

Meetings with Investors on ESG Topics: from Preparation to Discussion

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AGENDA

- Eurizon's view and experience on engagement
- Preparation of ESG meeting



Role of Shareholders

From Rights to Responsibilities

Cadbury (1992): "the shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place."

OECD (2011): "The effectiveness and credibility of the entire corporate governance system and company oversight depend on institutional investors that can make informed use of their shareholder rights and effectively exercise their ownership functions in their investee companies



Eurizon's commitment over time

Eurizon's commitment to, and leadership in, investment sustainability, environmental protection, social and governance themes

1996

Eurizon was the first AM company in Italy to offer ethical funds which adopt clear and articulated asset selection criteria, a Sustainability Committee, and revenue devolvement

2005

Eurizon is co-Chair of the UNEPFI Asset Management Working Group, and contributes to the formulation of the six PRI principles

2014

At the end of 2014, Eurizon underwrote the Italian **Stewardship** Principles for a responsible exercise of the administrative and voting rights of listed companies

2017

Eurizon has strengthened its investment process by adopting investment selection and monitoring methodologies based on ESG and SRI criteria

2002

Eurizon is co-founder of the UNEPFI Asset Management working group

2010

Eurizon is Treasurer and member of the UNEPFI Governing Council UNEPFI

2012

Eurizon is founding member of the Business Economy Environment (BEE) group of GLOBE EU at the European Parliament

2015

Eurizon, co-Chair of the UNEPFI European Task Force, underwrites the *Principles for Responsible Investment* (PRI): the guiding principles of investment sustainability mechanisms, born from the partnership between the UN's Environment Programme (UNEPFI) and the Global Compact.



Stewardship Principles

The Investment Manager:

5 **Establishes** Reports on Adopts a clear May **Exercises** the exercise documented **Monitors its** guidelines consider its voting investee on when and cooperating rights in a of ownership policy available to companies how to with other considered rights and voting the public investors engage with way companies activities



Engagement

Aim: To promote positive change within companies

2-way:

- Companies: to provide a forward-looking view of ESG and financial performance that can reveal risks & opportunities
- Investors: to comunicate expectations, also on behalf of clients

When done well, Engagement brings benefits

3 dynamics – values (PRI):

- Communication value
- Learning value
- Political value



Engagement Activity

ISSUERS

- Companies where Eurizon holds a significant share capital
- Situations of particular interest for the purpose of protecting and supporting the interests of minority shareholders; relevant ESG exposure
- Contribution to the election of members of the Italian board of directors/boards of statutory auditors
- Extraordinary transactions to support or challenge the proposed transaction, in the interests of the managed portfolios

ENGAGEMENT

- Due diligence
- Objectives
- Participants
- ☐ Track progress
- Escalation
- □ Feedback



ESG - Engagement Themes

Environment

- > Air
- > Natural resources
- > Energy
- > Waste
- > Water
- > Soil
- > Biodiversity

Social

- > Human rights
- > Development of human capital
- > Equal opportunities
- > Diversity
- > Health and safety
- > Management of supply chain
- > Relations with the community
- > Philanthropy

Governance

- > Governance structure
- > Board composition
- > Independence
- > Remuneration
- > Compliance
- > Shareholders' rights
- > Risk management
- > Corruption



Field of application of ESG and SRI principles

Applied to all active management funds

ESG AND SRI PRINCIPLES ARE APPLIED TO ALL ACTIVE MANAGEMENT FUNDS
THERE AREA THREE MAIN CATEGORIES OF PRODUCTS

FLEXIBLE AND BENCHMARK-LINKED FUNDS MANAGED ACTIVELY SPECIALISED «ESG» PRODUCTS

USE OF SPECIFIC ESG CRITERIA **ETHICAL PRODUCTS**

LINKED TO A
BENCHMARK
DEFINED USING
ETHICAL CRITERIA



ESG criteria do not apply to the following products:

- > Passive or index-linked products
- > Wrappers (e.g. Funds of funds wealth management, and Unit-Linked funds)
- > Mandates characterised by the presence of specific indications as part of the respective investment policies



Screening Process

The process of selecting issuers takes into account environmental, social and governance factors (ESG), and sustainable and responsible investment (SRI) principles

ACTIVITIES

ISSUER SCREENING PROCESS

- Screening of issuers, aimed at identifying the issuers most exposed to environmental, social, and governance risks, or which do not comply with the sustainable and responsible investment principles
- Publication of the list of issuers with high exposure to ESG risks and of issuers active in sectors considered as not "socially responsible"

CRITICAL ISSUER ESCALATION PROCESS

For the "critical" issuers identified in the 1st phase, the AM company has defined a specific escalation process, differentiated for assets already included in the portfolio (stocks and corporate bonds), and "first-time" investments (new assets)



The main desks/bodies of the ESG and SRI process

BOARD OF DIRECTORS

















Maximizing Engagement

- Enhancing the comunicative value
- Understanding the company context
- Understanding the company issue at hand
- Clear understanding of ground rules
- Communication Responsible Investment specialists Portfolio Managers
- Clear goals of investors
- Escalation strategy
- Evaluating outcomes, progress



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