

Generali Insurance Asset Management S.p.A. SGR

GIAM ENGAGEMENT POLICY

POLICY



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Document summary

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EXECUTIVE SUMMARY

This Engagement Policy (the “Policy”) sets out the fundamental rules that Generali Insurance Asset Management S.p.A SGR (GIAM) applies for the exercise of rights linked to equity and fixed income instruments, including but not limited to the shares admitted to trading on an Italian regulated market or any regulated market of another EU Member State which are part of the collective and individual portfolios it manages, and describes the ways in which GIAM integrates the commitment as asset manager in its investment strategy.

This policy has been drawn up in compliance with the obligations introduced by Legislative Decree no. 49/2019 of May 9th, 2019 which transposes the Shareholding Rights Directive 2 (Directive (EU) 2017/828 amending Directive 2007/36/EC).

The aim of this Policy is to define the principles to be applied for the performance of the following activities:

- ongoing monitoring and engagement of Investee Issuers on important issues, including strategy, financial and non-financial results as well as risks, capital structure, social and environmental impact and corporate governance;
- exercise of voting rights and other rights connected to shares;
- cooperation with other shareholders and/or the communication with the relevant stakeholders of the investee issuers;
- communication to the public on how GIAM has implemented this Policy, including a general description of voting behavior, an explanation of the most significant votes and the possible use of proxy advisory services; and
- management of potential and effective conflict of interests connected to the engagement.

In addition, this Policy sets out the rules to be applied by GIAM for communicating to Institutional Investors with whom it has in place individual or collective management agreement the information needed by the latter to comply with their disclosure obligations according to the applicable law, as well as the way in which GIAM investment strategy and its implementation contribute to the medium and long-term risk-return profile of the assets part of the individual or collective management agreements.

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1. Definitions

Acronym/Term	Explanation/Definition
ACTIVE OWNERSHIP REPORT	The report issued by Investments Stewardship, on an annual basis, providing high level information and performance data on proxy voting as well as engagement activities performed during the year. This report does not exempt Investments Stewardship from drafting and publishing the annual communication as described under paragraph 5 of this Policy.
AGM	Annual General Meeting
ASSOGESTIONI	The Italian Asset Management Association grouping all Italian and foreign asset management companies operating in Italy
EGM	Extraordinary General Meeting
ENGAGEMENT CASE	An Engagement Case on a specific issuer lists including different elements such as (but not limited to) the risk identified, objective of the engagement actions, characteristic of the engagement, remedial actions and status and results of the engagement progress
ENGAGEMENT COMMITTEE	Committee in charge of supporting the Head of Investments Stewardship on engagement activities related to important issues, including strategy, financial and non-financial results as well as risks, capital structure, social and environmental impact and corporate governance
ESG	Environmental, Social and Corporate Governance
EXTENSIVE ENGAGEMENT	Specific public (individual or collective) interactions with executives or board members of the issuer
GIAM	Generali Insurance Asset Management SGR S.p.A.
GIG&S	Group Investment Governance and Stewardship structure established in Assicurazioni Generali S.p.A. which is the ultimate parent company of GIAM
GIP	Generali Investments Partners SGR S.p.A.
INSTITUTIONAL INVESTOR	<p>“Legal persons falling under the definition of professional clients according to the applicable law and including at least:</p> <ol style="list-style-type: none"> 1) an insurance or reinsurance undertaking as defined in letters u) and cc) of paragraph 1 of article 1 of Legislative Decree 7 September 2005, No. 209, including the secondary offices in Italy of companies having their registered office in a third State, authorised to carry out insurance or reinsurance activities in the life classes pursuant to Article 2, paragraphs 1 and 2, of the same decree 2) pension funds with at least one hundred members, who are registered in the register held by COVIP and included among those referred to in Articles 4, paragraph 1, and 12 of Legislative Decree 5 December 2005, No. 252, or among those of Article 20 of the same decree having legal personality;
INVESTEES ISSUERS	Invested companies, including but not limited to issuers whose shares and bonds are admitted to trading on an Italian regulated market or on an regulated market of another EU Member State
IR	Investor Relations
KPI	Key Performance Indicators
MINOR CHANGES	<p>Non-substantial amendment to be introduced in the Policy already in force, namely:</p> <ul style="list-style-type: none"> • updates to reflect formal changes in the organizational structure (i.e. function/structure/unit names, provided that the entrusted responsibilities remain unchanged) already approved by the relevant GIAM corporate bodies and disclosed through internal memoranda; • updates to annexes referring to standard forms or supporting technical details, as long as they do not include additional substantial elements; • linguistic corrections (e.g. typos)
MODERATE ENGAGEMENT	Specific private individual or collective interactions with executives or board members of the issuer
SRI	Socially Responsible Investment
USUAL ENGAGEMENT	Normal private interactions with issuer during the investment process, or financial / extra-financial analysis process

2. Introduction

As an asset manager, GIAM believes in active ownership and in engagement as factors contributing to risk mitigation and value creation for its clients and investors and defines the pillars leading its engagement and monitoring behaviour vis-à-vis Investee Issuers relating to the collective and individual portfolios it manages.

For these purposes, this Engagement Policy sets out the fundamental rules that GIAM is required to apply for the exercise of rights linked to shares and bonds in Investee Issuers under management and describes the ways in which GIAM integrates the commitment as an asset manager in its investment strategy, taking into account best practices from international standards as well as relevant national stewardship codes.

2.1 SCOPE OF APPLICATION

This Policy applies to investments in shares and bonds of Investee Issuers, including but not limited to admitted to trading on an Italian regulated market or any other regulated market managed by GIAM, including EU market in connection with:

- Undertakings for Collective Investment (UCIs) issued and managed by GIAM; and
- Clients' Portfolios under management for which GIAM assumed the obligation to exercise voting rights and to perform engagement activity with Investee Issuers.

In case of UCIs managed by GIAM on the basis of a delegation agreement, the collective portfolio management mandate has to regulate the duties that GIAM undertakes in its capacity as delegated manager of the UCIs relevant from time to time.

2.2 APPROVAL AND REVIEW

This Policy was approved by the Board of Directors (BoD) of GIAM upon proposal of GIAM CEO and is immediately applicable as of June 10th, 2020.

This Policy shall be reviewed promptly, and in any cases at least once a year, to include developments in legislation, market and/or best practices as well as in GIAM's strategy and organization.

Investments Stewardship is delegated by the GIAM BoD to approve Minor Changes to this Policy.

3. Engagement activities and ongoing monitoring

GIAM engages Investee Issuers, in the interest of the clients' portfolios and UCIs managed, implementing an active ownership, especially considering industry, country, issuer allocation, stock picking, proxy voting and ESG screening factors, with the aim to reinforce its engagement capabilities and have a greater impact on the Investee Issuers.

To complement the active ownership activities GIAM also takes care of class actions activities providing its clients with:

1. opportunities to file a class action on the basis of public information made available by the Investee Issuers;
2. filing of the class action;
3. reporting.

With regard to Engagement, Investments Stewardship carries out the following activities:

1. Usual Engagement: normal private interactions with Investee Issuers during the investment process, financial/extra-financial analysis process or voting process
2. Moderate Engagement: specific private (individual or collective) interactions with executives or board members of the Investee Issuers regarding the strategy, financial and non-financial results as well as risks, capital structure and specific ESG issues
3. Extensive Engagement: specific public (individual or collective) interactions with executives or board members of the Investee Issuers regarding the strategy, financial and non-financial results as well as risks, capital structure and specific ESG issue.

In particular, the above types of engagement include the activities better described as follows:

- Usual Engagement

Usual Engagement is performed towards Investee Issuer depending on the following not exhaustive criteria: relevance of the shareholding in the issuer within the portfolios under management, existence and relevance of the relationships with the issuer, interest for specific sectors of issuer's activity from the research standpoint. The Usual Engagement is executed by the different functions indicated under the table below, which operate autonomously. The different involved functions inform quarterly the Engagement Committee about the engagement activities performed, in order to share information collected and deliver a consistent message on the different topics analysed toward Investee Issuers.

- Moderate and Extensive Engagement

Moderate and Extensive Engagement are performed only towards the Investee Issuers included under the engagement priority list described under par. 3.1.1. These types of engagement activities are executed by Investments Stewardship (see table below) and coordinated by the GIAM Engagement Committee.

The table below summarizes the functions in charge for the execution of the activities included under each type of engagement as well as examples of the possible type of interactions with the relevant Investee Issuer.

LEVEL	DESCRIPTION	IN CHARGE OF EXECUTION	TYPE OF INTERACTION
1 - Usual engagement	Normal private interactions Expectations towards the issuer are set	Investments dept., Research dept.	Usual Investments meeting / calls at quarterly / annual meeting with CEO/CFO or other representatives of the relevant issuer on strategy, financial results, financial risks, and capital structure.
		Investments stewardship	Usual ESG analysts' interactions with IR, head of corporate and social responsibility (CSR) of the relevant issuer (social and environmental impact and corporate governance, ...) or other representatives of the issuer
		Investments stewardship	Usual Proxy Voting interactions with IR, General Counsel, Corporate Affairs of the relevant issuer (social and environmental impact and corporate governance, ...)

2 - Moderate engagement	Specific private (individual or collective) interactions as co-signatory or as leader	Investments stewardship	Expressing concerns through issuer's advisers (proxy solicitors)
	Clear expectations towards the issuer are set		Writing to the full board of the relevant issuer through the office of Company Secretary of the latter or equivalent communication
3 - Extensive engagement			Specific public (individual or collective) interactions as leader
	Specific meeting with chairman, lead independent board members, other board members of the relevant issuer		
	Clear expectations towards the issuer are set		Public statement, speaking at AGM, communicating online voting records
			Submitting resolution at AGM
			Proposing to change board membership of the relevant issuer
			Asking for an Extraordinary General Meeting "EGM"

3.1 APPROACH

The Investee Issuers to be included under the engagement perimeter are those included under (i) the engagement priority list, reviewed annually by the Engagement Committee in full composition and (ii) the engagement opportunities reviewed quarterly by permanent members of the Engagement Committee.

3.1.1 Engagement priority list

The engagement priority list is composed of Investee Issuers representing a priority for GIAM based on the input of different stakeholders.

This list will be validated by the Head of Investments Stewardship supported by the Engagement Committee.

The Investee Issuers included in the engagement priority list are considered as the target issuer for the Moderate and Extensive engagement activities, and not the target issuer for the Usual Engagement.

3.1.2 Engagement opportunities

In addition to the engagement priority list, engagement opportunities will be reviewed on a day-to-day basis by Investments Stewardship. Engagement opportunities will come both from internal departments and well as from solicitations of external stakeholders, for example: issuers, proxy solicitors, association of investors and other investors.

Engagements opportunities will be considered as Moderate and Extensive engagement activities since not being performed on a usual basis.

3.2 ENGAGEMENT PROCESS

The following activity, in case of Group Insurance Companies, are carried out applying the GIAM internal regulation implementing the Group Active Ownership Guideline - Asset Owner, according to which GIAM, as delegated Group Asset Manager, is in charge for the execution and reporting to GIG&S of the Engagement activities when they concern equity and fixed income instruments included under the portfolios managed by GIAM for Group companies.

3.2.1 Definition of Engagement priority list

During each Engagement Committee, which takes place on a quarterly basis, Investments Stewardship will suggest an initial list and then a review of the Engagement Priority List based on different inputs. Issuers could be added or removed from the list at each Engagement Committee.

Input from Investments stewardship members

Investments Stewardship gives the main inputs taking into account at least the following elements:

- Ethical issues (e.g. controversial weapons) that could be highlighted by Ethical filter ;
- ESG issues identified with "laggards" issuers. ESG score may be used as an example;
- Poor financial performance potentially linked to ESG
- UCIs and/or Individual portfolio's exposure (significant holdings in absolute or relative terms)
- Strategic relevance

Input from Investments and Research structures

Investments and Research structures will have the possibility to suggest engagements to Investments Stewardship based on several criteria including:

- Poor financial performance
- UCIs and/or individual portfolio's exposure (significant holdings in absolute or relative terms)
- Strategic relevance

Engagement Priority List approval

Engagement Committee is in charge for supporting the Head of Investments Stewardship for the approval of the engagement priority list as well as any of its updates. The engagement priority list is then sent officially to all the members of the Engagement Committee to be cascaded to their structures in GIAM.

3.2.2 Engagement Case

Each Engagement Case presented to the Engagement Committee will be composed of different elements. Please find below a non-exhaustive and non-constraining list of items that could be integrated in an Engagement Case:

Theme	Description
Risk identified	<ul style="list-style-type: none"> • Description of issue identified with issuer: strategic, governance, environmental and social issues • Opinion of relevant engagement committee members • Potential damage to shareholder holdings or reputation
Questions/ Suggestions	<ul style="list-style-type: none"> • List of questions to the Issuer • Actionable suggestions to company with average timeline of implementation. Suggestions will take into account cost, feasibility, financial situation of the Issuer among other criteria. • Highlight best practices • Anticipate counter-arguments with fund managers, equity and credit analysts
Task Force	<ul style="list-style-type: none"> • Coordinator will have the duty to involve internal competencies in a task force composed of internal specialists and experts from Engagement Committee: Investments Stewardship, Investments, Research or other relevant internal experts
Tactics	<ul style="list-style-type: none"> • Engagement Type: Direct, Collaborative or Service provider agreement • Who: Identified targets within issuer (key people, committees) • How: communication venues: letter, calls, meetings, public statements

	<ul style="list-style-type: none"> • When: key milestones, meeting frequency, expected meetings
Status & Results	<p>Measure Issuers' progress based on a grid of success indicators for each suggestion:</p> <ol style="list-style-type: none"> 1. Policies & Commitments 2. Programs & Initiatives 3. Performance & Indicators

3.2.3 Engagement Execution

Investments Stewardship is in charge for the engagement execution activities and for involving in the task force for handling these activities internal specialist and experts depending on the Engagement Case at hand.

Each Engagement Case implies the discharge of the following engagement execution activities, distinctly described for each relevant phase:

- *Task force briefing:* all members of the identified task force in the Engagement Case will receive the detailed information on the Engagement Case and will be briefed via call/meeting
- *Investee Issuer interaction:* the Investee Issuer is contacted directly, via broker or via other intermediary in consistency with the "Tactics" identified in the Engagement Case.

At this stage, if the issuer does not answer to solicitations or does not disclose the required information, Investments Stewardship will suggest appropriate escalation step to the Engagement Committee gathering missing information or the task force will interact with the issuer according to the "Tactics" of the Engagement Case.

Moreover, during interactions with issuers, the commitment of the issuer's representatives not to disclose inside or confidential information will be expressly required and GIAM Market Abuse Policy applies, where relevant.

- *Assessment of the information provided by the Investee Issuer:* once Investments Stewardship and the task force has gathered enough information from the issuer, they will assess it.
- *Issuance of recommendation:*
 - Option 1: if the answer of the issuer is considered as satisfactory, Investments Stewardship or the task force will report and suggest to the Engagement Committee / Head of Investments Stewardship to close the case.
 - Option 2: if the answer of the issuer is not deemed satisfactory, Investments Stewardship or the task force will issue suggestions / recommendations and present them to its interlocutors. Each recommendation / suggestion will be associated with an agreed deadline at the end of which both party agree to meet again. The monitoring period will start (the activities to be performed during the monitoring period are described under paragraph 3.2.4 of this Policy).
- *Reporting:* each interaction with the issuer will be subject to a dedicated reporting gathered by Investments Stewardship that will at least comprise:
 - Issuers met/called
 - People present at meeting/call: name, position
 - Topic of the meeting/call
 - Date of the meeting/call
 - Answers of the company
 - Conclusion and next steps of the meeting/call
 - Eventually: minutes of the meeting/call

During the execution, Investments Stewardship will report to the Engagement Committee the ongoing actions and informs it about the external elements that could impact the Engagement Cases. During quarterly meetings of the Engagement Committee, Investments Stewardship will seek feedback from the permanent members, including possible suggestions to improve the execution / process for the following year.

In addition to the above, Investments Stewardship will issue, on annual basis, an internal report based on Moderate and Extensive Engagement Activities to be addressed to full Engagement Committee members (strictly permanent, permanent and invited) and

their direct reports.

This reporting will be one of the basis of the Active Ownership Report.

3.2.4 Engagement Monitoring (During Execution phase)

Each update occurring during the Engagement activities will be monitored and gathered in dedicated documents.

During each Engagement Committee, each Engagement status will be summarized.

The Engagement Committee will evaluate the status of each Engagement presented depending on the initial goals defined.

Based on this evaluation the Head of Investments Stewardship can decide to:

- Continue the engagement activity;
- Escalate the intensity of the engagement: depending on each situation, Investments Stewardship will suggest more intensive engagement actions. Based on the engagement actions validated by the Engagement Committee an approval of the CEO could be requested by the Head of Investment Stewardship;
- Close the Engagement Case: the Engagement Committee can decide to close an Engagement Case in the following situation:
 - Expectation towards the issuers, set in the Engagement Case, have been met;
 - Ultimate action has been taken: divestment, ban to increase exposure, bring to expiry the existing positions, assessing the option to reduce opportunistically;
 - Other external situation requires to close the case

In each situation the Engagement Case is updated accordingly closed and duly recorded by Investments Stewardship.

3.2.5 Engagement Committee

Detailed information on Engagement Committee, included the composition, the frequency of the meetings and duties are described in the relevant operating procedure of GIAM.

3.2.6 Engagement coordinator

The Engagement Committee coordination is ensured by the Head of Investments Stewardship:

The Engagement Committee Coordinator will be in charge to:

- organize Engagement Committee work, prepare sessions, write minutes ;
- define the engagement priority list and coordinate member contributions to be submitted to the Engagement Committee;
- create the task force and define the means to reach the identified objectives;
- gather and create Engagement Cases / Request approval from Engagement Committee;
- monitor the Engagement Activities;
- implement more intense engagement actions.

4. The exercise of voting rights and other rights connected to shares and bonds

GIAM exercises the voting rights and other rights connected to the shares of Investee Issuers, included under the UCIs it establishes and manages or under the individual portfolios managed (in the latter case, as far as GIAM has been specifically delegated by the client in the individual mandates), through the following activities:

- a) monitoring of corporate events of the Investee Issuers;
- b) evaluating the procedures and timing for the exercise of intervention and voting rights;

- c) deciding the exercise of these rights and, possibly, the votes to be expressed;
- d) exercising intervention and voting rights.

4.1 MONITORING OF CORPORATE EVENTS

The corporate events of all Investee Issuers are monitored as follow:

- based on the information provided to Investments Stewardship by the Investments structure on the positions held in Investee Issuer within each UCIs/individual portfolio managed, the Investments Stewardship collects information on the relevant corporate events, also through data available on external providers;
- through the collective exercise of monitoring initiatives promoted by Assogestioni or other industry associations where GIAM is member from time to time in the different jurisdictions where it operates.

4.2 EVALUATION OF THE PROCEDURES AND TIMING FOR THE EXERCISE OF VOTING RIGHTS

The ownership of a given equity is considered to be relevant when GIAM holds on aggregate, within all managed UCIs and managed portfolios for which GIAM assumed the obligation to exercise voting rights on the basis of the mandate, 0,5% or more of the issuer's share capital, retaining the faculty to exercise the voting rights below such threshold.

Furthermore, the Investments structure may also take into consideration securities which are deemed, due to contingent occurrences linked to the issuer, particularly important, making it therefore advisable to vote at a meeting, ensuring the safeguard of the unitholders' interests.

Considering that the opportunity to exercise voting rights should be evaluated also based on a cost-benefit analysis, anyhow the CEO can decide not to exercise voting rights on the basis of the advice of Investments Stewardship in connection with the provision of collective asset management service.

Investments Stewardship is in charge for:

- providing voting recommendations and express the relevant vote in connection with the shareholdings in Investee Issuers included under:
 - UCIs portfolios issued and managed by GIAM;
 - Third party Individual portfolios under management for which GIAM assumed the obligation to exercise voting rights in Investee Issuers, and
 - UCIs portfolios issued and managed by GIP, pursuant to the outsourcing agreement in place between the GIAM and GIP and on the basis of the power of attorney issued by GIP in favour of the Head of Investments Stewardship;
- submitting the analysis of the voting recommendations related to the shareholdings in Investee Issuers included under individual portfolios to GIGS structure for Group Insurance Companies whose individual portfolios are managed either by GIAM or GIP; in addition, the function is responsible for expressing the relevant vote, in case clients expressly assign to GIP, who in turn sub-delegates to GIAM, the voting right;
- submitting to GIGS structure the analysis of the voting recommendations related to the shareholdings in Investee Issuers indicated by GIGS structure to Investments Stewardship for Group Insurance Companies whose individual portfolios are not managed by GIAM but by different Group asset managers; in addition, the Investments Stewardship is responsible for expressing the relevant vote, in case GIGS expressly assign to it this task, in accordance with the contractual relationship in place with the Group Insurance Companies;
- submitting the analysis of the voting recommendations related to the shareholdings in Investee Issuers included under individual portfolios to GIP – Client Service and Support structure for clients other than Group Insurance Companies whose individual portfolios are managed either by GIAM or GIP; in addition, the function is responsible for expressing the relevant vote, in case clients expressly assign to GIP, who in turn sub-delegates to GIAM, the voting right.

Investments Stewardship provides the voting recommendations / analysis of voting recommendations in line with the criteria presented hereafter:

- Shareholder rights
 - *Preliminary information for "enlightened" voting* - GIAM expects that issuers provide an adequate and timely disclosure regarding the resolutions submitted to shareholders' vote, to allow shareholders to have access to exhaustive preliminary information before the General Meeting in due time for allowing the exercise of an informed vote. In principle, GIAM expects issuers to publicly disclose all

relevant proxy material in a timely manner, taking care of publishing the documentation in English alongside the relevant local language, especially in presence of international shareholders

- *Equitable treatment of shareholders* – In principle, GIAM supports the “one share, one vote” principle, as it preserves the link between economic interest and voting power. As such GIAM does not support any practice that undermines such principle, to the extent that it is considered an effective instrument to grant an equitable treatment of minority and majority shareholders. Where a deviation from this principle is in place, issuers are expected to disclose to the market the relevant supporting rationale. In case of insufficient disclosure, or where GIAM’s opinion is divergent, GIAM will support resolutions restoring the effectiveness of the “one share, one vote” principle.
- *Anti-takeover mechanisms* – GIAM believes that a good performance and a developed dialogue with its shareholders are the best ways for a company to react against a takeover. Moreover, takeover bids may represent also a valid solution for management performance that are jeopardizing long- term value or to ensure an effective accountability of the management towards shareholders. As such GIAM believes that anti- takeover mechanisms are, in principal, detrimental to the interests of shareholders. Consequently, GIAM is likely to vote AGAINST resolutions for the introduction of anti- takeover defences without a specific scope and/or rationale. However, GIAM will evaluate the appropriateness of an anti- takeover defence taking into account the existing circumstances, taking into considerations the past performance of the target issuer, the acquirer’s objectives and track record and the long-term interest of the target issuer’s stakeholders.
- **Corporate Boards**
 - *Segregation of duties* – GIAM is in favour of the separation of the roles of the Chairman of the Board and Chief Executive Officer in light of the fact that this solution does not affect the accountability of the board of directors and its independency. In line with the approach of maintaining an adequate balance of power within the Board of Directors, GIAM shall vote AGAINST resolutions proposing the nomination of a former CEO as Chairman of the board of directors, unless (i) compelling reasons (such as the need to ensure continuity and the temporary nature of the appointment) exist and (ii) the company adopted (or is going to adopt) sufficient defences to preserve board’s accountability. In both cases the board of the issuer should communicate appropriately with shareholders in advance setting out a convincing rationale.
 - *Director independence* – GIAM believes that an adequate representation of independent directors within the board of directors is necessary to reinforce board accountability and preserve an adequate balance of powers. Despite the most adequate level of independence is linked to several circumstances (e.g. performance of the company, records of past misconduct, local practices, shareholders’ structure), GIAM is generally in favour of a majority of directors to be independent. In companies subject to the control of other entities, or where local market practices are materially divergent, a lower threshold may be accepted, to the extent that at least one third of the directors is independent and that the major shareholder is not over represented and provided however that the audit committee within the board of directors of the issuer and/or statutory auditors’ board (if any) are majority independent.

A director is considered independent if he/she has no relationship with the company, its group or its management that could compromise the exercise of his / her freedom of judgment. In assessing the independency of each director GIAM will evaluate all existing circumstances and information disclosed by the company and/or the relevant proponent, also considering, as a circumstance that may in principle hinder the independence requirement, if the subject director or candidate is:

- a former or current executive or employee of the company or the group (for employee only, a cool off period of five years is acceptable);
- a relative of the managers and of the directors;
- a relevant shareholder or representative of or a relative to a relevant shareholder owing 3% or more of the voting rights (provided however that the materiality of the shareholding will be evaluated considering the shareholder’s structure of the company and local market practices);

- a customer, supplier or service provider that is relevant for the company and/or its group, or whose business is relevantly connected with the company;
- an individual holding political office which is connected with the company and/or its group and/or its business;
- the director of a group subsidiary who is (or has been in the last five years) paid for this service;
- an individual belonging to a group administered by one of the company's managers (a crossover director);
- a senior manager of a major financial institution on the same market and/or a senior bank manager within the last three years, to the extent that the subject financial institution has or had in the subject period a material financial or commercial relationship with the company or its group;
- a director whose term or presence within the company or group exceeds the shorter between 10 years and the period recommended by the local corporate governance code.

GIAM shall vote FOR/AGAINST those resolutions that provide for establishing a majority/minority of board independent directors. GIAM also recommends that independent directors are sufficiently numerous to ensure the establishment of at least a majority independent remuneration committee, a majority independent nomination committee and a fully independent audit committee. Board committees of the issuers should be chaired by an independent Chairman and composed mainly by non-executive directors.

- *Employee representatives* – GIAM shall vote FOR resolutions proposing the appointment of employee representatives. Generally, board members without voting rights are not taken into account when assessing board size and independence; therefore, normal director election policy and rules do not apply. Where employee representatives have voting rights in the meeting of board of director, they cannot be considered independent and the UCIs won't take them into account when evaluating the independence rate of the boards.
- *Board candidates' professional skills* – GIAM shall vote on directors' election with the purpose of providing the company with a board of directors composed of members ensuring an adequate balance of skills, experience, and independence. Professional skill of board candidates should be adequate to cover the peculiarities of the business managed by the relevant company, taking into account the possible opinion released by the board of directors and/or the nomination committee and the evidences (if available) from the board self-assessment. GIAM will evaluate past performance of the proposed nominee (or in the case of slate elections, of the nominees included in each slate) taking into account the information publicly available and those disclosed by the relevant proponent. GIAM will refrain from supporting candidates, in case of insufficient information on their regard (due to lack or late disclosure of the relevant nominee, the biographies and/or the other information needed to assess the adequacy in terms of skill, time commitment and independence).
- *Election methods* – GIAM is aware of the different procedures provided by the different local regulations and company bylaws. GIAM does not give preference to any particular procedure, provided that the election mechanism, applicable in the specific case, ensures an adequate representation of shareholders and allows a balanced composition of the board of directors.

As regards resolutions for the introduction of a staggered board, GIAM will evaluate if supporting the resolution considering the rationale provided by the investee company, the composition of the board and the general governance structure of the company, in order to avoid possible misuse of staggered board mechanism.

- *Duration* – Directors should be appointed on a regular time basis, with a preference for terms that, in principle, do not exceed four years. However GIAM will take into account local market best practice, allowing for longer mandates, or supporting more frequent elections.

- *Multiple directorships* – Board members should have sufficient time to perform their functions and responsibilities to protect shareholders' interests. In particular, executive directors should maintain sufficient availability to deal with unexpected circumstances such as (without limitation) an acquisition, a merger, a takeover or a crisis situation.

As a general principle, a director is deemed to have insufficient time when he/she failed to attend at least 75% of its scheduled board/committee meeting, without adequate justification. However, a high number of external directorships can limit the ability of the director to effectively purport his/her duty. As a consequence, GIAM will adopt a rigorous assessment of the candidate's time availability if the number of external mandates covered by him/her exceeds the following limits referred to listed companies:

- executive directors: one non-executive directorships and none executive directorships outside the same group;
- non-executive directors: four non-executive directorships and none executive directorships outside the same group;

Chairman of the Board: two non-executive directorships and none executive directorships outside the same group, provided that any chairmanship of boards and/or committees will be counted as two non-executive directorships.

- *Board membership* – Boards should be adequately sized to ensure the appropriate balance of expertise and diversity but not too wide to avoid detriment to efficiency. GIAM will evaluate the size of the board taking into account recommendation of the board of directors and/or the nomination committee, considering also the rationale provided by the company for any deviation from the practice observable in the country and/or the business where the company operates. In general, GIAM considers a board appropriately sized when it is composed of, excluding possible non-voting members, at least seven and no more than fifteen members (or, in case of a financial issuer with a one tier model, 18 members), as having too many directors may dilute their responsibility.
- *Diversity* – GIAM promotes diversity at corporate bodies level (i.e. in terms of gender, age, educational and professional background), also encouraging wider gender diversity, with at least 1/3 of the board composed of the less represented gender. In case of lower representation, GIAM will in principle support the candidate to non-executive directorship belonging to the less represented gender, subject however to an assessment on the candidate's profile (e.g. absence of concerns on candidate's experience, independence of the board, time commitment).
- *Board Committees* – Boards of the issuers should establish specialized committee responsible for those matters where conflicts of interest are likely to arise (with particular regard to audit, nomination and executives' remuneration), composed by non-executive directors, the majority of which to be independent and chaired by an independent director. GIAM positively evaluates the creation of a specialized committee overseeing ESG company's practices. The duties and membership of board's committees should be fully disclosed.

- Remuneration policy

- *General Principles* – Issuers should adopt a remuneration policy for members and key managers consistent with industry best practices, taking into account issuer's performance and effective contributions by directors to support companies' long-term value creation. In particular, an adequate remuneration structure should align the interest of the management with those of shareholders into a sustainable long-term company's growth; moreover, as issuers' operations have an impact on a wide range of stakeholders, GIAM will positively evaluate remuneration policies which include into the remuneration structure non-financial performance criteria, including, where appropriate, ESG factors.

Remuneration policy of the issuers should be structured by a majority independent committee and without the participation of beneficiaries.

- *Frequency of Say-on Pay* – GIAM expects issuers to submit to shareholders' vote (i) their remuneration policy at least on a three-year basis and/or (ii) their remuneration report on annual basis, depending on local regulation and requirements.

Any change to the remuneration policy principles and/or processes should be subject to shareholders' approval at the earliest General Meeting. Following the remuneration policy approval by shareholders, any subsequent extraordinary change to performance target and/or criteria should be in principle avoided or subject to shareholders' notification at the following General Meeting.

- *Remuneration Requirements* – Remuneration structure should include a fixed component in line with the market and, for executive directors, a variable component adequately sized to align interests of the management with those of the company, without incentivizing dangerous risk taking approach. To this scope, variable remuneration should be balanced to promote long term performance and it should be capped to a reasonable maximum percentage of fixed remuneration or maximum predefined amount (taking into account industry and local market practices, skills of the beneficiaries and the rationale provided by the company).

In any case variable remuneration should not be paid in case of poor results, considering also the performance of company's peers. In particular, variable remuneration should be based on observable multiple and diversified performance criteria, to avoid any manipulation and/or subsequent changes made without shareholders' consent. Such criteria should be, in principle, both qualitative and quantitative, taking into account the performance of the company and those of company's peers. The inclusion of a deferral period for a part of the variable remuneration bonus will be positively evaluated. Vesting scale should be clearly disclosed, showing the threshold, target and maximum remuneration based on the level of achievement of the relevant performance indicators. Target should be carefully assessed, in order to be challenging but reachable. Performance indicators should take into account results under the control of the beneficiaries, in order to avoid remunerating external performance and/or influences. Extraordinary payment should be in principle avoided and granted only in case of exceptional circumstances, linked to observable exceptional results and/or extraordinary transaction, reasonably sized and conditional to future company's performance evolution.

Claw-back provisions, allowing the recovery of undue payments, should be provided.

Ownership requirements are supported, where it is a local market practice and, for non-executive directors, to the extent that such shareholdings do not hinder their independence requirements.

- *Disclosure* – Remuneration policy should be sufficiently transparent, complete, and disclosed in a timely manner.

In particular GIAM expects companies to provide details on the remuneration paid to directors and management, specifying, in particular with regard to executive directors, the different components of said remuneration and how the company links remuneration with company's long-term performance (for example and without limitation, performance criteria, lasting of vesting period, existence of holding requirements, pay ratio and maximum level of remuneration).

GIAM expects companies to disclose the peers taken into account for defining directors' salaries, in order to evaluate their appropriateness: peer groups should not be too wide, nor too strict and they should include comparable companies, in terms of capitalization, business and geographical distribution. However benchmarks represent a starting point, as remuneration should be based on actual duties and powers of beneficiaries.

GIAM shall vote AGAINST resolutions for increasing directors' salaries on the basis of sole benchmark consideration, in absence of any explanation by the company on the increase of duties which makes opportune an adjustment of the salary.

- *Short Term Variable Incentive* – Annual bonuses should reward performances registered at least on annual basis. Given the strict linkage with actual current issuer's business, performance criteria should be tailored to the company's on-time target and periodically revised to take into account the business development. In terms of target pay-mix, short-term incentives component should not exceed long term component.

- *Long Term Variable Incentive* – Long term incentive should be based on performance objectives assessed over a minimum three-year period, with possible additional holding period. Long-term component should represent the main portion of variable remuneration and should be aligned with long term strategy of the company. Therefore, the inclusion of performance criteria consistent with company's long-term business plan is positively evaluated.
- *Equity Based Incentive Plan* – GIAM believes that remuneration committees are in the best position to evaluate the appropriateness of a remuneration structure in terms of pay-mix, aggregate level of remuneration and nature of incentives. However, where short term incentives and/or long term incentives include granting of stocks, in such instances, GIAM shall positively evaluate issuers that (i) disclose the aggregate amount of deliverable stocks and the percentage reserved to the top executives;(ii) limit discount at a reasonable level; (iii) avoid re-pricing and retesting clauses; and (iv) limit dilution at a sustainable level, not exceeding 10% of the issued share capital in 10 years for executive (in aggregate, considering all outstanding incentive plans).
- *Termination benefits* – Moreover, GIAM will in principle vote AGAINST resolutions that provide for departure severance indemnities that are excessive as compared to local market best practices. As a general principle, such indemnities should not exceed two years of recurring remuneration, defined as base salary plus annual bonus (excluding long term component) in addition to due payments linked to notice period or other treatment potentially provided under local applicable laws. It should not be paid in case of voluntary resignation and/or termination with cause.
- *Supplemental retirement plans* – GIAM will in general support resolutions to approve supplemental retirement plans if the annual pension cost and pension contributions are disclosed, the perimeter of beneficiaries is published and based on a certain number of pre-established criteria, including presence within the company at the time of retirement, tenure, and company's performance.
- *Non-executive directors' remuneration* – Non-executive directors and supervisory board members (if any) are primarily entailed with supervisory duties. An appropriate remuneration for these roles should avoid a linkage with financial/operational performance, to preserve the requested independence and accountability. If a variable remuneration is deemed opportune by the issuer, it should be linked to time commitments and/or efficacy of control functions.
- Financial Statements, disclosure and transparency
 - *Transparency and quality of financial information* – Issuers' reports and financial statements should be transparent and formed on the basis of true and complete information. They should highlight the strategy and the future prospects over the long-term period, as well as the main risks to which the issuers are exposed and should be released in a timely manner.

Issuers should also publish all relevant non-financial information including Environmental, Social and Governance related information, in order to provide shareholders with a complete framework of data to correctly assess the overall issuer's performance and extra-financial risks connected with issuer's operation.

GIAM shall vote AGAINST the approval of financial statements in case of material breaches with issuer's disclosure obligation or where relevant reservations are expressed by the independent auditors entailed with the certification of the accounts.

- *Discharge* – GIAM is not in favour of discharging the board in jurisdictions where it is not an usual practice and/or if the discharge would limit any possible legal action from shareholders. In any case the UCIs shall not support resolutions for discharging the management in case of alleged serious misbehave, negligence and/or prejudice to shareholders' interest. In absence of any evidence of misconduct or damage to shareholders' interest, GIAM may, in principle, support voting for discharging the management, if it is a market practice, not hindering shareholders' legal faculties.
- *Appointment of external auditors* – Issuers should appoint an auditor chosen among subjects with adequate professional skills and free of conflicts of interests. Independence of the auditor is fundamental

for its accountability and preservation of shareholders' interest. Where external auditor has to be ratified by shareholders, these have to be provided with all information necessary to correctly assess the resolutions, including information on the existence of additional mandates (other than audit mandate), proposed wage and duration of the mandate.

Independence on the auditor will be assessed taking into account:

- The ratio of audit fees on non-audit fees, provided that non-audit fees should not exceed 50% of audit fees, and provided also that not sufficiently detailed audit related fees will be qualified by the Group as non-audit fees;
- Existence in the past 5 years of additional economic interest between the auditor's firm and/or its partners and the company and/or its group (including corporate officers);
- Existence of familiar relationship between the auditor's firm and/or its partners and the management of the company and/or its group.

GIAM shall vote AGAINST the appointment of external auditors in case of material lack of transparency in auditor's selection or lack of independence.

- *Dividend pay-out* – Issuers should disclose their dividend pay-out policy. These policies' content should be in line with shareholders expectations, the issuer's financial needs and consistent with long-term development. Issuer's allocation resolutions are assessed on a case-by-case evaluation from the GIAM, based on financial metrics (including coverage of dividends by earnings and/or free cash flow), past practices (taking into account year on year changes and supporting rationale), business practices (with reference to issuer's peers and local market trends). Issuers are expected to pursue a sustainable dividend policy, preserving the long-term value of the issuer, also through dividend distribution covered by earnings and/or free cash flow.

- Equity Transactions

- *Free share awards* – GIAM is in favour of employee shareholdings. Reasonable discounts will be tolerated as long as employee shareholdings do not exceed 10% of total issued share capital, in order to provide proper incentives but without unbalancing shareholders' interests.

Because of their potential dilution, GIAM shall vote FOR authorizations for free share awards covering corporate officers that do not exceed (in a five-year period) 5% of the issued share capital and should be subject to performance conditions and that are announced beforehand to the General Meeting of shareholders.

- *Equity issuance* – General issuance requests made to shareholders to raise equity funding should be strategically justified and financially balanced.

These operations must be given special attention, as, on one hand, they provide the management with an effective instrument to promptly raise funds on the market without calling dedicated shareholders' meeting for each issuance, but, on the other hand they could lead to a considerable dilution in equity ownership. Unless they are intended for a particular project, cumulative capital increases must not account for more than 50% of the issued share capital. Preferential shareholder rights are of fundamental importance during capital increases.

To this respect, GIAM shall vote AGAINST resolutions (unless reasonable compelling rationale – as the need to maintain capital ratio requirements – is provided by the management):

- If issuance authorizations with pre-emptive rights exceed 50% of the issued share capital and no intended specific purpose is disclosed;
- If capital increases without pre-emptive shareholders rights and with a priority subscription

exceed 33% (20% in France and United Kingdom) of the issued share capital, unless it is justified by a particular project;

- In case of no specific and justified projects, capital increases without preferential shareholders rights and without a priority subscription period must not, on the whole, exceed 20% (10% in France and United Kingdom) of the issued share capital;
- If the company cash is used to buy-back its own shares when the company is carrying significant debt.

Generally, the evaluation on the general issuance requests is extended also to ancillary resolutions (e.g. Green shoe) and to the issuance of convertible debt instruments (provided that, in such case, GIAM take into account in a more relevant way also the financial burden deriving from the transaction).

- *Extraordinary transactions* – Extraordinary transactions (including reserved equity transactions) such as (without limitation) mergers, contributions and spin offs will be assessed on a case by case basis by UCIs, taking into account:
 - the timely availability of sufficient information on the transaction;
 - the statements in the fairness opinion (if any) and the consistency with the transaction price;
 - the coherency of the transaction with the long-term strategy of the company;
 - the corporate governance structure resulting from the transaction;
 - the absence of material prejudice to shareholders' interest and/or any interest with the existing management;
 - the short-term and long-term potential outcome;
 - the competitive framework for the company before and after the completion of the transaction;
 - the market reaction to the announcement of the possible transaction;
 - the economic impact on shareholders' value.

GIAM shall vote AGAINST the proposed transactions in case of material default under the abovementioned criteria.

In case of no specific and justified projects, general requests of authorization of in-kind contributions or public share exchange offers shall be in principle rejected: however GIAM may support such resolutions where (i) an adequate rationale is provided by the issuer, (ii) there are no elements triggering a material prejudice to shareholders' interest; (iii) the overall transaction is conducted in a transparent way, it is supported by an independent assessment and it aims at fostering the medium-long term interest of shareholders.

- **Environmental and Social Topics**

Corporate Social Responsibility is a topic which became of material relevance for issuers and their stakeholders. As responsible investor and subscriber of the United Nations Sustainable Development Goals (UN SDGs), Generali Group is deeply committed in promoting sustainability in the investee issuers. In particular GIAM expects that companies duly comply with their disclosure obligation, publishing the relevant information on initiatives carried on sustainability, as well as on how each issuer is addressing the non-financial risks having an impact on its business. On this regard, GIAM expects issuers to carry on an internal assessment and disclose the relevant results, on cyber security, environmental risk (with particular regard to carbon emission and footprint), corporate welfare, anti-corruption procedures, non-discrimination and other social practices (including, as anticipated, a positive evaluation of feature in the executive remuneration policy linking incentive to ESG factors).

When voting on resolutions requiring additional disclosure, GIAM will evaluate if the information is already elsewhere available in corporate documents and if it is of interest for the UCIs, its investors, individual

portfolio clients and/or other long-term shareholders, to avoid unnecessary expenses and/or burdensome requirements for the company.

GIAM will also assess if the issuer has been involved in environmental and/or social violations and, in such instances, shall vote in favour of resolutions requiring reasonable additional requirements and/or control measures.

- Special provision for small and unlisted companies

GIAM is aware of the differences existing among listed and unlisted companies. However, GIAM also believes that the promotion of Corporate Governance practices also in unlisted companies may foster their long-term value and allow higher returns for shareholders.

To this scope, GIAM shall support resolutions creating better corporate framework and alignment with international best practices, taking however account of the existing needs and circumstances. In this sense the principles embedded in this Policy will represent a guidance which will however be applied through a proportional approach, to avoid that strict prescriptions may impose additional unbearable costs for small and unlisted companies and/or limit their ability to compete on the market. In any case, transparency should always be sufficient to allow shareholders to adequately assess the feasibility of the resolutions and alignment with corporate strategic goals.

- Transactions with Related Parties

GIAM expects issuers to set up a procedure for transacting with related parties ensuring an adequate level of transparency, supervised by an independent committee, where requested by the relevant legal framework. Transaction with related parties should be carried on in a fair and balanced way, transparently disclosing to the market all relevant information to allow an informed vote by shareholders, when requested.

When voting on transaction with related parties, GIAM will take into account the opinion expressed by the independent committee responsible for supervising the process, the commercial fairness of the transaction and how conflict of interest is addressed. GIAM may vote AGAINST in case of insufficient disclosure and/or when the fairness of the transaction is questionable, as compared to market practice.

Any voting recommendations on resolution items different from the abovementioned ones shall in any case be issued on the interest of UCIs, its investors as well as individual portfolio clients.

The decision on the exercise of voting and intervention rights to meetings is taken in the exclusive interest of the UCIs, of the unit-holders as well as individual portfolio clients preventing and managing possible conflicts of interest that may affect the independence of decisions taken in this context.

4.3 COOPERATION WITH OTHER SHAREHOLDERS/INVESTORS

GIAM cooperates with other shareholders/investors through the collective exercise of monitoring initiatives promoted by Assogestioni or other industry associations where GIAM is member from time to time in the different jurisdictions where it operates.

In particular upon coordination of Assogestioni, GIAM in collaboration with other asset management companies affiliated to Assogestioni can support minority lists of Investee Issuers (presentation of lists of candidates for the Administrative and Supervisory Bodies at AMG).

The description of the activities related to the cooperation with other shareholders/investors is detailed in the relevant operating procedure of GIAM.

5. Disclosure Obligations

Pursuant to the applicable law, GIAM publishes on its website the updated version of this Policy and the annual communication - to be disclosed to the public within February 28th of each year – describing how this Policy has been implemented, including a general description of voting behaviours, an explanation of the most significant votes and the possible use of proxy advisory services.

To this end, Investments Stewardship is in charge for drafting the abovementioned annual communication and to transmit it, together with the updated version of this Policy, to the GIH Communication function in order to allow the latter to discharge its publication duties, in accordance with the outsourcing agreement in place between GIAM and GIH in connection with these activities.

In particular, Investments Stewardship asks to the GIH Communication function to timely publish the updated version of this Policy as well as the abovementioned annual communication on the section dedicated to GIAM of this website <https://www.generali-investments.com>

Investments Stewardship submits to the BoD the annual communication prior to its publication on the abovementioned internet page, for information purposes.

6. The management conflict of interest connected to the engagement

As a general rule, Investments Stewardship abstains from exercising voting rights linked to Assicurazioni Generali as well as any other Investee Issuers belonging to the Generali Group.

By way of exception to the foregoing, when Investments Stewardship intends to exercise voting rights linked to equity of Investee Issuers of the Generali Group, Investments Stewardship will explain the reasons based on which the decision to take part to the vote is not determined by the fact that the issuer is part of the Group, and therefore influenced by a conflict of interest, but exclusively by acting in the interest of the managed funds and the clients.

In addition to the foregoing, the GIAM Conflicts on Interests Policy applies each time the Investee Issuers is an entity falling under those with which a potential conflict of interest situation can occur according to the said Policy. In this case, the measures for the management of the conflict of interest situation, provided under the abovementioned GIAM Conflicts on Interests Policy, apply as well.

7. Communication and obligations toward Institutional Investors

7.1 AGREEMENT MINIMUM REQUIREMENTS

GIAM is obliged to specify, in the individual or collective agreements it executes with Institutional Investors, the following elements, unless the Institutional Investors expressly refuse to include such elements in the abovementioned agreements, to allow the Institutional Investors to comply with their disclosure obligations:

- a) the ways in which the agreement encourages GIAM to align the strategy and investment decisions with the profile and duration of the liabilities of the Institutional Investor, in particular long-term liabilities;
- b) the ways in which the agreement encourages GIAM to make investment decisions based on the assessments relating to the long and medium-term financial and non-financial results of the Investee Issuers and to engage with these issuers to improve the medium and long-term results;
- c) the ways in which the method and the time horizon for assessing the results of GIAM and its remuneration for the management activity are in line with the profile and the duration of the liabilities of the Institutional Investor, in particular long-term liabilities, and takes absolute long-term results into account;
- d) the ways in which the Institutional Investor controls the portfolio turnover costs incurred by GIAM, as well as the ways in which it defines and controls a predetermined portfolio turnover value and the related variation range;

- e) the possible duration of the agreement.

To this aim, the OBR in charge for the outsourcing agreement of legal activities executed between GIAM and GIH is responsible to ensure that the relevant legal function of the service provider, GIH, ensures completeness of the individual or collective management agreements with Institutional Investors entered into by GIAM, in cooperation with, and with the support of, the Portfolio Officers.

7.2 ANNUAL COMMUNICATION

GIAM communicates, on an annual basis, to the Institutional Investors with which it has in place individual or collective management agreements the information needed by the latter to comply with their disclosure obligations as well as the way in which GIAM investment strategy and its implementation contribute to the medium and long-term return of the assets of institutional investors or the UCIs invested by Institutional Investors.

To this end, Investments Stewardship is in charge for drawing up a communication which shall at least include:

- f) reports on the main medium and long-term risks associated with investments, on the composition of the portfolio, on its turnover and on the related costs, on the use of proxy advisors for the purposes of commitment activities and, where applicable, on their policy for granting securities on loan as well as the way in which the latter is implemented in order to pursue their commitment activities, in particular at the general meetings of investee companies;
- g) information on the possible adoption, and related procedures, of investment decisions based on an assessment of the medium and long-term results of the investee companies, including non-financial results;
- h) information on the possible occurrence of conflicts of interest in connection with the commitment activities and the measures taken by the asset managers to manage them.

Investments Stewardship transmits the abovementioned communication to the Reporting Function which is in charge for drafting the UCIs' annual financial report or, in the case of individual management agreement, the periodic financial report to clients. The Reporting Function is then in charge to ensure that the UCIs' annual financial report and the periodic financial report include the relevant communication.