



ASSOGESTIONI

associazione del risparmio gestito

AUTOREGOLAMENTAZIONE
SELF REGULATION

2016

**PRINCIPI ITALIANI
DI STEWARDSHIP**
per l'esercizio
dei diritti
amministrativi
e di voto nelle
società quotate

**ITALIAN
STEWARDSHIP
PRINCIPLES**
*for the exercise
of administrative
and voting rights
in listed companies*

GUIDING PRINCIPLES

Assogestioni believes that good governance standards are essential to ensure the confidence of capital markets, and that the role played by institutional investors, managers and their respective advisors is crucial in the internal dynamics of Italian listed issuers.

The Association's Board has adopted the following Principles, accompanied by a series of best-practice Recommendations, aimed at companies that provide collective investment management or portfolio management services, in order to promote discussion and cooperation between Investment Management Companies and listed issuers in which they invest.

The adopted Principles are inspired by those contained in the *EFAMA Code for External Governance*¹, approved by the *European Fund and Asset Management Association*, of which Assogestioni is a member.

Each Principle is followed by Recommendations, which indicate the approaches typically required in order to achieve the objectives of the Principles.

Though aimed primarily at portfolio managers, these Principles indirectly reflect on the conduct (i) of the listed issuers, which are called upon to promote dialogue with investors, asset managers and their respective advisors, and (ii) of institutional investors that entrust the management of their assets to third parties, and are requested to share with their managers certain decisions on how to interact with the investee listed issuers.

The Principles are not an obligation to micro-manage of investee issuers' businesses, nor do they preclude the decision to sell an investment, should this be the most effective solution to protect the interests of the Clients/Investors.

Compliance with these Principles is voluntary and based on a 'comply or explain' principle, recognizing flexibility, which makes it possible not to apply some of the Recommendations, partially or entirely, as long as the reasons are appropriately explained.

In the case of primary or secondary regulations incompatible with the application of such Recommendations, no disclosure is required regarding the reasons for complete or partial lack of application.

With a view to improving transparency and demonstrating commitment to high external corporate governance standards, Investment Management Companies publicly declare their intention to adhere to the following Principles, e.g. on their website or in their annual financial statements. The Investment Management Companies that comply with the Principles also commit to annually publish a report containing easily understandable information about the methods used to apply the Principles, also in light of the Recommendations during the reference period.

¹ Available at http://www.beama.be/nl/publicaties/aanbevelingen/110509_EFAMA%20Code%20for%20External%20Governance%20-2.pdf

The Board has not deemed it advisable to set a peremptory time limit within which the recipients of the Principles are required to implement them, as each one is free to decide whether, when and how to comply with them in accordance with the general principles of proportionality and progressiveness in adopting market best practices. However, the initial monitoring on progress in implementing these Principles is expected to be carried out by the end of 2015.

The guiding Principles, Purpose of the Principles, Area of Application and Definitions are all integral parts of the Italian Stewardship Principles.

PURPOSE OF THE PRINCIPLES

The purpose of these Principles is to provide a set of high-level best practices designed to promote discussion and cooperation between Investment Management Companies and listed issuers in which assets are invested, as part of the collective management or portfolio management services they provide.

Compliance with these Principles should encourage interaction between Investment Management Companies and the listed issuers in which they invest, in order to ensure that governance and investment process are closely linked.

The Principles are aimed at improving the quality of communication with investee listed issuers, and encourage Investment Management Companies to create added value for their Clients/Investors by effectively addressing the issues related to corporate performance.

Within this context, Investment Management Companies have a fiduciary obligation to their respective Clients/Investors. This fiduciary obligation includes the duty to follow the investment strategy with long-term performance objectives indicated by the Client/Investor or reflected in the investment policies of collective investment undertakings.

DEFINITIONS

Collective investment undertakings: these are open-ended investment funds and SICAVs.

Investment Management Company: an Italian or foreign company that provides collective investment management and/or portfolio management services. If the Investment Management Company offers services other than the management of collective investment undertakings or portfolios, only the management of collective investment undertakings or portfolios shall be subject to these Principles; the other services provided are not affected. Self-managed SICAVs or similar entities are considered to be Investment Management Companies.

Institutional investors: this term includes several legal entities, such as pension funds, insurance

companies, mutual investment funds and other collective investment vehicles which are not themselves Investment Management Companies. These are generally the Investment Management Company's Clients/Investors.

Client/Investor: any natural or legal person to which an Investment Management Company provides collective or portfolio management services, regardless of the legal form of the investment.

Investee listed issuer: a company whose shares are listed on a regulated market, of which the Investment Management Company holds financial instruments on behalf of managed assets.

AREA OF APPLICATION

The Principles set out below define best practices for Investment Management Companies when the latter choose to trade in the securities of investee listed issuers on Italian markets on behalf of managed assets, as part of collective investment management or portfolio management services.

The Principles apply every time an Investment Management Company intends to interact with investee listed issuers, independent of market capitalisation. It is also possible to implement application of the Principles following a flexible and proportional approach, also based on qualitative or quantitative criteria (by way of example, the size of the equity investment in the issuer in question or the significance of the investment with respect to the total assets of the collective investment undertakings).

The following Principles support and guide Investment Management Companies which hold rights inherent to the financial instruments of the collective investment undertakings and the portfolios managed, in monitoring, engagement and voting actions with investee listed issuers, in relation to:

- the strategy and performance of an investee listed issuer;
- ordinary corporate governance matters, such as establishment, election, successions and remuneration of the Board of Directors;
- approach to corporate social responsibility;
- risk management.

***ITALIAN
STEWARDSHIP
PRINCIPLES
FOR THE EXERCISE
OF ADMINISTRATIVE
AND VOTING RIGHTS
IN LISTED COMPANIES***

PRINCIPLE 1

IMCs should have a documented policy available to the public on whether, and if so how, they exercise their ownership responsibilities.

Recommendations

This policy applies to relationships between Investment Management Companies and investee Italian listed issuers. Investment Management Companies should have a documented policy that illustrates the strategy used to exercise the rights inherent to the financial instruments held with the collective investment undertakings and portfolios managed. The policy will be made available to the public, at least in a summarised form, on the company's website and must specify, *inter alia*:

- how investee listed issuers are monitored, potentially also through active dialogue (see Principle 2);
- how conflicts of interest are managed, possibly referring to organisational measures and procedures to manage conflicts of interest adopted pursuant to article 25 of the Regulation on the organisation and intermediary procedures providing investment services or collective investment management services and in compliance with the Protocol of Autonomy on management of conflicts of interest;
- how issues relative to insider information are handled;
- the approach taken with securities lending transactions and the return of loaned securities;
- the intervention strategy (see Principle 3);
- the approach to collective engagement (see Principle 4), where applicable;
- the strategy adopted on the exercise of voting rights also by mandate or through voting consulting services, including information on how such rights are exercised (see Principle 5).

If the institutional investors include issues relative to external governance in the mandate given to an Investment Management Company and have an agreement with the Investment Management Company regarding the relative approach, the Investment Management Company undertakes to guarantee compliance with the terms of the mandate, according to that agreed upon, also in the light of these Principles.

PRINCIPLE 2

IMCs should monitor their investee companies.

Recommendations

The Investment Management Companies should monitor investee listed issuers allowing them to be proactive in identifying problems in advance and to minimise potential losses. Investment Management Companies should identify the methods used to monitor financial data and issues of corporate governance of investee listed issuers, in order to better protect the interests of the collective investment undertakings and portfolios managed.

Investee listed issuers should be monitored, also to determine when it is necessary to create an active dialogue with the respective administrative and/or auditing bodies. Such monitoring should occur on a regular basis and it is the responsibility of the Investment Management Company to also verify, as far as possible, the efficacy of the investee issuers' governance systems.

The presence of an adequate number of independent members, including minority members, within the corporate bodies of investee listed issuers can serve as a method of monitoring, in case that the Investment Management Company foresees intervention procedures, in accordance with what established in Principle 3.

In the context of monitoring activities, the Investment Management Company requests the investee listed issuers and their consultants to ensure that any information that could compromise the ability to trade the shares of such issuers is not communicated without prior consent.

PRINCIPLE 3

IMCs should establish clear guidelines on when and how they will intervene with investee companies to protect and enhance value.

Recommendations

Regular interaction with investee listed issuers can help to protect and guarantee value in the long term.

Investment Management Companies should establish the circumstances that, taking into account the reasons for the investment, require an active intervention and periodically evaluate the results of such approach. On the basis of such circumstances, Investment Management Companies should, above all, determine whether and how to communicate any issue or problem arising from monitoring of the issuer with the competent members, including minority members, of the administrative and control bodies or with persons instructed by them.

An intervention may be found to be necessary regardless of the investment style and in order to protect the best interests of the collective investment undertakings or portfolios managed.

Investment Management Companies may want to intervene, for example, when they have significant worries regarding the strategy and performance of investee listed issuers, or in regards to their governance or approach to environmental and social issues. Nonetheless, divestment from an investee issuer may also be an appropriate measure to protect the interest of the investors.

By way of example, initial discussions could include, when necessary, the following aspects:

- organising meetings with the management and the investor relations structures of the investee listed issuer in order to specifically discuss the problems in question;
- making the worries explicit through the issuer's consultants;
- meeting with the competent members of the administrative and/or auditing bodies (the chairperson of the administrative body, the executive directors, the lead independent director, the chairperson of the auditing body, the chairperson of an internal committee or other independent directors, including minority members, also taking into account the allocation of functions within the corporate bodies).

The presentation of candidates for election as independent minority members of the corporate bodies of investee listed issuers, also through the Investment Managers' Committee, represents a continuous and constructive method of engaging with investee issuers.

Discussions with competent members, including minority members, of the corporate bodies of investee listed issuers, may be a valid form of intervention and active communication, provided that it is carried out within an organised and collective procedure that:

- ensures the compliance with the general principle of absence of mandate limits with the shareholders who submitted or voted the candidacy;
- expressly requires the commitment of the aforementioned members of the corporate bodies not to disclose sensitive or confidential information when in those occasions;
- foresees a prompt informative notice to the corporate bodies of the issuer about the content and the methods of the meetings.

If the corporate bodies do not react in a constructive manner, the Investment Management Companies must decide whether to continue, considering the possibility of also involving other institutional investors (pursuant to Principle 4), for example:

- taking action, also jointly, in regards to specific issues;
- releasing a public declaration before or during the annual General Meeting or an extraordinary Shareholders' Meeting;
- presenting possible resolutions at Shareholders' Meetings;
- requesting a call of a General Meeting or the integration of the agenda of an already called General Meeting to propose shareholders possible specific initiatives, such as, for example, those aimed at introducing changes to the corporate bodies.

In the context of engagement activities, the Investment Management Company requests investee listed issuers and their consultants to ensure that any information that could compromise the ability to trade the shares of such issuers is not communicated without prior consent.

PRINCIPLE 4

IMCs should consider cooperating with other investors, where appropriate, having due regard to applicable rules on acting in concert.

Recommendations

At times, cooperation with other investors may be the most effective method of engagement. It may be appropriate to carry out collective engagement, for example in the case of significant corporate events or issues of public interest (such as serious economic or sectoral crises), or when the risks discovered could compromise the ability of the investee listed issuer to continue its activity, paying particular attention to regulations regarding acting in concert.

Investment Management Companies may decide to carry out monitoring, intervention and engagement

action collectively, also through participation in the activities of Assogestioni's Corporate Governance Committee and the Investment Managers' Committee. If involved in collective monitoring, intervention or engagement, Investment Management Companies should take market regulations into account, as well as their own policies regarding management of conflicts of interest and privileged information.

PRINCIPLE 5

IMCs should exercise their voting rights in a considered way.

Recommendations

Investment Management Companies must have an effective and adequate strategy for exercising the participation and voting rights inherent to the financial instruments held with the collective investment undertakings managed, in order to ensure that these rights are exercised solely in the interest of the collective investment undertakings' investors. This strategy must establish procedures and measures to:

- monitor pertinent corporate actions;
- ensure that the exercise of voting rights complies with the objectives and investment policies of the collective investment undertakings in question;
- prevent or manage any conflicts of interest deriving from the exercise of voting rights.

If Investment Management Companies decide to exercise voting rights in an investee listed issuer, they should, if possible, vote in a uniform manner for all the shares held. In any case, they should not automatically vote in favour of resolutions proposed by the Board of Directors or management. Instead, they should abstain (if allowed by the relevant market) or vote against resolutions they deem that are not in the best interest of their Clients/Investors.

Before voting against management proposed resolutions that could have a significant effect on the investee listed issuer, Investment Management Companies should - if appropriate and if not prohibited under the law or a contract relative to the portfolios managed - consider the possibility of engaging with such issuer, pursuant to Principle 3 and in the best interest of the investors.

PRINCIPLE 6

IMCs should report on their exercise of ownership rights and voting activities and have a policy on external governance disclosure.

Recommendations

Upon a request by their respective Clients/Investors, Investment Management Companies must provide the strategy used for exercising the rights inherent to the financial instruments held with the collective investment undertakings and portfolios managed and provide the details regarding the methods used to fulfill their own responsibilities. These documents should include both qualitative and quantitative information. The investors and Investment Management Companies should come to an agreement with

institutional investors on what specific information is provided (including the detailed model presenting the votes exercised).

Transparency is an essential element in effective external governance. In any case, Investment Management Companies should not divulge any information that could potentially be counter-productive. Indeed, in certain specific situations, confidentiality could be crucial in achieving a positive result.



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