



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

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## INTRODUCTION

Eurizon Capital SGR S.p.A (hereinafter also referred to as “the SGR” or “the Company”) believes that good corporate governance standards contribute to greater trust in capital markets and that the role of institutional investors, asset managers and advisors contributes to the quality of dialogue with investee companies. The Company has a fiduciary duty to protect and enhance the value of its Clients and Investors managed assets, which implies addressing effectively any performance-related issues of the investee companies in which assets are invested on behalf of the managed portfolios. In this context, the Company attaches importance to the oversight of “external corporate governance”, intended as the monitoring of the corporate governance of issuer companies.

To this end, during 2014, the Company adopted the “*Italian Stewardship Principles for the exercise of administrative and voting rights in listed companies*”<sup>1</sup> (herein also referred to as “the Principles”) defined by Assogestioni, the Association of the Italian Investment Management Industry. The Principles seek to offer a series of best practices to be followed by the associate members to promote responsible investment and to stimulate integration between external corporate governance and the investment process. In this way, issuers will be encouraged to adopt environmental, social and corporate governance high standards that can generate improved long-term performance for investors.

These Principles are aimed at institutions that provide collective investment management or portfolio management services in order to promote discussion and cooperation between management companies and the listed companies in which they invest.

The present document represents the “Engagement Policy” adopted by Eurizon Capital SGR:

- pursuant to the Article 124-quinquies of the Legislative Decree no. 58 of 24 February 1998<sup>2</sup> (so-called “Testo Unico della Finanza” – TUF) which regulates the ways in which the asset managers monitor and interact with investee companies, and
- for the purpose of the adoption of the *Italian Stewardship Principles for the exercise of administrative and voting rights in listed companies*,

describing how the Company promotes the dialogue with the investee companies, integrating its commitment as a shareholder in the investment strategy.

## AREA OF APPLICATION

The Company – also in accordance with the guidelines provided by Assogestioni – adopts a thought and focused approach to corporate governance that, by applying the principle of proportionality, gives priority to participation at Shareholder Meetings and to engagement with companies considered “significant” as identified from time to time according to the qualitative/quantitative criteria described in the internal procedures.

The Company does not intend to “micro-manage” the affairs of listed issuers, nor does it preclude a decision to sell a holding where this is considered the most effective way of protecting Client/Investor interests.

The principles contained in the present Engagement Policy apply to:

- collective investment management services;
- portfolio management services.

The Company and its directly-held subsidiaries that provide collective investment management or portfolio management services have adopted, in compliance with sector regulations, specific organisational measures and/or procedures aimed at ensuring, where discretionary rights have been attributed regarding the administration and voting relative to its shareholdings in investee companies, the independence and autonomy

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<sup>1</sup> The Principles defined by Assogestioni are in line with those included in the EFAMA *Code for External Governance*, approved by the *European Fund and Asset Management Association* (EFAMA). Assogestioni participates to EFAMA and Eurizon Capital SGR is also a member.

<sup>2</sup> The Article 124-quinquies of the TUF was introduced by the Legislative Decree no. 49 of 10 May 2019, implementing the EU Directive 2017/828 which amends Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement.

in exercising such rights. Within this framework, the Company has drawn up a specific “*Strategy for the exercise of participation and voting rights attached to the financial instruments held in the managed UCIs*”.

## **ORGANISATIONAL BODIES**

The Company gives consideration to the importance of monitoring and engagement with its issuer companies, as well as participating at their shareholder meetings.

Consequently, the Company has created the *ESG & Strategic Activism* Team within the Investment Department, to oversee the active ownership activities.

The *ESG & Strategic Activism* Team coordinates the activities related to the exercise of voting rights at shareholder meetings inherent in the SGR managed portfolios. It is also responsible for the monitoring of and engagement with relevant issuer companies related to significant issues on strategy, financial and non-financial performance, risks, capital structure, as well as related to social, environmental and corporate governance matters.

The SGR promotes the investors’ interests in the asset managed through investment or disinvestment decisions and through the exercise of voting rights at Shareholder Meetings, taking into account the materiality of the participation in relation to the interests of the asset under management. In this context the Investment Department of the SGR is involved in the external corporate governance process, with particular reference to:

- indicating the relevant Shareholder Meetings for participation;
- drafting of the voting instructions and, where applicable, the analysis of any concerns to be expressed at the Meeting;
- handling of the engagement process.

The *Compliance and AML* Department monitors the execution of the corporate governance processes to ensure the correct application of safeguards established by external and internal regulations, with particular focus on the management of conflicts of interest.

The Board of Directors has attributed to the Chief Executive Officer / Managing Director the power to participate or designate a proxy at ordinary and extraordinary Shareholders' and/or Bondholders' Meetings of issuer companies whose securities are held in the SGR's managed portfolios.

The Chief Executive Officer / Managing Director authorises the participation at the Shareholder Meetings and establishes the procedures through which voting rights are to be exercised, how the vote will be cast and any other relevant actions to be taken during the course of the Meeting.

The Committee of Independent Directors has specific powers of control and intervention to assess the procedures for the exercise of voting rights and voting decisions in the event of conflicts of interest.

Whilst the opinions expressed by the Committee of Independent Directors are not binding, any non-coinciding decisions by the Board of Directors are to be motivated.

With specific regard to the procedures for exercising voting rights and voting decisions, the *ESG & Strategic Activism* Team will, in due time, provide the Committee of Independent Directors details of:

- significant Shareholders' Meetings in which the Company intends to take part and, eventually, any highlights of particular interest on the agenda of these Meetings;
- biannually, participation at Shareholder Meetings held in investee companies whose securities are held by UCIs.

## MEASURES ADOPTED TO IMPLEMENT THE “ITALIAN STEWARDSHIP PRINCIPLES”

### PRINCIPLE 1 – INVESTMENT MANAGEMENT COMPANIES (IMC) SHOULD ADOPT A DOCUMENTED POLICY

*INVESTMENT MANAGEMENT COMPANIES SHOULD HAVE A DOCUMENTED POLICY AVAILABLE TO THE PUBLIC ON WHETHER, AND IF SO HOW, THEY EXERCISE THEIR OWNERSHIP RESPONSIBILITIES.*

#### IMPLEMENTATION OF RECOMMENDATION:

In accordance with article 35-*decies* of the Consolidated Law on Finance (*Testo Unico della Finanza*) and art. 112 of the Intermediary Regulation adopted by Consob through resolution no. 20307/2018, the Company has adopted specific organisational measures and/or procedures to ensure, where discretionary rights have been attributed regarding administration and voting *vis-à-vis* holdings in investee companies, independence and autonomy in exercising such rights.

The resulting “Strategy for the exercise of administration and voting rights relating to the financial instruments of Undertakings of Collective Investments in Transferable Securities (UCIs) under management” establishes a set of procedures and measures aimed at:

- monitoring the company's activities pertaining to the financial instruments held in the portfolio of the managed UCIs, when this is required by the characteristics of the financial instruments incorporating the rights to be exercised;
- determining when and how participation and voting rights may be exercised based on a cost-benefit analysis that also takes into account the objectives and investment policy of each managed UCIs.

In detail, the Strategy establishes the ways to:

- monitor investee companies also through active dialogue;
- manage conflicts of interest;
- prevent the circulation of information between companies of the Group and the Parent Company through so-called 'Chinese Wall';
- appoint persons charged with decisional powers regarding the exercise of voting rights;
- establish the intervention strategy and engagement approach (both collectively or autonomously, also as a signatory to the United Nations' “*Principles for Responsible Investment*”);
- exercise voting rights (the possibility of designating voting rights to specialised companies and the use of postal or electronic voting).

The Company exercises voting rights relative to ' managed shareholdings ' intended as those pertaining to:

- the UCIs under management, also on the basis of a proxy, except where the exercise of voting rights is attributed to the management company that established the UCIs;
- the individual segregated account contracts whose clients have assigned on a case-by-case basis (through a proxy and pursuant to relevant law or regulations in force at the time) the voting rights attached to the clients' shares present in the portfolio<sup>3</sup>.

In accordance with the Strategy, the exercise of administration and voting rights is an integral part of the Company's broader investment process. In this regard, the Investment Department and the *ESG & Strategic Activism* Team coordinate closely to analyse in depth all significant governance issues of investee companies.

In any case, the Company monitors the effectiveness of measures concerning the exercise of administration and voting rights and reviews the Strategy adopted at least on a yearly basis.

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<sup>3</sup> Moreover, it should be pointed out that:

- the segregated account contract establishes that the Company will take part in Shareholder' meetings only at the client's request and will vote in accordance with the client's instructions;
- the exercise of voting rights attached to financial instruments managed by investment firms, banks, independent management companies and brokers is regulated by Italian Treasury Ministry decree no. 470 of 11 November 1998.

Full details of the Strategy and any updates are available to UCIs participants on the Company's website ([www.eurizoncapital.com](http://www.eurizoncapital.com)).

## **PRINCIPLE 2 – IMCs SHOULD MONITOR THEIR INVESTEE COMPANIES**

### *IMC'S SHOULD MONITOR THEIR INVESTEE COMPANIES.*

#### IMPLEMENTATION OF RECOMMENDATION:

The Company actively monitors events in investee companies impacting financial instruments of UCIs under management where such instruments have inherent exercisable rights.

In this regard, the Company adopts a targeted approach to corporate governance, which selects 'significant issuers' on the basis of:

- the usefulness of interaction in relation to the interests represented by the assets under management;
- the possibility of influencing decisions in relation to the shares with owned voting rights.

With specific reference to the reasons that determine the decision to exercise administration and voting rights, the Company's Strategy establishes the following quantitative and qualitative criteria:

- participation at all shareholders' Meetings and interaction with the Board of Directors of those companies where the Company holds a significant share capital, as identified from time to time within the internal procedures;
- participation at the shareholders' Meetings that are deemed relevant to the managed portfolios' benefit in order to identify situations of particular interest for the purpose of protecting and supporting the interests of minority shareholders;
- contribution to the election of members of the board of directors or boards of statutory auditors through the slate voting mechanism, representing minority shareholders;
- participation at those shareholders' meeting approving extraordinary transactions where such participation is needed to support or challenge the proposed transaction, in the interests of the managed portfolios.

The Company reserves the right not to exercise voting rights in cases where voting may have no beneficial effect on the managed shareholdings, for example where:

- no significant items are scheduled on the agenda;
- 'significant shareholdings' are solely part of a short-term investment strategy.

As a signatory to the United Nations' "*Principles for Responsible Investment*" (UN PRI), the Company pays close attention to the policies implemented by the investee companies. The SGR believes that good corporate governance policies and practices (which integrate environmental, social and governance criteria) create value for shareholders in the long-term. Within this context, the SGR has adopted a financial instrument selection methodology that takes into account Environmental, Social and Governance factors (so-called "ESG factors") and principles of Sustainable and Responsible Investments (so-called "SRI principles"). The escalation process and the limit control system apply to all active management funds, both benchmark-based and flexible.

The Company believes that environmental, social and corporate governance factors influence portfolio performance and that the application of the ESG and SRI criteria contributes to a more effective response to client/investor expectations by bringing investment activity in line with the wider interests of the issuers.

In this regard, the Company assigns considerable importance to the information provided by the issuers relating to the adoption of the Corporate Governance Codes of listed companies of the various countries.

In the context of its monitoring activities, the Company requires investee companies and their consultants to ensure that any information that could compromise the ability to trade the shares of such issuers is not communicated without prior consent.

### **PRINCIPLE 3 – IMCs SHOULD ESTABLISH WHEN AND HOW THEY WILL INTERVENE WITH INVESTEES**

*IMCs SHOULD ESTABLISH CLEAR GUIDELINES ON WHEN AND HOW THEY WILL INTERVENE WITH INVESTEE COMPANIES TO PROTECT AND ENHANCE VALUE.*

#### IMPLEMENTATION OF RECOMMENDATION:

The Company promotes proactive engagement with its investee companies and encourages effective communication with their management.

Generally, the Company is committed to a detailed analysis of investee companies and to a constructive dialogue with board members and/or statutory auditors of “significant issuers”. To the end of selecting the significant issuers which initiate the engagement process with, the SGR pays special attention to the following characteristics:

- a significant exposure to the products managed (holding of “significant capital share”);
- a significant exposure to the benchmark;
- a significant exposure to ESG risks.

In this regard, the ESG & Strategic Activism Team conducts ongoing monitoring of issuers’ performance, their corporate governance and sustainability, to assess the need for an engagement activity with investee company representatives. Such interaction would enable prompt identification of any potential problem areas that may negatively impact issuers’ share value.

Engagement with investee companies may entail meetings with representatives of the companies to discuss specific issues that could also emerge during company visits at the Company's offices or during participation in events such as presentations, seminars or conferences.

The Company believes that an effective engagement activity relates to building long-term relations with the board of directors, the board of statutory auditors and the senior management of investee companies, creating an environment in which institutional investors are regarded as credible and committed partners. Therefore, engagement is complementary to both the investment analysis as well as the exercise of voting rights, as it enables the Company to promptly address specific companies’ governance issues, thus preventing a disinvestment or the exercise of a contrary vote.

In the event investees fail to respond constructively, the Company will consider escalating measures, such as:

- promoting, as set out in Principle 4, action in concert with other institutional investors – within *Assogestioni* Investment Managers' Committee - aimed at issuing comments or making specific requests for clarifications on certain issues;
- making public statements during shareholder meetings.

In the event the Company considers the outcome of dialogue with investee companies as unsatisfactory, it reserves the right to abstain or vote against certain resolutions at the shareholder meeting.

### **PRINCIPLE 4 – IMCs SHOULD COOPERATE WITH OTHER INSTITUTIONAL INVESTORS**

*IMCs SHOULD CONSIDER COOPERATING WITH OTHER INVESTORS, WHERE APPROPRIATE, HAVING DUE REGARD TO APPLICABLE RULES ON ACTING IN CONCERT.*

#### IMPLEMENTATION OF RECOMMENDATION:

The Company recognises the potential benefits deriving from collective engagement with other investors. In particular, as highlighted in the implementation of Principle 3, the Company will adopt this approach when it is believed to be the most effective means of improving communication with investee companies. Such approach may be considered when significant corporate events or issues of wider public interest arise.

Any collective engagement activity is carried out in respect of market regulations and internal policies regarding the management of conflicts of interest and privileged information (i.e. market abuse), paying particular attention to regulations regarding acting in concert.



Moreover, the Company may carry out monitoring, intervention and engagement action collectively also through participation in the activities of *Assogestioni's* Corporate Governance Committee and Investment Managers' Committee.

As a signatory to the United Nations' 'Principles for Responsible Investment', the Company reserves the right to also participate in collective engagement activities with its signatory institutional investors.

## **PRINCIPLE 5 – IMCs SHOULD EXERCISE THEIR VOTING RIGHTS IN A CONSIDERED WAY.**

*IMCs SHOULD EXERCISE THEIR VOTING RIGHTS IN A CONSIDERED WAY.*

### IMPLEMENTATION OF RECOMMENDATION:

The company adopts a targeted approach to corporate governance, participating at shareholder meetings of selected issuers listed on the Italian stock exchange and on other exchanges. Participation is assessed on the basis of its relevance for the interests of the managed portfolios and the possibility of having a meaningful impact on the outcome of the meeting through the voting rights held.

The Company will however take part in the shareholder meetings of significant listed issuers, i.e. those in which the Company holds a significant share of capital or where the Company considers such a holding to be significant for the interest of the managed UCIs.

Such method enables the Company to avoid a box-ticking approach, instead focusing on a selected number of investee companies, which allows for an adequate level of analysis, minimising over-reliance on proxy advisors.

The *ESG & Strategic Activism* Team establishes the proposals for the voting instructions, on the basis of analyses, on further examination carried out on public documents, on outcomes of interaction with issuing companies, on input from the advisors specializing in research supporting corporate governance decisions and voting recommendations, as well as on input provided by the Portfolio Managers.

The Company may delegate attendance at the Meetings to specialised third-parties, providing explicit voting instructions. It may also use proxy voting or electronic voting if such procedures are enabled by the issuers.

As a signatory to the "Principles for Responsible Investment" of the United Nations, the Company pays close attention to the policies implemented by the issuer companies in which it invests on behalf of managed UCIs, in the belief that sound corporate governance policies and practices (incorporating environmental, social and governance aspects) create value for shareholders in the long term. In this context, the specialized research used by the Company to support investment decisions and the exercise of engagement and voting rights also includes information on issuers' social and environmental responsibilities, aimed at identifying possible impacts in terms of reputation, competition and business opportunities determined by corporate governance decisions.

The following are considered by the Company as conflict of interest situations: the exercise of voting rights attached to the financial instruments held in the managed portfolios issued by a company of the Group or by companies with which the SGR, its significant shareholders or Group companies, maintain strategic relationships, or with respect to which other Group companies appoint or designate one or more members of the governing bodies. In this regard, the Company has adopted the Protocol of autonomy for the management of conflicts of interests issued by Assogestioni for the purpose of the Company's decisional autonomy pertaining to the provision of management services. As a preventive measure, within such scope, the Company does not exercise the voting right attached to the shares held in the managed portfolios issued by direct or indirect controlling companies, or with respect to which other companies belonging to the same Group as appoint or designate one or more members for issuer companies' governing bodies. In such situations, the Company can still aggregate its shareholdings related to the managed portfolios, in order to contribute to the achievement of the minimum quorum required by the applicable rules in force from time to time for the submission of candidate slates for the renewal of the Board of the companies concerned.

As indicated, with reference to Principle 1, in relation to portfolio management, voting rights are exercised solely on the basis of specific instructions received from the investor – who assigns power of proxy in compliance with the law and applicable regulations received within the contractually established cut-off time.



## **PRINCIPLE 6 – IMCs SHOULD REPORT ON THEIR EXERCISE OF OWNERSHIP RIGHTS AND VOTING ACTIVITIES**

*IMCs SHOULD REPORT ON THEIR EXERCISE OF OWNERSHIP RIGHTS AND VOTING ACTIVITIES AND HAVE A POLICY ON EXTERNAL GOVERNANCE DISCLOSURE.*

IMPLEMENTATION OF RECOMMENDATION:

As also outlined under the application of Principle 1, the Company makes available on its website the “*Engagement Policy*” and the “*Strategy for the exercise of the rights attached to the financial instruments held in the managed UCITS*”. This document outlines the adoption of the “Italian Stewardship Principles” and their second-level recommendations, as well as of the “Principles for Responsible Investment” of the United Nations, demonstrating the Company’s commitment to elevated global corporate governance standards.

Furthermore, the Company provides full details of its exercising of administration and voting rights through:

- the Company website, publishing, on a half-yearly basis, a report on the participation at Shareholder Meetings and the engagement activities;
- the Company’s Annual Statement on Undertakings’, which provides full details of voting conduct and related approaches.

The above documents include both qualitative and quantitative information.

The Company prioritises a formal documentation procedure that guarantees the tracking of the decisional process leading to the exercise of participation and voting rights, and the engagement with the issuers.

The *ESG & Strategic Activism* Team, with the support of relevant Company departments, is in charge of updating the present Engagement Policy.

The Compliance & AML Department carries out periodic controls on the correct application and effectiveness of measures adopted, to ensure the appropriate implementation of the current applicable legislation and the *Assogestioni*’s Principles and recommendations.

## **REPORTING**

As a signatory to the “*Italian Stewardship Principles*”, in addition to the report made available to the Clients/Investors in accordance with the current legislation, the SGR provides to *Assogestioni* specific updates on the current state of application of the Italian Stewardship Principles, on an annual basis.

*This document is originally written in Italian language. In case of discrepancy between the original Italian text and the present English translation, the Italian version will prevail.*