

Eurizon is committed to monitoring the impact of companies' activities on the ecosystem caused by the dispersion of toxic emissions.

To this end, ECSA supports shareholder proposals that require the company (i) to publish independently verified disclosures on its practices regarding plastic use and waste disposal, including packaging management, (ii) to adopt a strategy to raise consumer awareness of sustainable practices and the circular economy, and (iii) to monitor and reduce its toxic emissions to the environment.

MANAGEMENT OF HUMAN CAPITAL

Eurizon Capital S.A. considers the management of human capital to be of fundamental importance: employees are the cornerstone of companies. To assess investees' commitment to empowering their workforces, the Company takes into account the fostering of diversity and principles of inclusion, adequate employee training and a safe working environment.

Therefore, the Company hopes that companies consider and comply with:

- the United Nations' *Global Compact* principles,
- the conventions and recommendations of the International Labour Organization (ILO)
- the UN's Guiding Principles on Business and Human Rights (UNGPs),
- local and national laws and regulations on employee protection.

ECSA would like companies to implement due diligence processes to prevent and mitigate risks related to human capital management in the supply chain.

In addition, the Company positively rates disclosure from investees concerning:

- the salary gap between management and other staff;
- the gender salary gap, related policies and objectives;
- actions taken to deal with economic inequality.

ECSA supports shareholder proposals that require the company to report on the management of the impacts of its transition strategy on workers and communities, in line with guidelines published by the International Labour Organization (ILO).

TRANSPARENCY REGARDING POLITICAL CONTRIBUTIONS AND LOBBYING EXPENSES

The Company encourages companies to be transparent in disclosing their political contributions and own lobbying activities, both direct and indirect, including payments made to trade associations.

ECSA recognizes that achieving the goals defined by the Paris Agreement requires cross-sectoral political action and hopes that companies will report on their activities related to environmental issues in order to assess their consistency with the long-term interests of investors.

In addition, Eurizon Capital S.A. views favourably charitable activities by issuers, and therefore undertakes to vote in favour of proposals requiring shareholder approval of charitable donations unless the company does not provide a rationale and/or the amount of the donation is considered excessive.

ARTIFICIAL INTELLIGENCE

ECSA calls for disclosure and greater transparency regarding the risks associated with the use of artificial intelligence to manage business processes, in order to allow shareholders to understanding and assessing how the company is managing such risks.

In line with Regulation (EU) 2016/679 on the protection of personal data of natural persons, ECSA is committed to support shareholder proposals that call for strengthening the level of consumer protection.