



COURTESY TRANSLATION

FSI SGR S.p.A.

Commitment Policy



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1 Introduction

FSI SGR S.p.A. (hereinafter “**FSI**”, the “**Company**” or the “**SGR**”) deems that governance best practices may contribute to improve the confidence in the market and that institutional investors, portfolio managers and relevant advisors are fundamental for the internal dialectic of listed companies. The SGR is fiduciary committed to value creation for its investors and this requires to effectively face any issue regarding portfolio listed companies.

If provided by relevant AIF rules, FSI may invest in listed companies in Italy or in EU (hereinafter, also “**listed companies**” or “**issuers**”).

This document, available in the SGR website, is the “**Commitment Policy**” adopted by FSI pursuant to article 124-quinquies of Legislative Decree No. 58 of 24 February 1992 (“**TUF**”) which implements the provisions of Directive (EU) 2017/82, i.e., the Shareholder Rights Directive II (“**SRD II**”) regarding the modalities by which active managers monitor and dialogue with listed companies (the “**Commitment Policy**”).

In particular, the SRD II aims to improve the governance of listed companies throughout a greater and more aware involvement of shareholders as well as facilitating the exercise of shareholders’ rights.

This Commitment Policy takes into consideration the Stewardship Italian Principles adopted by *Assogestioni* in 2013, as updated in 2016. Such Principles provide for some guidelines to management companies in relation to the monitoring, engagement and exercise of voting rights vis-à-vis portfolio listed companies.

This Commitment Policy identifies some *best practices* aimed at stimulating the debate and the cooperation between the SGR and the issuers.

FSI deems that the dialogue with portfolio companies is a key element for implementing a responsible investment policy oriented towards social and environmental sustainability (ESG topics). In particular, FSI considers sustainable investments not only as a positive benefit for the community but also as a value creation tool for the investors, within the limits of an optimal risk management. Sustainable investment activities are not limited to monitoring but include a continuous dialogue with portfolio companies.

According to the above, the SGR adopts its “**Commitment Policy**” by integrating the “**Policy – Portfolio Monitoring**”.

2 Monitoring and dialogue with issuers

The SGR conducts a continuous and active monitoring in relation to portfolio listed companies in order to identify in advance potential issues and minimise potential loss. Monitoring activities regard, in particular, strategies, financial and non-financial results as well as risks, capital structure, social and environmental impact and governance. Such activity is conducted by, inter alia: i) analysing of public documents, including corporate data such as balance sheet, interim reports and any other corporate document published by the issuer; ii) attending ad hoc meetings and events (*roadshow*, *webcast* and/or *conference call*); iii) attending shareholders meetings; iv) analysing ESG factors; v) analysing corporate and other documents provided for by proxy advisors with respect to the agenda of annual shareholders meetings.

With respect to ESG issues, the monitoring activity carried out by the SGR may contemplate also periodic meetings (organised by the issuer or third parties) and/or specific data and information requests (also throughout meetings or conference calls).

Monitoring activities may contemplate also an active and continuous dialogue with key men of the issuer in compliance with the applicable law provisions.

3 Procedures and timing of intervention in the issuers

FSI deems that a regular interaction with the portfolio companies may contribute to safeguard the value of investments. Therefore, when any relevant circumstances arise, the SGR acts proactively towards the issuer. Relevant circumstances are, inter alia: (i) negative income trends compared to those of the relevant sector; (ii) extraordinary transactions impacting the risk profile of the issuer or substantially changing the business model of the issuer; (iii) changes of the by-laws that may negatively impact the rights of the shareholders, as well as (iv) changes of the governance or in the ESG approach.

In particular, the SGR may intervene whenever it detects critical issues regarding the performance and the governance of the issuer or substantial changes in the investment strategies which may increase and/or change the initial risk of the investment. In this context and in compliance with the applicable law provisions, the SGR promptly establishes a dialogue with the issuer in order to specifically discuss the issues. Such interaction is needed to promptly identify any critical issues and minimising any potential loss. If very critical issues are detected and the issuer does not respond constructively, the SGR may consider to activate forms of collective engagement with other institutional investors in order to analyse specific issues or promote initiatives regarding the exercise of the shareholders' rights.

4 Exercise of the voting rights

The SGR has in place a sound and appropriate strategy for the exercise of voting and intervention rights; in this context, the Legal Department analyses the agenda of the meeting and supports the Investment Team in examining the corporate documentation.

In particular, the SGR analyses the agenda in order to identify specific topics such as the protection of the shareholders, capital transactions, approval of the balance sheet and/or the appointment of members of the corporate bodies. Furthermore, all matters that may have an impact on conflicts of interest are carefully evaluated.

Attendance at shareholders' meetings is primarily considered for the purpose of:

- appointing the members of the Board of Directors and/or of the Board of Statutory Auditors. To this extent, the SGR has adopted a specific internal policy which regulates the process for appointing the Designated Representatives;
- intervening in relation to relevant matters regarding the corporate governance, the approval of the balance sheet and the distribution of dividends, the approval of policies for the distribution of dividends and proceeds as well as remuneration policies for the top management;
- deciding upon extraordinary transactions (i.e., buying/selling of treasury shares, mergers, transformations, issue of bonds, etc.) if the attendance is necessary to influence the proposed transaction.

In being understood that voting rights must be exercised in compliance with the scope and the investment policy of the relevant AIF.

As to the exercise of the voting rights, the Legal Department arranges a specific note for the Board of Directors or the Designated Representative depending on the proxy system in force.

The Investment Team therefore includes in the periodic Portfolio review an update regarding the outcome of the exercise of the voting rights in the shareholders' meeting.

5 Cooperation with other shareholders

FSI deems that the cooperation between investors may be the appropriate solution to engage the issuer and act in the best interest for all the stakeholders. A collective engagement should be opportune in certain circumstances such as significant corporate events or public interest issues (i.e., severe economic or sector crises), or the capacity of the issuer to conduct business could be affected by identified risks. Therefore, if the SGR – in order to guarantee the value of investment – decides to monitor and engage the issuer on a collectively basis, such cooperation can take place only in compliance with internal and external provisions on conflicts of interest and market abuse.

Any initiative regarding the exercise of shareholders' rights, in particular where specific *quora* are required (i.e., call of the shareholders' meeting upon request of the shareholders, request for integration of the agenda of the meeting and / or presentation of new resolution proposals, etc.), as well as any class action (if allowed by applicable law), shall be conducted together with other institutional investors in the exclusive interest of the stakeholders.

6 Management of conflicts of interest

In order to ensure that voting rights are exercised in the interests of its investors, the SGR evaluates potential conflicts of interest in compliance with the provisions on the internal policy adopted by the Company. In particular, such policy:

- describes the principles governing the management of conflicts of interest;
- determines the responsibilities of the corporate bodies and structures in charge for identifying, analysing, managing and monitoring conflicts of interest;
- identifies (i) potential conflicts of interest that may affect the SGR, the Funds, the investors and / or the portfolio companies and (ii) the relevant organizational / procedural safeguards to be adopted;
- determines the content of the communications to be sent by FSI to the investors.

7 Transparency and publicity

FSI makes available this Commitment Policy to all *stakeholders* through publication on its website.

In addition, the SGR communicates the exercise of intervention and voting rights through:

- its website, by publishing a note regarding the participation in the meetings and the engagement activities;
- the Reports of the Funds, by detailing the vote expressed and the conduct held.

Such documents contain information of both a qualitative and quantitative nature.

The policies adopted by the SGR require that any participation in the meeting be adequately motivated and that the entire decision-making process followed for exercising the right to vote is carefully formalised and the related documentation duly recorded.

The Commitment Policy is updated by the Compliance and Anti-Money Laundering Structure with the support of the other SGR structures.