

Generali Investments Partners S.p.A. SGR

**GIP STRATEGY FOR THE EXERCISE
OF RIGHTS LINKED TO FINANCIAL
INSTRUMENTS WITHIN MANAGED
UCIS**

POLICY

Generali-invest.com



INDEX

DEFINITIONS	4
Preamble	5
1. Corporate bodies in charge of the implementation of the Strategy and of possible updates	5
2. Procedures and organizational setup for the execution of the Strategy	5
2.1 MONITORING OF CORPORATE EVENTS	5
2.2 EVALUATION OF THE PROCEDURES AND TIMING FOR THE EXERCISE OF RIGHTS BASED ON THE CRITERIA IDENTIFIED IN THE STRATEGY	5
2.3 EXERCISE OF VOTING RIGHTS	12
3. Strategy summary	13

DEFINITIONS

Term	Definition
BOD	Board of Directors of Generali Investments Partners S.p.A. SGR
CEO	Chief Executive Officer of Generali Investments Partners S.p.A. SGR
ESG	Environmental, social and corporate governance
GIAM	Generali Insurance Asset Management S.p.A. SGR
GIP/ COMPANY	Generali Investments Partners S.p.A. SGR
GPV	Governance Proxy Voting structure of the Investment Stewardships area of Generali Insurance Asset Management S.p.A. SGR
HEAD OF ORGANIZATIONAL AREA/ STRUCTURE	Individual person coordinating an organizational area/ structure
INVESTMENTS	Investments area of Generali Investments Partners S.p.A. SGR
ORGANIZATIONAL AREA/ STRUCTURE	Single area, structure or business unit, regardless of the hierarchy
STRATEGY	Strategy defined by GIP for the exercise of rights linked to financial instruments within the managed Undertakings for Collective Investment
UCIS	Undertakings for Collective Investment consist of Alternative Investment Funds and Undertaking for Collective Investment in Transferable Securities

Preamble

With the aim to comply with applicable laws and regulations, Generali Investments Partners S.p.A. SGR has defined this strategy for the exercise of rights linked to financial instruments within the managed Undertakings for Collective Investment.

The aim of this Strategy is to define the procedure to be followed and the rationales to be applied for:

- monitoring corporate events linked to financial instruments within UCIs portfolios, according to the characteristics of the financial instruments themselves and the related rights to be exercised;
- evaluating the procedures and timing for the exercise of intervention and voting rights, based on a cost-benefit analysis considering also the objectives and investment policy of the UCIs;
- enforcing engagement activities, also with a collective approach, in accordance with “Italian Stewardship Principles” of Assogestioni.

In respect to securities under lending agreements with third parties a case-by-case approach is followed. Conflicts of interest and privileged information are handled in conformity with the relevant GIP internal documentation.

1. Corporate bodies in charge of the implementation of the Strategy and of possible updates

GIP has identified the Board of Directors as the corporate body in charge of the implementation of the Strategy.

As a general principle, this Strategy takes in due consideration and is coherent with the investment principles and objectives of the UCIs and ensures that intervention and voting rights are exercised independently in the best interest of the UCIs and unit-holders. In particular, the exercise of intervention and voting rights is not constrained or subject to shareholder block or voting agreements.

The Strategy, designed through the process described in the previous paragraph, is submitted for approval to the Board of Directors.

The CEO is delegated to the implementation of the Strategy and avails itself of the Governance Proxy Voting (“GPV”) function within GIAM, to which GIP has outsourced the related activities. The CEO, based on specific and contingent needs linked to portfolio management activities highlighted by the Head of Investments area, may submit the updates to the Strategy to the approval of the Board of Directors.

2. Procedures and organizational setup for the execution of the Strategy

This section includes the description of the procedures and the organizational setup adopted by GIP for:

- a. monitoring of corporate events of the companies in which GIP invests;
- 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. actually exercising intervention and voting rights.

2.1 MONITORING OF CORPORATE EVENTS

The corporate events of all companies in which GIP invests are monitored:

- on the basis of the information provided by the employees of the investment management function and in particular by the UCIs’ investment managers (hereafter UCIs managers). The UCIs managers, based on the positions in financial instruments within each UCIs they manage, inform the GPV structure on the relevant corporate events.
- directly by GPV structure, through data available on external providers;
- through the collective exercise of monitoring initiatives promoted by Assogestioni.

2.2 EVALUATION OF THE PROCEDURES AND TIMING FOR THE EXERCISE OF RIGHTS BASED ON THE CRITERIA IDENTIFIED IN THE STRATEGY

The ownership of a given security is considered to be relevant when GIP holds on aggregate, within the portfolios of all managed

UCIs, equity instruments making up more than (or equal to) 0,5% of the issuer's share capital, keeping on the same time the faculty to exercise the voting activity below such threshold.

Furthermore, the Fund Managers of the UCIs may also take into consideration securities which are considered, due to contingent occurrences linked to the issuer, particularly important, making it therefore advisable to vote at a meeting, ensuring the safeguard of the unit-holders' 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.

The GPV structure will be in charge of providing voting recommendations in line with the criteria presented hereafter:

- Shareholder rights
 - *Preliminary information for "enlightened" voting* - GIP 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, GIP 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, GIP supports the "one share, one vote" principle, as it preserves the link between economic interest and voting power. As such GIP 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 GIP's opinion is divergent, each UCI will support resolutions restoring the effectiveness of the "one share, one vote" principle.
 - *Anti-takeover mechanisms* – GIP 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 GIP believes that anti- takeover mechanisms are, in principal, detrimental to the interests of shareholders. Consequently the UCIs are likely to vote AGAINST resolutions for the introduction of anti-takeover defenses without a specific scope and/or rationale. However, each UCI will evaluate the appropriateness of an anti-takeover defense 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* – GIP is in favor 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, each UCI 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 defenses 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* – GIP 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 depends on several circumstances (e.g. performance of the company, records of past misconduct, local practices, shareholders' structure, etc GIP is generally in favor 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 GIP 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.

Each UCI shall vote FOR/AGAINST those resolutions that provide for establishing a majority/minority of board independent directors. GIP 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* – Each UCI 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* – Each UCI 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. The UCIs 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. The UCIs 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* – GIP is aware of the different procedures provided by the different local regulations and company bylaws. GIP 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, the UCIs 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 the UCIs 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, the UCIs 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. The UCIs 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 practices observable in the country and/or the business where the company operates. In general GIP 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* – GIP 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, the UCIs 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. The UCIs 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 Company'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, the UCIs 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* – GIP 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 GIP 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).

GIP 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.

The UCIs 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* – GIP 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, the UCIs 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 repricing 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, the UCIs 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* – The UCIs 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.

The UCIs 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* – GIP is not in favor 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 misbehavior, negligence and/or prejudice to shareholders’ interest. In absence of any evidence of misconduct or damage to shareholders’ interest, the UCIs 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.

The UCIs shall vote AGAINST the appointment of external auditors in case of material lack of transparency in auditor’s selection or lack of independence.

- *Dividend payout* – Issuers should disclose their dividend payout 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 UCIs, 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* – GIP is in favor 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, the UCIs 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, the UCIs 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, the UCIs 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.

The UCIs shall vote AGAINST the proposed transactions in case of material default under the above mentioned 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 the UCIs 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 GIP 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, GIP 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, the UCIs will evaluate if the information is already elsewhere available in corporate documents and if it is of interest for the UCI and/or other long-term shareholders, to avoid unnecessary expenses and/or burdensome requirements for the company.

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

- Special provision for small and unlisted companies

GIP is aware of the differences existing among listed and unlisted companies. However, GIP 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, the UCI 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.

- Related parties transactions

GIP 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. Related parties transaction 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 related parties transaction the UCIs 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. The UCIs 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 above mentioned (including e.g. voting recommendations on the amendment of regulated agreements i.e. “conventions réglementées”) shall in any case be issued on the interest of the individual voting UCIs and its investors.

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

It is a duty of the GPV structure to inform periodically the GIP CEO, the Fund Managers of the UCIs and the Board of Directors with respect to decisions taken in this context. The CEO and the Board can, at any time, provide binding instructions.

Finally, the GPV structure abstains from exercising voting rights linked to Assicurazioni Generali equity holdings within UCIs. If GPV structure intends to exercise voting rights linked to equity of issuers of the Generali Group, GPV structure 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 *in re ipsa*, but exclusively by acting in the interest of the UCIs unit-holders.

2.3 EXERCISE OF VOTING RIGHTS

Once the GPV structure has taken the decision to exercise the voting right for securities included within UCIs portfolios, the necessary activities to allow GIP to take part to the meeting will be carried out with the possible support of GIP relevant structures (in particular, the fund managers). In case the Investments area decides to not adhere to the voting recommendation provided by GPV structure or to not take part to the meeting, it has to timely inform GPV about its decision, describing the reasons of its choice and keeping track of it.

GPV structure will exercise the vote by electronic or postal means or with the physical attendance of a delegate at the meeting venue.

As GIP adheres to the “Protocollo di Autonomia Assogestioni” it is not possible for GIP to delegate the exercise of voting rights to other companies of the Group or to their representatives, unless in the case of another asset management company. For this reason, GIP has decided to delegate the exercise of voting rights to GIAM.

GIP keeps records of voting and intervention rights being exercised, in a dedicated file available in its premises, including information on: securities for which voting rights have been exercised, the resolutions on which a vote was expressed, the type of vote expressed for each resolution, and, if applicable, a brief summary of interventions.

This document is updated on a yearly basis, in conjunction with the peak of activities linked to the exercise of voting rights during the meetings' season.

GPV structure is the support of the issuers and the point of contact of other relevant stakeholders (e.g. proxy solicitors, trade associations), in respect to the application of this Strategy.

3. Strategy summary

GIP makes available a synthetic version of this Strategy, setting out the main guidelines that GIP intends to follow on the single resolutions presented at Meetings, which is updated in case of updates performed on the Strategy itself.

The short version of the Strategy will be translated into the languages of the countries where UCITSs funds have been instituted and will be published on the relevant local sections of the GIP's website. Moreover, details concerning measures taken to fulfil the Strategy have to be sent to the Unit-holders of French and German law UCITSs funds without costs upon their request.