

2022 ESG Report

ANIMA Sgr's Environmental,
Social & Governance Commitment
in 2021



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ESG IN ANIMA SGR: 2021 HIGHLIGHTS

1.

As part of its increasing focus on the Principles for Responsible Investment, in 2021 and early 2022 ANIMA Sgr Group:

- 1.** Completed the mandatory PRI Report in its capacity as a member of the Principles for Responsible Investments
- 2.** Attended and voted at the PRI's AGM for the approval of financial reports and election of the new Board of Directors
- 3.** Renewed its membership to CDP, a non-profit organisation that promotes a system of data collection and reporting regarding environmental impact factors
- 4.** Published the 2021 ESG Report, complete with disclosure of policies and shareholder engagement activities in 2020
- 5.** Published the Sustainability Report on its corporate website
- 6.** Joined the Task Force on Climate Related Disclosure (TCFD) and the UN Global Compact
- 7.** Joined the new MIB® ESG index
- 8.** Participated in Assogestioni workgroups on sustainability issues
- 9.** Provided support to institutional clients and underwriters on SFDR regulatory and legislative updates
- 10.** Held a number of internal training sessions on ESG integration issues, processes, and strategies
- 11.** Expanded its suite of tools/providers to monitor risks, ESG profiles and negative impacts on sustainability factors of its own investments
- 12.** Redesigned its ESG Policy in line with changes in SFDR and SRDII regulations
- 13.** Extended the application of its approach to Responsible Investment to all assets under management¹, including the Arts and Crafts Open-end Pension Fund, such approach entailing:
 - Exclusion of investments in government securities issued by states sanctioned by the United Nations for regularly and deliberately violating human rights
 - Exclusion of investments in companies directly engaged in the production or sale of weapons that violate basic humanitarian principles prohibited by UN Conventions (anti-personnel mines, cluster bombs, depleted uranium weapons, biological weapons, chemical weapons, non-detectable fragments weapons, laser weapons, incendiary weapons)
 - Active monitoring of the ESG profiles of its investments, based on a proprietary ESG scoring system powered by databases of ESG ratings from specialised third-party providers
 - Active monitoring of EU-sanctioned sovereign issuers
- 14.** Defined new criteria – exclusions of nuclear weapons and thermal coal, and monitoring of companies responsible for serious violations of UN Global Compact principles – and strategies to expand the range of products as under Article 8 of the SFDR
- 15.** Identified Principal Adverse Impacts (PAIs) on sustainability factors for all products, in line with SFDR definitions
- 16.** Joined several national and international collective engagement initiatives
- 17.** Launched individual ESG engagement endeavours
- 18.** Participated in submissions of minority lists for the corporate officers and directors of 28 companies
- 19.** Voted in 116 corporate meetings in line with its voting rights policy, which takes into account the sustainability profiles of issuers
- 20.** Attended various foreign issuers' meetings, supporting and voting on several motions submitted by minorities on specific ESG issues.

¹ Excluding third-party funds and index derivatives.

PRI REPORT

Signatory of:



UNPRI – United Nations Principles for Responsible Investment – is an association inspired by the UN to promote the adoption of responsible investment principles by companies and investors. By the end of 2020, more than 2,600 asset managers, including more than 40 Italian asset managers, had subscribed to these Principles, along with nearly 600 Institutional Investors. ANIMA Sgr, Italy's first independent asset management company, has adopted the Principles for Responsible Investments since 2018.

By subscribing to these Principles, ANIMA Sgr has committed to (i) incorporating aspects related to the environment, society and governance into investment analysis and decision-making processes; (ii) operating as an engaged shareholder, ensuring that attention to ESG issues are also embedded in traditional shareholder policies and practices; (iii) requiring adequate disclosure on ESG issues by investee companies; and (iv) complying with certain standards of reporting and cooperation among system players, including with respect to such issues.

The actual fulfilment of these commitments is outlined by the signatories in an annual report, i.e. the PRI Report. This report, which ANIMA also compiled in 2021, sets out all of the activities carried out by the company regarding ESG issues. The report is reviewed by the PRI, with a rating measuring the extent of compliance with the Principles of Responsible Investment being issued at the end of the process by the PRI itself. In 2020, ANIMA Sgr was awarded an A rating for Strategy & Governance by the PRI.

ESG POLICY

One of the keystones of responsible investment is reliance on a Responsible Investment Process – as set out in our ESG Policy – that identifies the underlying objectives and guidelines.

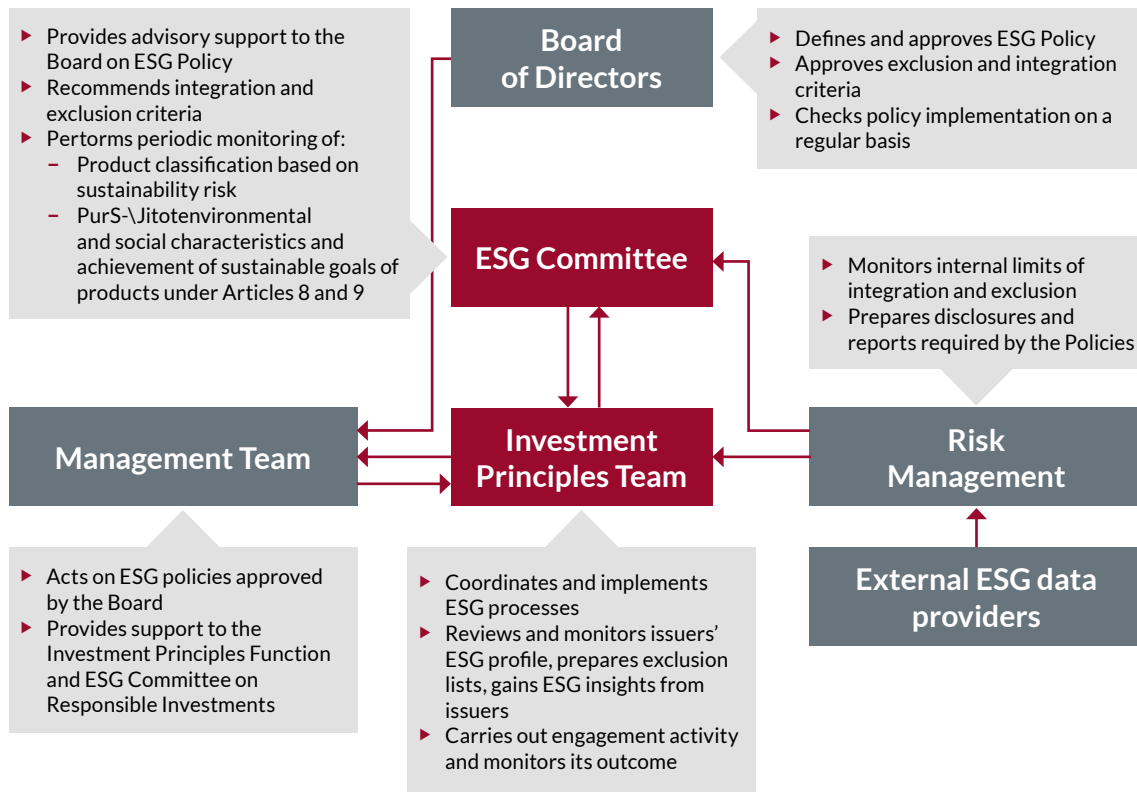
At the beginning of 2021, ANIMA Sgr redefined its ESG Policy, in accordance with relevant European legislation and regulations, with special reference to the Sustainable Finance Disclosure Regulation (SFDR), which came into effect on 10 March 2021. Our policy is available on ANIMA Sgr's corporate website².

² <https://www.animasgr.it/d//IT/Downloads/Policy/Policy-ESG-EN.pdf>

GOVERNANCE OF ESG INTEGRATION INTO THE INVESTMENT PROCESS

The integration of ESG factors into ANIMA Sgr's investment process includes the following steps:












ESG Governance and Players



ANIMA Sgr has established an ESG Committee. The tasks of this committee, consisting of in-house management profiles, include providing advisory support to the Board of Directors in establishing, reviewing and implementing the responsible investment policy. The Committee's 'Investment Principles' team coordinates ESG processes, assessing and monitoring the ESG profile of issuers, while the Management Team is responsible for integrating ESG commitments defined by policy and individual product prospectuses into investment decisions.

Resources and tools

ANIMA Sgr relies on a range of tools and info providers in the discharge of its own ESG activity. Below is an overview of the main info providers and services used.

DATA PROVIDER	FOCUS	UNIVERSE COVERED
 MSCI	ESG indices	<ul style="list-style-type: none"> ▶ ESG Leaders ▶ World Climate Change Select CTB ▶ World Climate Change PAB
 ECPI	ESG indices	<ul style="list-style-type: none"> ▶ 31 stock indices
 SUSTAINALYTICS	ESG data: Sovereign Issuers	<ul style="list-style-type: none"> ▶ 172 emittenti governativi
 REFINITIV	ESG data: Corporate Issuers	<ul style="list-style-type: none"> ▶ > 9 thousand corporate issuers
 REFINITIV LIPPER	ESG data: Mutual Funds	<ul style="list-style-type: none"> ▶ >335 thousand mutual funds
 CDP DISCLOSURE INSIGHT ACTION	ESG data: climatic and environmental ratings	<ul style="list-style-type: none"> ▶ 6,700 companies
 ISS ESG	Analysis: identification of issuers in violation of the UN Global Compact principles	<ul style="list-style-type: none"> ▶ About 25 thousand corporate issuers
 urgewald	Analysis: identification of companies coal producers	<ul style="list-style-type: none"> ▶ >3 thousand companies
 vigeo eiris	Analysis: identification of companies producing controversial weapons	<ul style="list-style-type: none"> ▶ Around 10 thousand companies
 SCIENCE BASED TARGETS	Analysis: identification of companies with defined emission reduction targets	<ul style="list-style-type: none"> ▶ 2,139 member companies
 Nummus.Info	Analysis: compliance with the CEI's sustainable investment policy	<ul style="list-style-type: none"> ▶ Portfolios subject to certification

Portfolio ESG profile

as at 31 December 2021, 94.1 percent of assets under management belonged to products for which an ESG rating was calculated, such ratings being greater than or equal to C+ on a 12-level scale ranging from A+ (best rating) to D- (worst rating).

PERCENTAGE OF ASSETS COVERED BY ESG RATINGS AS AT 31 DECEMBER 2021³:

	unit of measurement	2021
Total Assets under Management (AuM)	€ bn	203.84
AuM coperti da rating ESG	€ bn	191.86
AuM with combined rating ⁴ >= C+	€ bn	191.86
AuM covered by ESG rating	%	94.10%
AuM with combined rating >= C+	%	94.10%

PERCENTAGE OF ASSETS CLASSIFIED UNDER ARTICLES 8 AND 9 OF REGULATION (EU) 2019/2088 SFDR AS AT 31 DECEMBER 2021⁵

	unit of measurement	2021
Total AuM under Article 8	€ bn	5.0
Total AuM under Article 9	€ bn	7.5
Total AuM under Articles 8 and 9	€ bn	12.5
% AuM produced under Article 8	%	2.5%
% AuM produced under Article 9	%	3.7%

During 2022, ANIMA Sgr augmented the integration of ESG factors into its investment process by defining new criteria and applying new strategies to products classified as Article 8 under the SFDR. Below is an overview of these criteria and strategies:

- ▶ Monitoring of specific issuers in relation to serious violations of the principles of the UN Global Compact;
- ▶ Exclusion of issuers involved in nuclear weapon production;
- ▶ Exclusion of issuers engaging in thermal coal production in excess of 30 percent of their revenues;
- ▶ Monitoring of certain ESG characteristics or ratings and/or comparisons with certain parameters of a benchmark.

By applying these criteria and strategies, effective 11 April 2022 ANIMA changed a number of products previously classified as Article 6 into Article 8, with total assets of ESG funds thereby exceeding € 31 bn.

3 Data on AuM covered by rating were calculated on a portfolio basis.

4 Overall rating that considers both ESG Rating and ESG Controversies Rating.

5 The figure includes all managed assets, including those managed under a mandate.

IDENTIFYING POTENTIAL ADVERSE IMPACTS (PAIS) ON SUSTAINABILITY FACTORS

References

“Article 4 of Regulation (EU) 2019/2088 (SFDR) – Transparency of adverse sustainability impacts at entity level – Financial market participants shall publish and maintain on their websites: (a) where they consider principal adverse impacts of investment decisions on sustainability factors, a statement on due diligence policies with respect to those impacts, taking due account of their size, the nature and scale of their activities and the types of financial products they make available”.

Background

As a signatory to the United Nations Principles for Responsible Investment (PRI), ANIMA Sgr is committed to incorporating environmental, social and governance aspects into investment analysis and decision-making processes and operates as an engaged shareholder, integrating ESG issues into shareholder policies and practices.

In this regard, and in line with the SFDR Regulation, ANIMA Sgr bases its ESG Policy⁶ on:

- ▶ Monitoring sustainability risks in the investment process;
- ▶ Assessing the main adverse sustainability impacts arising from investment activity (hereinafter referred to as “PAIs”);
- ▶ Specific ESG strategies;
- ▶ Active ownership and engagement.

For more details, see ANIMA Sgr’s ESG Policy posted on the company’s website.

The main adverse impacts of investment activity on sustainability factors

Inevitably, investment activity involves participation in those impacts of business activity known as “negative externalities”. These include environmental, social and personnel issues, respect for human rights, and combating corruption and bribery. For example, all manufacturing firms produce greenhouse gases, negatively impacting the environment. However, some leave a stronger footprint than others. Taking account of PAIs, i.e., those negative impacts, and acting on them can therefore have a significant effect on the sustainability profile of investment activity.

Identifying the main negative impacts of investment activity.

With a view to ensuring a thorough fulfilment of the reporting requirements laid down by the SFDR with regard to PAIs, ANIMA Sgr conducted an analysis of available data and an assessment of its stakeholders’ interests, concluding that the PAI indicators set out in the SFDR best represent such interests.

⁶ Policy ESG: <https://www.animasgr.it/IT/investitore-privato/prodotti/Pagine/sostenibilita.aspx>

In terms of identifying priorities when considering negative impacts, in addition to guidance provided in the mandatory PAI indicators, account may be taken of some product- or strategy-specific indicators in line with the characteristics or objectives of the products themselves. In any case, the impacts considered should be consistent with the guidelines identified in the ESG Policy, the Engagement Policy, and ANIMA Sgr’s voting guidelines.

Consistent with current regulatory requirements and deadlines, periodic disclosure by product will provide more details on the adverse impact indicators considered.

By relying on data made available by its info providers, ANIMA Sgr is organising a systematic survey of mandatory indicators on greenhouse gas emissions, biodiversity, water, waste, as well as social indicators applicable to businesses and sovereign and supranational issuers, as summarised in the table below:

CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS		
Indicators applicable to investments in investee companies		
GREENHOUSE GAS EMISSIONS	1. GHG emissions	Scope 1 GHG emissions
		Scope 2 GHG emissions
		Scope 3 GHG emissions (from January 1, 2023)
		Total GHG emissions
	2. Carbon footprint	Carbon footprint
	3. GHG intensity of investee companies	GHG intensity of investee companies
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector
BIODIVERSITY	7. Activities negatively affecting biodiversitysensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity sensitive areas where activities of those investee companies negatively affect those areas
WATER	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
WASTE	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average

SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS		
Indicators applicable to investments in investee companies		
SOCIAL AND EMPLOYEE MATTERS	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance / complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies
	13. Board gender diversity	Average ratio of female to male board members in investee companies
	14. Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons
Indicators applicable to investments in sovereign and supranationals		
ENVIRONMENTAL	15. GHG intensity	GHG intensity of investee countries
SOCIAL	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law

At the moment Anima SGR is not planning to make real estate investments and to monitor the related Principal Adverse-Impact indicators.

ANIMA SGR will also be able to calculate optional PAI indicators related to the environment, social factors, respect for workers' rights and human rights, anti-corruption policies and behaviour. Such Optional indicators will be specified in future updates of this report.

Actions taken to mitigate Principal Adverse Impacts

Anima SGR takes into account the Principal Adverse Impact on sustainability factors in the selection of investments through the use of various methods such as the exclusion of controversial sectors, the detection and monitoring of the ESG characteristics of portfolios, the expression of voting in company meetings and engagement activities.

The following table summarizes these activities.

CRITERIA	ILLUSTRATION	ACTIONS TAKEN
EXCLUSIONS	Anima SGR believes that some business activities or practices are harmful to society and incompatible with sustainable investment strategies. Therefore, in its investment activity it applies certain exclusion criteria.	Exclusions of: controversial weapons prohibited by International Treaties ratified by the Italian Parliament, government issuers sanctioned by the UN for serious human rights violations; issuers or specific sectors according to the strategy of each product (for example, tobacco, gambling, the proportion of revenues from coal for thermal purposes exceeding 30%, nuclear weapons, defense and aerospace, activities incompatible with the investment guidelines defined by the IEC, issuers without any specific policy on gender equality or workers' rights).
MONITORING AND LIMITS	For some products the use of issuers with certain ESG characteristics is monitored or restricted.	Products ex art. 8. Selection and monitoring of issuers' sustainability profiles, so that a limited share (for some products 20%, for other 15%, for other 5% of the fund's NAV) is invested: <ul style="list-style-type: none"> ▶ in corporate issuers with low ESG Combined scores or with no score or with score below 25 in one of the E or G indicators or below 33 in the Refinitiv S indicator, on a scale from 0 to 100 (where 100 is the maximum); ▶ in government issuers without ESG Score or belonging to the last quartile of the ranking ordered according to the ESG Score of Sustainalytics. Monitoring, for some products, the ESG quality of the overall portfolio or the comparison of ESG Combined.
PROXY VOTING	In exercising the right to vote, Anima SGR applies guidelines consistent with sustainable business practices (on the environment, fair treatment of work, non-discriminatory policies and protection of human rights) framed in initiatives such as those of the 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 European Union Directives on social and environmental matters.	Anima SGR regularly votes in various general meetings of Italian and foreign companies in a manner consistent with its guidelines.

CRITERIA	ILLUSTRATION	ACTIONS TAKEN
ENGAGEMENT/ VOTING	Participation in the meetings of the most important corporate issuers in the portfolio.	As part of the voting, Anima SGR supports the most important motions of minority shareholders aimed at achieving greater transparency or commitment by issuers in environmental or social matters. In some cases, Anima SGR engages in a prior dialogue with the companies to explain the reasons for its vote.
COLLECTIVE ENGAGEMENT	Collaboration with the “Comitato Gestori” of Assogestioni.	Anima SGR, in collaboration with other professional investors through the “Comitato Gestori” promoted by Assogestioni, participates in the presentation and voting of lists of candidates for the election of minority members in the Boards of Directors and Statutory Auditors.
INDIVIDUAL ENGAGEMENT	Individual engagement with specific issuers.	Anima SGR activates individual engagement meetings with different issuers, also on various ESG themes.
ENGAGEMENT WITH REGULATORS AND POLICY MAKERS	Participation in collective solicitation and awareness-raising initiatives on specific ESG issues.	Anima SGR <i>regularly</i> participates in consultations to provide feedback on ESG. Anima is a signatory of the Principles for Responsible Investment (PRI); is a member of the Carbon Disclosure Project (CDP) a non-profit organization that promotes a system of data collection and reporting on the most important environmental impact factors; supports 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 issuance of the Corporate Sustainability Reporting Directive and the Global Investor Statement to Governments on the Climate Crisis of 2021 in preparation for the COP26.

More details on engagement and voting activities are available in the Engagement Policy Report posted on ANIMA Sgr’s corporate website⁷.

In addition, the parent company Anima Holding has made a direct commitment to climate change and biodiversity, among other topics, in order to mitigate the potential negative impact of its corporate group.

Governance of the main negative impacts considered

The governance of key negative impacts is included in the overall governance relating to the consideration and integration of ESG factors referred to above.

⁷ https://www.animasgr.it/d/IT/Downloads/Altri%20pdf/Relazione_Feb_2022_su_Politica_impegno.pdf

References to International Standards

As illustrated above, ANIMA Sgr is part of 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, and supports the CDP Science Based Target (SBT) Campaign.

In 2020, the Group also decided to launch its non-financial reporting project, publishing its first Sustainability Report, which has since then been prepared in accordance with the GRI Sustainability Reporting Standards – i.e. the world’s most widely used standards for sustainability reporting – and disclosed on annual basis.

The report can be viewed on Anima Holding’s website⁸.

During 2021, the Anima Group also joined the United Nations Global Compact and supports the TCFD - Task Force on Climate-Related Financial Disclosures.

⁸ <https://www.animasgr.it/EN/sustainability/Pages/Report.aspx>

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 service⁹ 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.

⁹ Rai, "Presa 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	Indipendence 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	Indipendence 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	Indipendence 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, FincoBank 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, Prysman 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.

OUTLOOK FOR 2022

anima's ESG "construction site" is a never-stopping effort. The entry into force, in its various stages, of the European Sustainable Investment Regulation¹⁰ helps to define a clearer landscape of the various possible solutions for integrating ESG factors into investment processes. Against such a backdrop, Anima SGR sets out to continue (i) providing investors with new strategies designed to combat climate change and environmental or social issues, in addition to a whole range of products that have already been included in Anima's ESG catalogue in 2022, and (ii) developing gradually more targeted and insightful forms of disclosure and reporting (such as PAI disclosure), with the aim of guiding investors in making increasingly informed choices, including on ESG matters.

¹⁰ Regulation (EU) 2019/2088 of the European Parliament and of the Council of the EU on sustainability reporting and transparency in financial services, and Regulation (EU) 2020/852 of the European Parliament and of the Council of the EU establishing a framework to encourage sustainable investment and amending Regulation (EU) 2019/2088