

ADOPTION OF ITALIAN STEWARDSHIP PRINCIPLES FOR THE EXERCISE OF ADMINISTRATIVE AND VOTING RIGHTS IN LISTED COMPANIES

INTRODUCTION

Eurizon Capital SGR S.p.A (hereinafter also referred to as 'the Company') believes that good corporate governance standards contribute to greater trust in capital markets and that the role of institutional investors, 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 client/investor 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, Eurizon Capital SGR attaches importance to the oversight of “external corporate governance”, intended as the monitoring of the corporate governance of issuer companies.

In 2014, Eurizon Capital SGR adopted the 'Italian Stewardship Principles for the exercise of administrative and voting rights in listed companies' (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 high corporate governance 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 sets out the policy adopted by Eurizon Capital SGR in implementing the Italian Stewardship Principles for the exercise of administrative and voting rights in listed companies. The policy document also defines the conduct adopted by Eurizon Capital SGR for achieving the objectives established by the Italian Stewardship Principles, whilst promoting dialogue with the listed issuers in which the Company invests.

AREA OF APPLICATION

Eurizon Capital SGR – 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, in general, to engagement with companies considered 'significant' as identified from time to time according to the qualitative/quantitative criteria described in the internal procedures. Through the adoption of the Principles, 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 Policy Document apply to:

- collective investment management services;
- portfolio management services.

INTERNAL REGULATIONS

Eurizon Capital SGR 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 in exercising such rights. Within this framework, Eurizon Capital SGR has drawn up a specific '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' (herein the 'Strategy').

ORGANISATIONAL BODIES

Eurizon Capital SGR 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 a dedicated office, within its Corporate Affairs Division, to oversee external corporate governance.

This office coordinates the activities related to the exercise of voting rights at shareholder meetings inherent in the Company managed portfolios. It is also responsible for the monitoring of and engagement with relevant issuer companies in the area of corporate governance, also liaising with the Investment Department and – for environmental, social and ethical issues – with the Head of Corporate Social Responsibility.

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 Managing Director and General Manager the power to participate or designate a proxy at meetings and at both ordinary and extraordinary Shareholders' and/or Bondholders' Meetings of issuer companies whose securities are held in the Company's managed portfolios.

The Managing Director authorises 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 Corporate Governance Office 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

IMCs 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 article 34 of Bank of Italy/Consob joint regulation, 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 walls';
- 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 Sustainable Investment');
- exercise voting rights (the possibility of designating voting rights to specialised companies and the use of postal or electronic voting).

Eurizon Capital SGR 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 portfolio¹.

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 Corporate Governance Office coordinate closely to analyse in depth all significant governance issues of investee companies.

Moreover, it should be pointed out that:

- the segregated account contract establishes (art. 5, lett. f) that the Company will take part in shareholders' 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.

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

Full details of the Strategy and any updates are available to UCIs participants on the Company's website (www.eurizoncapital.it).

PRINCIPLE 2 – IMCs SHOULD MONITOR THEIR INVESTEE COMPANIES

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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 Eurizon Capital SGR holds a significant share capital, as identified from time to time within the internal procedures;
- participation at the shareholders' meeting 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.

Eurizon Capital SGR 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.

The Company believes that environmental, social and corporate governance factors influence portfolio performance and that the application of the 'Italian Stewardship Principles' 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, Eurizon Capital SGR assigns considerable importance to the information provided by the issuers relating to the adoption of the Corporate Governance Code of Italian listed companies.

In the context of its monitoring activities, Eurizon Capital SGR 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:

Eurizon Capital SGR 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'. In this regard, the Corporate Governance Office and the Investment Department conduct ongoing monitoring of issuers' performance and their corporate governance in order 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.

Eurizon Capital SGR 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, Eurizon Capital SGR 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 Eurizon Capital SGR 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:

Eurizon Capital SGR 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, Eurizon Capital SGR 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 Sustainable 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.

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IMPLEMENTATION OF RECOMMENDATION:

Eurizon Capital SGR 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 behaviour 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 Corporate Governance office 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 companies (so called "engagement"), on input from the advisor specializing in research supporting corporate governance decisions and voting recommendations, as well as on input provided by the Investment Department and the Head of Corporate Social Responsibility.

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 signatory to the "Principles for Sustainable Investment" of the United Nations (UN PRI), Eurizon Capital SGR 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 Eurizon Capital SGR 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 Eurizon Capital SGR 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 Eurizon Capital 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, Eurizon Capital SGR 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, Eurizon Capital SGR 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 Eurizon Capital SGR 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 outlined under the application of Principle 1, Eurizon Capital SGR makes available on its website the Strategy document outlining the adoption of the 'Italian Stewardship Principles' and the second-level recommendations that are an integral part of the Company's commitment to elevated external corporate governance standards.

In adopting the Italian Stewardship Principles, Eurizon Capital SGR 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 issuers' shareholder meetings;
- 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.

Eurizon Capital SGR prioritises a formal documentation procedure that guarantees the tracking of the decisional process leading to the exercise of administration and voting rights.

The Corporate Governance office within Corporate Affairs is in charge of updating the present Policy, with the support of relevant Company departments. The Compliance & AML Department carries out periodic controls on the correct application and effectiveness of measures adopted, to ensure the appropriate implementation of *Assogestioni's* Principles and recommendations.

REPORTING

In accordance with *Assogestioni* guidelines, the Corporate Governance office assists the Managing Director in providing specific information on the current state of application of the Italian Stewardship Principles, highlighting any changes relative to the previous year's Company communication.