

ANIMA Sgr's stewardship activity in 2021

Background

The European framework for encouraging long-term shareholder engagement (aka Shareholder Rights Directive II), which has been transposed into Italian law, requires asset managers and institutional investors to adopt and disclose to the general public a commitment policy that describes how they:

- ▶ Monitor investee companies whose shares are eligible for trading on a regulated market in Italy or another EU member state. Monitoring is performed on relevant issues, such as strategy, financial and non-financial performance as well as risks, capital structure, social and environmental impact, and corporate governance;
- ▶ Dialogue with investee companies;
- ▶ Exercise voting and other rights attached to shares;
- ▶ Collaborate with other shareholders;
- ▶ Communicate with relevant stakeholders of investee companies;
- ▶ Manage existing and potential conflicts of interest in relation to their assignment.

With a view to carrying out its engagement endeavours to the best of its capabilities and in accordance with the aforementioned regulations, ANIMA Sgr has defined its own Engagement Policy, which is published on the corporate website and is updated at least annually.

The policy applies to all products managed by ANIMA Sgr, including the Arts & Crafts Open-end Pension Fund. With regard to agreements with individual and collective management institutional customers (assets managed under a mandate), the policy is applied according to such agreements, consistent with current regulations and the “comply or explain” principle.

The engagement strategies adopted by ANIMA Sgr and based on Assogestioni and EFAMA principles (Stewardship Code - Principles for asset managers' monitoring of, voting in, engagement with investee companies) essentially involve three action items:

1. monitoring the economic and financial performance, and related risks, of companies;
2. engaging with issuers on specific topics;
3. exercising voting rights at company meetings.

Below is an overview of the engagement endeavours carried out by ANIMA Sgr in 2021:

Monitoring

During 2021, as part of routine efforts aimed at monitoring the economic and financial performance, and related risks, of the companies, ANIMA Sgr staged numerous meetings (including those promoted by the Managers' Committee) with the management (i.e., independent directors) of Italian companies whose shares were held within the portfolios of the funds under management.

Engagement

The main form of engagement relied upon was the submission of lists of candidates for the election of minority members to the boards of directors and supervisory boards of investee companies, together with other professional investors, through the Managers' Committee promoted by Assogestioni.

Engagement: submission of minority lists in co-operation with the Managers' Committee

In co-operation with other professional investors through the Managers' Committee promoted by Assogestioni, ANIMA Sgr participated in the submission and voting of lists of candidates for the election of minority members to the boards of directors and supervisory boards of 28 investee companies. Most of these initiatives have also been published and shared on UNPRI's website. With regard to the submissions in which ANIMA Sgr took part, the companies, corporate boards involved and the outcome of such submissions are shown below:

Issuer	LISTS FOR		OUTCOME*	
	BoD	SC	BoD	SC
1 BANCA GENERALI	yes	yes	Candidates Elected	Candidates Elected
2 BANCA MEDIOLANUM	yes	yes	Candidates Elected	Candidates Elected
3 FINECOBANK	no	yes	n/a	Candidates Elected
4 INWIT	no	yes	n/a	Candidates Elected
5 PIRELLI & C.	no	yes	n/a	Candidates Elected
6 PRYSMIAN	yes	no	Candidates Elected	n/a
7 BANCA FARMAFACTORING	yes	yes	Candidates Elected	Candidates Elected
8 BIESSE	yes	yes	Candidates Elected	Candidates Elected
9 CREDITO EMILIANO	yes	no	Candidates Elected	n/a
10 ERG	yes	no	Candidates Elected	n/a
11 GAROFALO HEALTH CARE	yes	yes	Candidates Elected	Candidates Elected
12 IREN	no	yes	n/a	Candidates Elected
13 MUTUIONLINE	no	yes	n/a	Candidates Elected
14 PIAGGIO & C	yes	yes	Candidates Elected	Candidates Elected
15 RAI WAY	no	yes	n/a	Candidates Elected
16 REPLY	yes	yes	Candidates Elected	Candidates Elected
17 SESA	yes	no	Candidates Elected	n/a
18 TINEXTA	yes	yes	Candidates Elected	Candidates Elected
19 CALTAGIRONE	yes	no	Candidates Elected	n/a
20 FNM	yes	yes	No	No
21 GPI	yes	no	No	n/a
22 OPENJOBMETIS	yes	yes	Candidates Elected	Candidates Elected
23 MONNALISA	yes	yes	Candidates Elected	Candidates Elected
24 SAIPEM	yes		Candidates Elected	n/a
26 UNICREDIT	yes	yes	Candidates Elected	Candidates Elected
28 RENO DE'MEDICI	no	yes	n/a	Candidates Elected

*fonte dei candidati eletti: Report Comitato Gestori Stagione assembleare 2021

Engagement: dialogue with issuers

Another engagement method relied upon entailed seeking, together with other institutional investors, meetings with issuers' management, which meetings were held in accordance with well-established monitoring and engagement best practice rules.

As part of the activities carried out with the support of the Managers' Committee, which represents Assogestioni's member Asset Managers, engagement meetings were held with representatives (management) of the following Italian companies during 2021: *ASTM SpA*, *Unicredit SpA*, *Cerved SpA*, *Iren SpA*, *Telecom Italia SpA*, *Assicurazioni Generali SpA* and *Infrastrutture Wireless Italiane SpA*. These meetings were generally held in compliance with the principles of engagement, alternating one-way meetings (i.e., where the arguments and considerations put forward by the Managers' Committee were notified without further involvement on the part of management attending the meeting) and two-way meetings (i.e., with involvement on the part of management attending the meeting). On the occasion of all meetings, the Managers' Committee sought in advance that no sensitive, confidential, and/or price sensitive information be disclosed, unless the contents thereof had already been made public. The subject of engagement meetings was generally or alternatively focused on business plans, development prospects, challenges and criticalities affecting the relevant operating sectors, remuneration policies, the management of corporate governance and, more generally, on ESG (Environmental, Social and Corporate Governance) strategies, relations with minority shareholders, and the effectiveness and efficiency of communication to the public and markets.

Engagement with Repsol

Repsol, an issuer whose securities were held in some of the portfolios managed by ANIMA Sgr, held its shareholders' meeting in March 2021. A review of the items on the agenda revealed that it was appropriate to vote, on some items, in line with ANIMA Sgr's policy on voting rights and, therefore, differently from management's recommendations. The items in question concerned the management of risks arising from certain social and environmental controversies.

In the days leading up to the meeting, efforts got underway to engage with the company in order to seek clarification and information on some of the most relevant controversies, anticipating a voting in line with the Policy. The company replied to the questions, showed a supportive attitude and in one particular case stated that it planned to implement additional safeguards on respect for human rights at some sites in Peru.

Voting on the agenda items relating to engagement was, however, cast in line with ANIMA's voting guidelines and the ISS Sustainability Policy, to which such guidelines refer.

Engagement with RWE AG

In September 2021, the Italian public television service¹ alleged that RWE AG was engaging in socially aggressive conduct towards communities neighbouring its coal mines located in the Hambach Forest in Germany, the purpose being to facilitate the exploitation of these mines. Because the company's shares were present in some of the portfolios under management, ANIMA Sgr's ESG Committee decided to submit a request for engagement with RWE, sending them a letter to hear their side of the story.

In December, the text of the letter was shared with other SGRs who joined the initiative. After the year ended, the letter was sent to RWE in January 2022. The company showed to be most willing to discuss the matter and quickly prepared a detailed response, illustrating its attention to the social issues of the Hambach controversy as well as to the social aspects of its business in general. The next stage of engagement by ANIMA Sgr will take place in a meeting with the company to gain further insights into the information received, while the outcome of such engagement will be published in reports for the year 2022.

¹ Rai, "Presse Diretta" 29 September 2021.

Engagement with Corsair

In October 2021, ANIMA Sgr's ESG Committee decided to submit a request for engagement with Corsair Gaming Inc., a U.S.-based company operating in the computer, telephone and electronics industry, whose securities were present in some of the portfolios under management. The request for engagement was prompted by the low ESG rating awarded to the company, which does not belong to an environmentally "critical" sector, in the absence of significant controversies.

The company promptly followed up on the request for engagement. During two meetings, after noting that it had only recently been listed, the company outlined the actions designed to improve its ESG profile. These actions were scheduled to be completed by the first half of 2022 and include: publication of Policies on Labour and Human Rights, Code of Business Conduct, as well as new projects on sustainability and environmental impact and engagement endeavours to foster the well-being of the communities of which the company is a part. Overall, the company showed to be most open to dialogue.

Engagement with Chevron

In September 2021, ANIMA Sgr joined an engagement initiative, along with twenty-four other asset managers, by signing a letter addressed to Chevron, whose securities were in some of the portfolios under management. The letter pointed out that the Burmese military coup caused Chevron to face significant new operational, regulatory, legal, reputational, and financial risks arising from its partnership with the state-owned Myanmar Oil and Gas Enterprise (MOGE), which came under full military control after the coup. In such letter, Chevron was asked to explain how it intended to address these risks.

The company replied to the letter on 6 October 2021, expressing their grief for the tragic fatalities occurred in Myanmar, condemning the violence and human rights violations occurring there, and clarifying that the welfare of employees and the people of Myanmar remains their top priority during the crisis. In addition, in its response the company explained that it had implemented a number of policy initiatives and processes to identify and manage geopolitical and socioeconomic issues and risks, including in the case at issue regarding its operations in Myanmar, demonstrating broad willingness to engage in dialogue.

Engagement: supporting minority shareholders' motions on ESG issues

The following table summarises the proposals of minority shareholders on ESG issues supported by ANIMA Sgr in the relevant meetings, contrary to the recommendations of the companies' management.

Issuer	Minority shareholders' motion	ESG Theme
AbbVie Inc. (ABBV)	Report on payments and lobbying policies	Community
AbbVie Inc. (ABBV)	Request for President of the Independent Council	Independence of directors
Alphabet Inc.(GOOGL)	Approves the recapitalisation plan for all shares to have one vote per share	Shareholders' rights
Alphabet Inc.(GOOGL)	Nominated independent administrator with experience in human and/or civil rights	Human rights
Alphabet Inc.(GOOGL)	Assess the feasibility of including sustainability as a measure of performance for senior executives' pay	ESG incentive
Alphabet Inc.(GOOGL)	Report on removal requests from the site	Shareholders' rights
Alphabet Inc.(GOOGL)	Report on the policies and practices of whistleblowers	Shareholders' rights

Issuer	Minority shareholders' motion	ESG Theme
Alphabet Inc.(GOOGL)	Report on the risks of anti-competitive practices	Shareholders' rights
Amazon.com, Inc. (AMZN)	Reports on customer use of surveillance and machine vision features or cloud products that contribute to human rights violations	Human rights
Amazon.com, Inc. (AMZN)	Request for an independent chairman	Independence of directors
Amazon.com, Inc. (AMZN)	Gender/Ethnic Pay Gap Report	Diversity
Amazon.com, Inc. (AMZN)	Report on the promotion data	Investors' rights
Amazon.com, Inc. (AMZN)	Impact report on plastic packaging	Environment
Amazon.com, Inc. (AMZN)	Supervise and report to a dedicated auditor data on civil rights, equity, diversity and inclusion	Diversity
Amazon.com, Inc. (AMZN)	Adopt a policy to include hourly employees as management candidates	Diversity
Amazon.com, Inc. (AMZN)	Report to the Board of Directors on the risks associated with anti-competitive practices	Shareholders' rights
Amazon.com, Inc. (AMZN)	To reduce the threshold of quotas in possession for the convocation of the extraordinary assembly of the shareholders	Shareholders' rights
Amazon.com, Inc. (AMZN)	Report on payments and lobbying policies	Community
Amazon.com, Inc. (AMZN)	Report on the potential human rights impacts of the use of Recognition by customers	Human rights
Apple Inc. (AAPL)	Changes to proxy access	Shareholders' rights
Comcast Corporation (CMCSA)	Report on the risks posed by failure to prevent sexual harassment in the workplace	Safety of employees
ConocoPhillips (COP)	Targets for reducing emissions	Climate
Eli Lilly and Company (LLY)	Report on payments and lobbying policies	Community
Eli Lilly and Company (LLY)	Independent Chairman request	Independence of directors
Eli Lilly and Company (LLY)	Adopt Policy on Bonuses	Investors' rights
Eli Lilly and Company (LLY)	Publication of the clawback of compensation received by senior managers	Shareholders' rights
Equinor ASA (EQNR)	Instruct the company to set short, medium and long-term greenhouse gas emissions (GHG) targets for the company's operations and the use of energy products	Climate
Facebook, Inc. (FB)	Approves the recapitalisation plan for all shares to be entitled to one vote per share	Shareholders' rights
Facebook, Inc. (FB)	Independent Chairman request	Independence of directors
Facebook, Inc. (FB)	Report on child sexual exploitation online	Human rights
Facebook, Inc. (FB)	Reporting on misuse of the platform	Community

Issuer	Minority shareholders' motion	ESG Theme
McDonald's Corporation (MCD)	Report on sugar quantities and public health	Health
McDonald's Corporation (MCD)	Report on antibiotics and public health costs	Health
McDonald's Corporation (MCD)	Provide the right to take legal action with written consent	Shareholders' rights
McKesson Corporation (MCK)	Provide the right to take legal action with written consent	Shareholders' rights
Monster Beverage Corporation (MNST)	Annual vote and report on climate change	Climate
Netflix, Inc. (NFLX)	Report on political contributions	Compensation
Netflix, Inc. (NFLX)	Adoption by simple majority	Shareholders' rights
Pfizer Inc. (PFE)	Independent Chairman request	Independence of directors
Pfizer Inc. (PFE)	Report on contributions and political expenditure	Shareholders' rights
Pfizer Inc. (PFE)	Report on access to COVID-19 products	Community
Royal Dutch Shell Plc (RDSA)	Request to set and publish greenhouse gas (GHG) emission targets.	Climate
Siemens AG (SIE)	Edit articles "Re": Allow questions to shareholders during the virtual meeting	Shareholders' rights
The Coca-Cola Company (KO)	Report on sugar quantities and public health	Health
Walt Disney Company (DIS)	Report on payments and lobbying policies	Community
UnitedHealth Group Incorporated (UNH)	To reduce the threshold of ownership for the convocation of the extraordinary assembly of the shareholders	Shareholders' rights
Walmart Inc. (WMT)	Report on refrigerant quantities released from operations	Climate
Walmart Inc. (WMT)	Report on payments and lobbying policies	Community
Walmart Inc. (WMT)	Report on the alignment of racial justice objectives and initial salary	Diversity
Walmart Inc. (WMT)	Approving the creation of a Pandemic Advisory Workforce Council	Safety of employees
Walmart Inc. (WMT)	Review of the company mission statement	Community
XPO Logistics, Inc. (XPO)	Report on payments and lobbying policies	Community
XPO Logistics, Inc. (XPO)	Independent Chairman request	Independence of directors
XPO Logistics, Inc. (XPO)	Limit the accelerated maturing of capital premiums in the event of a change of control	Shareholders' rights

Voting intentions on motions submitted by minority shareholders were disclosed in advance – either through the PRI collaboration platform or through direct contact with the companies themselves – regarding the meetings of Alphabet, Comcast, Wal-Mart, Amazon, Facebook and Repsol.

Engagement: collective initiatives for the promotion and spreading of ESG principles

During 2021, ANIMA Sgr renewed its membership to the Principles for Responsible Investment (PRI); the Carbon Disclosure Project (CDP), a non-profit organisation that promotes a system of data collection and reporting with respect to the most significant environmental impact factors; supported the CDP Science Based Target (SBT) Campaign for 2021; and signed – on the PRI collaboration platform – the letter of support to EU legislators for the enactment of the Corporate Sustainability Reporting Directive and the 2021 Global Investor Statement to Governments on the Climate Crisis ahead of COP26.

Engagement: right to vote

ANIMA Sgr is committed to exercising its voting rights pertaining to equity securities held in UCITS under management in a reasonable and responsible fashion, believing that the active use of such rights in the sole interest of its customers can, in the long run, enhance the value of their investments while contributing to a smoother functioning of financial markets and corporate governance of issuing companies.

ANIMA Sgr exercised these rights through the proxy voting web platform ISS Institutional Shareholder Services Inc, or by giving specific parties appropriate proxies based on explicit binding instructions.

The votes were cast according to ANIMA Sgr's voting policy, which sets out general criteria that ANIMA Sgr complies with when analysing the different items on meeting agendas. The assessment of corporate governance practices takes into account factors specific to the business being analysed, with special reference to size and operating environment, with account being taken of the protection of shareholders' rights, the procedure whereby Board of Directors and the Board of Statutory Auditors are elected and their members are appointed, the selection method and duties of the auditing firm, the efficiency and objectivity of internal control systems, the analysis of the financial situation, the approval of the accounts, remuneration policies, incentive systems, any amendments to the articles of association, and the adoption of specific corporate social responsibility schemes.

Since 2020, moreover, the criteria set out in the policy have been expanded to also take into account specific ESG (Environmental, Social, Governance) factors. It has therefore been agreed that when providing its voting recommendations the ISS proxy advisor should refer to guidelines consistent with sustainable business practices (on the environment, fair employment, non-discriminatory policies, and protection of human rights), such guidelines making reliance on initiatives such as those of United Nations Environment Programme Finance Initiative (UNEP FI), United Nations Principles for Responsible Investment (UNPRI), United Nations Global Compact, Global Reporting Initiative (GRI), Carbon Principles, International Labour Organization Conventions (ILO), CERES Principles, Global Sullivan Principles, MacBride Principles, and the European Union Social and Environmental Directives.

With regard to Italian businesses where the election or renewal of corporate offices (BoD, SC, shareholder representatives) was planned, the vote in support of the lists of minority representatives was generally cast consistent with the engagement initiatives for the submissions of minority lists undertaken in conjunction with the Managers' Committee (composed of representatives of Assogestioni member Asset Management Companies and other institutional investors).

On the other hand, voting rights were not exercised with respect to shares of companies directly or indirectly controlling ANIMA Sgr SpA held in the portfolios of UCIs under management, nor in situations where potential conflicts of interest existed.

As at 31 December 2021, companies whose shares were held in the portfolios under management, falling within the stewardship scope, included: Banco BPM SpA, Banco di Desio e della Brianza SpA, BasicNet SpA, Buzzi Unicem SpA, Equita Group SpA, Iren SpA, Italmobiliare SpA, Mediobanca SpA, Openjobmetis SpA, Piaggio & C SpA, Salcef SpA, SeSa SpA, Unipol Gruppo SpA. Following the execution of a distribution agreement in August 2021, issuers Banco BPM and Banco di Desio e della Brianza were however excluded from the activities pertaining to stewardship insofar as conflicts of interest were deemed to exist.

During 2021, voting rights were exercised at the shareholders' meetings of the following Italian and foreign listed companies:

AbbVie Inc., Advanced Micro Devices, Inc., Adyen NV, Allianz SE, Alphabet Inc., Amazon.com, Inc., Apple Inc., Asahi Group Holdings Ltd., ASML Holding NV, Assicurazioni Generali SpA, ASTM SpA, AstraZeneca Plc, Autodesk, Inc, Autostrade Meridionali SpA, Banca Farmafactoring SpA, Banca Generali SpA, Banca Mediolanum SpA, Banco di Desio e della Brianza SpA, Banco Santander SA, BasicNet SpA, Biesse SpA, BNP Paribas SA, Caltagirone SpA, Capgemini SE, Comcast Corporation, Compagnie de Saint-Gobain SA, ConocoPhillips, Credito Emiliano SpA, Daimler AG, Deutsche Post AG, E.ON SE, EDP-Energias de Portugal SA, Eli Lilly and Company, Enel SpA, ENGIE SA, Equinor ASA, Equita Group SpA, ERG SpA, EssilorLuxottica SA, Facebook, Inc, Fast Retailing Co., Ltd, FinecoBank SpA, FNM SpA, Garofalo Health Care SpA, Gefran SpA, General Electric Company, GPI SpA, Gruppo MutuiOnline SpA, Heineken NV, Industria de Diseno Textil SA, Infrastrutture Wireless Italiane SpA, ING Groep NV, Intesa Sanpaolo SpA, Iren SpA, Italmobiliare SpA, Jazz Pharmaceuticals plc, Koninklijke Philips NV, Legal & General Group Plc, Linde Plc, LVMH Moët Hennessy Louis Vuitton SE, M3, Inc, McDonald's Corporation, McKesson Corporation, Mediobanca SpA, Medtronic Plc, Merck KGaA, MetLife, Inc., Micron Technology, Inc., Monnalisa SpA, Monster Beverage Corporation, Morgan Stanley, Netflix, Inc., Nexi SpA, NIKE, Inc., NVIDIA Corporation, NXP Semiconductors N.V., Openjobmetis SpA, Pfizer Inc., Piaggio & C SpA, Pirelli & C. SpA, Prysmian SpA, Qualcomm Incorporated, Rai Way SpA, Reno de Medici SpA, Reply SpA, Repsol SA, Royal Dutch Shell Plc, RWE AG, Saipem SpA, Salcef Group SpA, Salesforce.com, Inc, Sanofi, SAP SE, Schneider Electric SE, SeSa SpA, Siemens AG, Siemens Energy AG, Smith & Nephew Plc, Sony Group Corp., Stellantis NV, STMicroelectronics NV, Telefonaktiebolaget LM Ericsson, Tesco Plc, The Coca-Cola Company, The Procter & Gamble Company, The Walt Disney Company, Tinexta SpA, Toshiba Corp, Total SE, UniCredit SpA, UnitedHealth Group Incorporated, Vinci SA, Vodafone Group Plc, Walmart Inc, Western Digital Corporation, XPO Logistics, Inc.

Votes were at all times cast on an informed basis, relying on (i) the information disclosed by the investee companies or published by commonly used media (e.g. websites of the issuing companies, daily newspapers and magazines, financial information providers), and (ii) any analyses conducted by leading research companies specialising in proxy voting. Votes cast during meetings proved generally in line with the provisions set out in ANIMA Sgr's voting policy and the ISS recommendation guidelines, consistent with sustainable business practices (on the environment, fair employment, non-discriminatory policies, and protection of human rights), such guidelines making reliance on initiatives such as those of United Nations Environment Programme Finance Initiative (UNEP FI), United Nations Principles for Responsible Investment (UNPRI), United Nations Global Compact, Global Reporting Initiative (GRI), Carbon Principles, International Labour Organization Conventions (ILO), CERES Principles, Global Sullivan Principles, MacBride Principles, and the European Union Social and Environmental Directives.

Voting rights were exercised at the shareholders' meetings of the following companies, whose shares were held in the portfolios under management and fell, from time to time, within the stewardship scope (as defined according to the internal procedural provisions of ANIMA Sgr SpA): *Banca Farmafactoring SpA, SeSa SpA, Caltagirone SpA, Banca Generali SpA, Biesse SpA, Openjobmetis SpA, ASTM SpA, Piaggio & C SpA, Banco di Desio e della Brianza SpA, BasicNet SpA, Equita Group SpA, Gefran SpA, Italmobiliare SpA, Salcef Group SpA, Iren SpA, Mediobanca SpA.*

Overall, ANIMA Sgr voted in 116 shareholders' meetings of Italian and foreign companies, in a manner consistent with the above principles, in about 11% of the cases expressing a different view as compared to the recommendations given by the companies' management.

As part of the votes taken, ANIMA Sgr supported, among other things, several motions submitted by minority shareholders aimed at obtaining greater transparency or commitment from issuers on environmental or social matters.