Active Ownership Policy

Version	Approval date	Effective Date
003	26/06/2025	01/07/2025

Contents

VERSIONING			
Version	**Date of approval**	**Summary description of amendments**	**Repealed/Replaced regulation**
001	18/12/2023	Definition of principles and guidelines of the Bank's Active Ownership Policy	-
002	23/07/2024	Restriction of the scope of the policy to the specific activities of BG Fund Management Luxembourg S.A.	-
003	26/06/2025	Adding Art.6 Sub-funds within the scope of the policy, with the aim to further develop the active ownership activities performed by the Banca Generali Group	-

Owner
Head of Marketing and Product Management Department

GLOSSARY	
Banca Generali or Parent Company	Banca Generali S.p.A.
Active Ownership	A set of responsible investment strategies aimed at actively managing the assets held in portfolio (issuers, funds and their managers) in pursuit of a significant improvement in their sustainability performance with regard to specific topics material to the Group and the sector. It takes the form of engagement (i.e., direct dialogue with issuers) and exercise of voting rights and participation in Shareholders' meetings (so-called voting)
Direct Assets	Investments in equities and bonds issued by the companies benefiting from the investment
Indirect Assets	Investments held indirectly in the companies benefiting from the investment through subscription of fund units, including, by way of example, UCITS, ETFs
Engagement	Discussion and dialogue activities (such as, by way of example, meetings, communications, e-mails, etc.) regarding material ESG topics, aimed at establishing a medium/long-term relationship with investee companies (issuers), delegated fund managers and institutions in order to improve the ESG practices of investee companies
Engagement List	The list of issuers to be engaged, as defined by the Committee
ESG Factors	Environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters, as defined by the EU SFDR Regulation
Banca Generali Group or Banking Group	The group made up of the companies associated with each other by virtue of the control exercised by Banca Generali
Group's UCITS	UCITS created and/or managed by companies authorised to manage investment funds belonging to the Group (i.e., BGFML)

Voting Principles	The voting principles that BGFML is required to comply with at the Shareholders' meetings of the companies in which they invest, in accordance with the procedures set forth in this Policy and appended to it as Annex 1
Proxy Advisor	Company in charge of overseeing the activities relating to the exercise of voting rights by coordinating: I) the monitoring of the corporate governance topics of the investee issuers; II) the preparatory activities for participation in General Shareholders' Meetings with regard to the exercise of voting rights
Rating Provider	Company specialised in the ESG analysis of the portfolios included in the scope of application of this Policy and in the definition of an ESG Rating, both for the portfolio and the underlying assets
SFDR Regulation	Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (hereinafter also SFDR)
Service Provider	Company in charge of overseeing engagement activities by coordinating: I) the monitoring of the corporate governance topics of the investee issuers; II) the management of interaction with investee issuers regarding significant strategic aspects
UCITS	Acronym for Undertakings for the Collective Investment in Transferable Securities, i.e., investment funds regulated at European Union level

1. INTRODUCTION

1.1. SUBJECT MATTER AND OBJECTIVES OF THIS POLICY

BG FUND MANAGEMENT S.A. ("BGFML" or "the Company") has undertaken to engage with its stakeholders to effectively manage the sustainability topics of the companies it invests in as part of collective asset management services.

This Active Ownership Policy (hereinafter "Policy") has been adopted to further develop the commitment of BGFML towards sustainable and responsible investment and to strengthen its investment decision approach, in line with:

- The vision of the Banca Generali Group;
- the commitments undertaken by Generali Group ("the Group") by signing the UN Principles for Responsible Investment, which place Active Ownership (also known as "stewardship") among the main responsible investment strategies;
- the fulfilment of the obligations and implementation of the leading practices introduced by the SFDR (Sustainable Finance Disclosure Regulation), particularly with regard to the pursuing of sustainable investment objectives and monitoring of the principal adverse impacts of investments,

in the belief that the application of tangible and sound stewardship principles (e.g., anticipating and preventing sustainability risks, generating a true and tangible impact, etc.) results in multiple benefits.

The Policy defines:

- the roles and responsibilities of the corporate functions involved;
- the voting policy;
- the procedures for exercising voting rights and/or engagement procedures;
- the scope of application;
- the procedures for managing any situation that might lead to a case of conflict of interest;
- the transparency commitments and methods for disclosing Active Ownership results.

1.2. DOCUMENT MANAGEMENT

This Policy is approved by Board of Directors of BGFML.

Any amendments to this Policy that are necessary and/or appropriate, classified as "of lesser importance" according to the Guidance Policy on the Preparation and Updating of Corporate Policies and Regulations, are approved by the Conducting Officers of BGFML on the proposal of the Compliance Function (hereinafter the *Owner*).

The amendments of greater importance are approved by the Board of Directors on the proposal of the Owner, in coordination with the Product and Service Committee – Active Ownership Session.

The Owner is responsible for verifying, at least every two years from the date of issue/last revision, the possible need for updating this Policy, taking into account its compliance with the relevant regulatory framework, the strategy of the Company and the entire Banking Group and the operational and organisational context in which BGFML operates.

1.3. REGULATORY FRAMEWORK

This Policy has been prepared on the basis of the principles introduced by the following laws, frameworks and recommendations.

External regulations

- Regulation (EU) No. 2019/2088 (so-called SFDR) on sustainability-related disclosures in the financial services sector;
- Directive 2009/65/EU (UCITS) of the European Parliament and of the Council of 13 July 2009 and further implementing measures contained in secondary Regulations and Directives;
- Directive 2017/828 (so-called Shareholders Rights II) of the European Parliament and of the Council amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement;
- Principles for Responsible Investment promoted by the United Nations, of which the Group is a signatory since December 2022.

Internal regulations

- Sustainable Investment Policy;

Furthermore, this Policy has been drawn up in compliance with the Active Ownership Group Guideline of the Generali Group and with the Sustainability Policy of Banca Generali Group.

2. ROLES AND RESPONSIBILITIES

In order to properly apply the Active Ownership strategy, the roles and responsibilities of all the corporate personnel and structures entrusted with ensuring the implementation and monitoring of the activities defined in this Policy are given here below.

Marketing and Product Management Department

- provides support to the responsible Conducting Officer(s) in the Funds' sustainable investing related tasks;
- responsible for the implementation of the Active Ownership Policy: (i) voting activities on the Glass Lewis platform in conjunction with the Service Provider and the Proxy Advisor; (ii) engagement activities in conjunction with the service provider.

Compliance Function

- Monitoring the suitability of the organisational processes, checking compliance with the legislation in force
- Ensure that the integration of sustainability risks assessment and monitoring has been extended to all applicable Policies/Procedures, to strengthen governance against SFDR;

Product and Service Committee – Active Ownership Session

- it is an inter-company committee that meets with half-yearly frequency and is attended by the relevant managers of the Company and of the Parent Company involved in the services governed by this Policy;
- it periodically examines the documentation regarding the proper implementation of this Policy, and provides any related assessments;
- it assesses, in accordance with the provisions of paragraph 4, the list of material topics for the purposes of engagement, establishing their priority, and conducts a periodic revision of those topics with at least annual frequency;
- on the proposal of the Banking Group Sustainability Service, it examines the Engagement List and the methods of engagement, providing its assessments;
- on the proposal of the Banking Group Sustainability Service, it provides its opinion of institutional engagement initiatives involving managers;
- it provides its opinions regarding parties involved in Active Ownership identified by the Banking Group Sustainability Service, such as the Service Provider, the Proxy Advisor, the Rating Provider and other advisors who may become necessary for the purposes of implementing this Policy.

3. SCOPE AND METHODS OF APPLICATION OF THE ACTIVE OWNERSHIP STRATEGY

This Policy applies to Direct Assets and Indirect Assets included among the assets managed within the framework of the provision of collective asset management for products pursuant to Articles 6-8-9 of the SFDR.

With regard to Direct Assets:

a. for issuers of **equities** within UCITS managed by the Company, the Policy calls for both engagement activity (see paragraph 5) and the exercise of voting rights (see paragraph 6);

b. for issuers of **bonds**, only engagement activity is to be implemented.

With regard to Indirect Assets, for **investments in UCITS and ETFs**, only institutional engagement (see paragraph 5.2) with the respective managers is to be implemented.

4. DEFINITION AND UPDATING OF MATERIAL TOPICS

The Active Ownership strategy is implemented based on an analysis of issuers' sustainability performance. This analysis offers a guideline for the engagement activities and the exercise of voting rights, while also mitigating risks related to ESG Factors.

The criteria underlying the definition of the Engagement List will be periodically evaluated and defined, in conjunction with the relevant stakeholders of the Parent Company.

The analysis and evaluation of ESG Factors leads to the identification by the Product and Service Committee of the so-called "material topics" for each issuer or manager, such as, for example, strategy, risks, social and environmental impact and corporate governance, in line with:

- materiality matrix that, in identifying ESG material topics, takes into consideration, *inter alia*, the topics identified by the Generali Group;
- the European and international regulatory frameworks, such as the consideration of the principal adverse impacts (PAIs) of investment decisions on sustainability factors in accordance with Regulation (EU) No. 1288/2022.

These material topics must be taken into account both in the case of engagement and of the exercise of voting rights by BGFML.

5. ENGAGEMENT STRATEGIES AND METHODS

The types of engagement are:

- "***standard engagement***", aimed at raising the awareness of the issuer and/or manager on a specific topic or gathering further information through normal interactions (e.g., private letter, meeting or conference call request) during the investment process, the financial/non-financial analysis process or the voting process;
- "***impact engagement***", aimed at influencing the conduct of the issuer and/or the manager through direct interactions with executives or Board members of the issuer or manager on specific material topics, such as, for instance, the strategy, risks, social and environmental impact and corporate governance.

Engagement activities may be carried out **individually** towards issuers/managers or **collectively**, by collaborating with other institutional investors or trade associations, to maximise the impact of the engagement activities.

The Company may also enter, in coordination with the Parent Company, into **direct or indirect dialogue with supervisory authorities** or other political institutions to contribute to specific regulatory developments, for example by participating in endorsement letters, responding to political consultations and providing technical contributions by taking part in working groups supported by specific supervisory authorities.

Engagement activities will be coordinated with the Sustainability Service of the Parent Company.

5.1. ENGAGEMENT WITH CORPORATE ISSUERS

BGFML carries out engagement activities involving **corporate issuers of equities and bonds** that are Direct Assets according to the following methods:

i) Definition of an Engagement List

BGFML, in consultation with the relevant departments of the Parent Company, proposes a list of issuers on which to focus the engagement activity, in consideration of the following elements:

- companies with ESG controversies;
- companies that are considered to be less aligned with the material topics.

With half-yearly frequency, the Product and Service Committee of the Parent Company provides its opinion on the list of issuers on which engagement activities will be performed, in addition to defining the types of engagement for each issuer.

ii) Execution and Monitoring

Engagement activities are coordinated and supported by the Banking Group Sustainability Service and are described in a half-yearly report. The report shall contain a detailed account of the activities in progress/concluded and any issues that could influence and/or extend interactions with issuers or managers, that require escalation measures.

5.2. INSTITUTIONAL ENGAGEMENT

BGFML also carries out institutional standard and impact engagement activities, as defined in paragraph 5 above, at the level of:

a) managers of the UCITS underlying collective asset management instruments under own management;
b) managers of collective asset management instruments with management delegated to third parties.

With half-yearly frequency, institutional engagement activities are submitted for approval to the Product and Service Committee by the Banking Group Sustainability Service, which will coordinate and support the Company in the performance of such activities, in addition to preparing the half-yearly monitoring report.

6. EXERCISE OF VOTING RIGHTS

BGFML exercises voting rights in shareholders' meetings with regard to the shares of issuers included in directly managed UCITS.

In particular, in the exercise of voting rights, BGFML:

- will exercise voting rights whenever reasonably possible, regardless of the size of the holdings, but with possible exclusion of shareholders' meetings in which the exercise of administratively, operationally or economically burdensome
- will adopt the Voting Principles, which are an integral part of this Policy (**Annex 1**);
- will undertake to analyse draft resolutions in order to cast an informed vote aligned with their strategy. In this regard, they do not rely solely on the voting recommendations of Proxy Advisors in making voting decisions, but they may also avail of their services and research;
- in case of securities under lending agreements with third parties, they will adopt a case-by-case approach to evaluate if shares should be recalled to vote, taking into account the existence of any significant impact justifying the opportunity to recall the shares, and the cost of the foregone lending income.

7. MONITORING

The monitoring phase is essential to protecting and increasing the value of investments, while ensuring that the investee companies operate in a responsible, sustainable manner in line with shareholders' interests, pursued through the Active Ownership strategy.

To this end, the monitoring strategy calls both for supervision and reporting on the performance of engagement activities and the exercise of voting rights and for the possible definition of thresholds that give rise to the adoption of more incisive Active Ownership practices, where necessary ("escalation strategies").

The criteria underlying the definition of thresholds will be periodically assessed and defined by BGFML, in coordination with the relevant departments of the Parent Company.

7.1. GOVERNANCE, METHODS AND TIMING OF THE MONITORING ACTIVITY

Different monitoring methods are used on the basis of the person responsible for carrying out the engagement activities and exercise of voting rights.

Monitoring activity is carried out through a constant, active supervision process, based, for example, on the sharing of periodic reports and the assessment of specific pre-set metrics, in order to verify whether the ESG performance has improved or worsened following the Active Ownership activities carried out. Monitoring activity may also refer to reporting material shared by any service providers and/or proxy advisors involved with regard to the activities performed.

The monitoring process aims not only to assess the impact of the engagement activities and voting decisions, but also to identify areas or topics that might not have been adequately handled or taken into consideration, while ensuring an increasingly effective approach consistent with the established objectives.

7.2. ESCALATION STRATEGIES

Monitoring plays a fundamental role in the process of identifying the most critical situations that Active Ownership activities are unable to remedy.

Where engagement activities do not yield the expected results, BGFML reserves the right to adopt escalation strategies, which may be followed by exclusion of the specific issuer or manager in question.

8. DISCLOSURE TO STAKEHOLDERS

BGFML undertakes to prepare the reports on Active Ownership strategies carried out during the year and to make them available to the public and stakeholders. In particular, in accordance with applicable legislation, the reports offer a general description of voting behaviour, an explanation of the most significant votes, any use of proxy advisory services and engagement advisory services.

9. CONFLICTS OF INTEREST

Conflicts of interest may occur in Active Ownership activities, arising, for instance, from relations with companies of the Group to which BGFML belongs.

With reference to the management of conflicts of interest, and as envisaged by the Policy on Conflicts of Interest, BGFML has included among the general measures for managing potential conflicts of interest the adoption of information barriers and of measures to prevent or limit undue influence.

In this context, BGFML carries out Active Ownership activities in an objective, independent manner, under its own sole responsibility, in the interest of its customers. It has also provided for the adoption of specific management measures with regard to potential conflicts of interest arising from Active Ownership activities.

The possible cases of conflicts of interest are identified from time to time in the Policy on Conflicts of Interest, which also lay down the related management measures. In this regard, BGFML refrains from carrying out engagement activities and/or exercising voting rights in connection with financial instruments issued by companies in conflict of interest (e.g., due to Group relationships or significant business dealings).

By way of derogation from the above, where engagement activities are to be carried out and/or voting rights are to be exercised in relation to companies in conflict of interest, the decision must be justified and the activity always carried out in the best interest of the assets managed and of customers.

10. ANNEXES

1) Voting Principles

ANNEX 1 - VOTING PRINCIPLES

1 VOTING PRINCIPLES

In implementing the voting strategy described in point 6, BGFML takes account of the principles illustrated in detail in this Annex with regard to the following areas:

- shareholder rights;
- corporate boards;
- remuneration;
- transparency and quality of financial and non-financial information;
- environmental risks and factors;
- social risks and factors;
- market-wide and systemic risks;
- special measures for small-sized and unlisted companies;
- related party transactions;
- consistency with engagement activities;
- other factors.

1.1 Shareholder rights

1.1.1 Preliminary information for informed voting

The BGFML expects that investee companies provide adequate and timely disclosure on the resolutions submitted to shareholders' vote to allow shareholders to have access to exhaustive preliminary information before the general meetings and in due time for allowing the exercise of an informed vote.

In general, BGFML expects investee companies to publicly disclose all relevant information and documents necessary to proxy research activities, ensuring to publish the documentation in English alongside the relevant local language, especially in the presence of international shareholders.

1.1.2 Equitable treatment of shareholders

BGFML supports the "one share, one vote" principle so as to strengthen the link between economic interest and voting power. Moreover, BGFML does not support any practice that undermines such principle, as it is considered an effective instrument to grant an equitable treatment of minority and majority shareholders.

In case of deviation from this principle, investee companies are required to disclose the relevant supporting rationale to the market. In case of insufficient disclosure, or where the BGFML's expectations are divergent, BGFML will support resolutions restoring the effectiveness of the "one share, one vote" principle.

1.1.3 Virtual meetings

BGFML is in favour of hybrid (both virtual and in-person) and virtual-only general meetings at the condition that the following is guaranteed:

- high transparency standards;
- accountability of the board of directors;
- active participation of shareholders, also ensured by tackling of situations of inadequate technological equipment;
- full exercise of shareholder rights (e.g., through real-time webcasting, flexibility on options to present proposals, outright responsiveness to shareholders' questions).

In addition, in its assessment of the investee companies and the related proposals, BGFML will take into account all relevant factors that could limit shareholders' rights (e.g., limited connection availability to shareholders or any technical difficulties in ensuring identification of each shareholder), and the appropriate mitigation measures taken, where necessary.

1.1.4 Shareholder proposals

BGFML recognises that shareholder proposals are an effective instrument for asking the investee company to integrate policies, ensure greater transparency and a more effective disclosure of material aspects relevant to the business. When exercising its voting rights, BGFML will evaluate, on a case-by-case basis, several relevant factors, including: *(i)* the existence of a clear link between the proposal and the company's short- and long-term value increase/risk mitigation; *(ii)* the investee company's responsiveness to the proposed items; and *(iii)* the actions taken by the relevant peers.

Material aspects of an investee company's business may include financial, as well as non-financial aspects, such as sustainability factors, political contributions and promotion of lobbying.

1.1.5 Anti-takeover mechanisms

BGFML believes that anti-takeover mechanisms are, in principle, detrimental to the interests of shareholders, as they may limit management's accountability towards shareholders and jeopardize the long-term value of a company. Consequently, in principle, BGFML should vote against resolutions for the introduction of anti-takeover mechanisms that lack a specific scope and/or rationale. However, BGFML will evaluate whether to consider the introduction of an anti-takeover mechanism taking into account the following factors: *(i)* the existing circumstances; *(ii)* the past performance of the investee company; *(iii)* the acquirer's objectives; and *(iv)* the long-term interest of the investee company's stakeholders.

1.2 Boards of directors

1.2.1 Corporate governance model

BGFML is aware of the existence of different corporate governance models provided for by local regulations and by articles of association. BGFML does not favour any particular structure, provided that the corporate governance model ensures an adequate, balanced governance of the investee company and accountability of directors towards stakeholders.

1.2.2 Segregation of duties

BGFML is in favour of the separation of the roles of the chairman of the board of directors and the chief executive officer as this solution ensures the accountability of the board of directors, as well as a greater independence. In case of "CEO duality" proposals at general shareholders' meeting, BGFML will evaluate the market best practices (whether they allow for both roles to be held by the same individual — e.g., Japan) and the adoption by the investee company of appropriate mitigation measures (e.g., election of an independent director as senior/lead or as vice-chair). In line with the approach of maintaining an adequate balance of power within the board of directors, BGFML shall vote against resolutions proposing the nomination of a former CEO as Chairman of the board of directors, unless: *(i)* compelling reasons exist (e.g., the need to ensure continuity and the temporary nature of the appointment) or *(ii)* at least one full board term has elapsed between the end of the last term as CEO and the appointment as chairman and, in both cases, *(iii)* the company has adopted (or is to adopt) sufficient measures to preserve the board's accountability. In both cases, the board of directors of the investee company should inform the shareholders, appropriately and sufficiently in advance, of the reasons underlying such decision.

1.2.3 Director's independence

BGFML believes that an adequate representation of independent directors within the board of directors is necessary to reinforce board accountability and to preserve an adequate balance of powers. Although the optimal level of independence depends on several circumstances (e.g., company performance, any controversial behaviour, local best practices, shareholding structure, etc.), BGFML is generally in favour of a majority of directors to be independent within listed companies on regulated markets.

In companies subject to the control of other entities, or where best practices are divergent, a lower threshold may be accepted, provided that at least one-third of the directors is independent and/or that, in any case, most members of the control body are independent.

A director is considered independent if s/he has no relationship with the company, its group or its management that could compromise his/her freedom of judgement. In assessing the independence of each director, BGFML will evaluate all existing circumstances and information disclosed by the investee company. In particular, in principle, a director is not considered independent if s/he is:

- a former or current manager or employee of the company or the group to which the company belongs (in such cases, a cool-off period of five years is acceptable);
- a relative of the company managers and/or officers (a member of a body with strategic supervision or control functions);
- a relevant shareholder, or representative of or a relative to a relevant shareholder owning 3% or more of the voting rights (provided however that the materiality of the shareholding is evaluated considering the shareholding structure of the company and the local best practices);
- a customer, supplier or service provider that is relevant for the company and/or for its group, or whose business is relevantly connected with the company;
- an individual holding a political office connected with the company and/or its group and/or its business;
- the manager of a group subsidiary who is paid (or has been paid in the last five years) for this service;
- an individual serving as a corporate officer or manager within a company held by one of the managers of the investee company;
- an individual who served as a senior manager of a major financial institution within the last three years, where such financial institution has or has had, in the period in question, a material financial or commercial relationship with the company or the group of which it is part;
- a manager whose term or presence within the company or group exceeds the shorter between 10 years and the period recommended by local laws, regulations or corporate governance codes, where present.

BGFML shall vote for/against those resolutions that provide for establishing a majority/minority of independent directors. It also recommends that independent directors are sufficiently numerous as to ensure the establishment and proper functioning of board committees.

1.2.4 Employee representatives

With reference to the investee companies based in jurisdictions providing for employee representation within the bodies with strategic supervision, BGFML may vote for resolutions proposing the appointment of employee representatives. Generally, board members without voting rights are not taken into account when assessing board size and independence; therefore, conventional director election policies and rules do not apply. Where employee representatives hold voting rights in the meetings of the board of directors, they cannot be considered independent and BGFML shall not take them into account when evaluating the board's level of independence.

1.2.5 Professional skills of board candidates

BGFML shall vote on directors' election with the purpose of providing the company with a board of directors composed of members able to ensure an adequate balance of skills, experience, and independence. Professional skills of board candidates shall be adequate to the peculiarities of the activities carried out by the investee company, taking into account the opinion, if any, given by the board of directors and/or the nomination committee and the results (where available) of the board's self-assessment. BGFML positively evaluates the inclusion in boards of directors of at least one member with ESG, ethics or sustainability experience. Past performance of the proposed candidate (or in the case of list-based elections, of the candidates included in each list) will also be evaluated, taking into account the information publicly available and that disclosed by the relevant proponent. BGFML will refrain from supporting candidates in case of insufficient information on their regard (e.g., due to lack of or late disclosure of the resume, and/or of the additional information needed to assess the adequacy in terms of skills, independence, etc. of the candidate in question).

1.2.6 Voting procedures

BGFML is aware of the different voting procedures provided for by the diverse local regulations and articles of association. It does not favour any particular procedure, provided that the voting mechanism ensures to shareholders the following elements: *(i)* the possibility to vote on individual directors or on two or more lists of directors to choose from; *(ii)* an adequate representation of shareholders; and *(iii)* a balanced composition of the board of directors. As regard resolutions on the introduction of a staggered board, BGFML will evaluate whether to support the resolution, considering the rationale given by the investee company, the composition of the board and the general corporate governance structure, with a view to avoiding possible misuse of the staggered board mechanism.

1.2.7 Duration

Directors should be appointed on a regular time basis, with a preference for terms that, in principle, do not exceed three years. However, BGFML takes into account market best practices allowing for longer mandates, or holding more frequent elections.

1.2.8 Directors with multiple appointments

Board members should have sufficient time to perform their functions and responsibilities to protect shareholders' interests. In particular, executive directors should ensure sufficient time commitment to deal with unexpected circumstances such as (without limitation) acquisitions, mergers, or crisis situations.

As a general principle, a director is deemed to have insufficient time when s/he fails to attend at least 75% of the scheduled board/committee meetings, without adequate justification. However, a high number of external appointments can limit the ability of the director to effectively perform his/her duty. As a consequence, BGFML will rigorously assess the candidate's time commitment evaluating whether the number of external appointments held by him/her exceeds the limits provided for by the applicable laws or regulations (including corporate governance codes).

1.2.9 Board members

Boards of directors should be adequately sized to ensure a balance of expertise and diversity, without in any case compromising efficiency in the performance of the relevant activities. BGFML will evaluate the size of the board of directors taking into account the recommendations of the board of directors and/or the nomination committee, also considering the rationale provided by the investee company for any deviation from the practices in place in the country and/or the its sector of operation. In general, BGFML considers a board of directors appropriately sized when it is composed of, excluding possible non-voting members, at least seven and no more than fifteen members (or, in case of a financial investee company with a one-tier corporate governance model, 18 members), as having too many directors may dilute their accountability.

1.2.10 Board committees

Board committees of investee companies should be chaired by an independent Chair and composed mostly of independent and non-executive directors. Without prejudice to the applicable provisions of local laws and/or regulations (including corporate governance codes) or local best practices, the boards of directors of investee companies should at least establish committees responsible for: *(i)* appointments; *(ii)* control measures and risks or similar; and *(iii)* remuneration. BGFML positively evaluates the creation of a specialised committee overseeing the management of material sustainability factors and risks. The duties and composition of the board committees must be fully disclosed.

1.3 Remuneration

1.3.1 General principles

Investee companies should adopt a remuneration policy for directors and managers with Strategic Responsibilities consistent with industry best practices, taking into account the companies' performance and the directors' effective contribution in support of the companies' long-term value creation. In particular, an adequate remuneration structure should align the interest of the management with those of shareholders into a sustainable long-term company's growth. Moreover, as investee companies' operations have an impact on a wide range of stakeholders, BGFML will positively evaluate inclusion in the remuneration policies of information on how those policies are consistent with the integration of sustainability risks. Remuneration policies that include non-financial performance criteria, including targets related to effective management of material sustainability factors and risks, will also be positively evaluated.

1.3.2 Say-on-Pay frequency

BGFML expects investee companies to submit to shareholders' vote: (i) their remuneration policy at least on a three-year basis, and/or (ii) their remuneration report on an annual basis, depending on local regulations and requirements.

Any change to the remuneration policy principles and/or processes should be subject to shareholders' approval at the earliest general meeting. Following the remuneration policy approval by shareholders, any subsequent extraordinary change to a performance target and/or criterion should be in principle avoided and subject to shareholders' vote at the following general meeting.

1.3.3 Remuneration requirements

The remuneration structure should include a fixed component in line with the market and, for executive directors, a variable component adequately sized to align the interests of the management with those of the company, so as to discourage a harmful risk-taking approach. To this scope, variable remuneration should be balanced to promote long-term performance and it should be capped to a reasonable maximum percentage of fixed remuneration or a maximum predefined amount (taking into account industry and local market practices, the skills of the beneficiaries and the rationale provided by the company).

In any case, variable remuneration should not be paid in case of poor results, also considering the performance of the company's competitors. In particular, variable remuneration should be based on observable multiple and diversified performance criteria, to avoid subsequent adjustments and/or changes made without shareholders' consent. Such criteria should be, in principle, both qualitative and quantitative, taking into account the results of the company and those of its competitors. The inclusion of a deferral period for a portion of the variable remuneration bonus will be positively evaluated.

The vesting scale, where applicable, should be clearly disclosed, showing the threshold, the target and the maximum remuneration based on the level of achievement of the relevant performance indicators. Targets should be carefully assessed to ensure they are challenging, yet reachable. Performance indicators should take into account results under the full control of the beneficiaries, in order to avoid rewarding performances that has not been achieved autonomously.
In general, extraordinary remuneration should be avoided and granted only in case of exceptional circumstances, linked to measurable, particularly positive results and/or extraordinary transactions, reasonably sized and conditional on the company's future performance evolution.
Clawback and malus provisions, allowing the recovery of undue payments, should be provided for.
Share ownership is supported where it is a local market practice and, for non-executive directors, to the extent that such shareholdings do not undermine their independence requirements.

1.3.4 Disclosure

The remuneration policy and compensations paid should be sufficiently transparent, complete, and promptly disclosed.

In particular, BGFML expects companies to provide details on the remuneration paid to directors and management, specifying, especially with reference to executive directors, the different components of said remuneration and how the company links remuneration with the company's long-term performance (by way of example and without limitation, performance criteria, vesting period, existence of holding requirements, pay ratio and maximum level of remuneration).

BGFML expects companies to disclose the competitors taken into account for defining directors' remuneration, in order to evaluate it appropriateness: peer groups should not be too wide, nor too strict and they should include comparable companies, in terms of capitalisation, business and geographical distribution. However, benchmarks represent a starting point, as remuneration should be based on the actual duties and powers of the beneficiaries.

In the absence of an explanation provided by the company and justifying the need for a remuneration adjustment (e.g., heightened responsibilities, rises in line with the general increase of employee salaries, or inflation-related adjustments), BGFML shall vote against resolutions for increasing directors' remuneration based solely on benchmark considerations.

1.3.5 Short-term variable incentive

Short-term bonuses should reward performances registered at least on an annual basis. Given the close link with the investee company, performance criteria should be tailored to the company’s targets and periodically revised to take into account the business development. In terms of target pay-mix, the short-term incentive component should not exceed the long-term component.

1.3.6 Long-term variable incentive

Long-term incentives should be based on performance objectives assessed over a minimum three-year period, with a possible additional holding period. The long-term component should represent the main portion of variable remuneration and should be aligned with the company’s long-term strategy. Therefore, the inclusion of performance criteria consistent with the company’s long-term business plan is positively evaluated.

1.3.7 Share ownership plan

BGFML believes that remuneration committees are in the best position to evaluate the appropriateness of a remuneration structure in terms of pay-mix, aggregate level of remuneration and the nature of incentives. However, where short-term and/or long-term incentives include granting of shares, BGFML shall positively evaluate the investee companies that (i) disclose to the public the aggregate amount of deliverable stocks and the percentage reserved to top managers; (ii) limit discount at a reasonable level; (iii) avoid re-pricing and retesting clauses; and (iv) limit dilution at a sustainable level, not exceeding 10% of the issued share capital in 10 years for managers (in aggregate terms, considering all outstanding incentive plans).

1.3.8 Termination indemnities

Moreover, BGFML is expected to vote against resolutions that provide for termination indemnities that are deemed excessive compared to local market best practices. In principle, such indemnities should not exceed two years of remuneration, in addition to due payments linked to the notice period or other indemnities potentially provided for under local applicable laws or by non-competition agreements. Termination indemnities should not be paid in case of voluntary resignation and/or termination with cause.

1.3.9 Supplementary pension plans

In general, BGFML will support resolutions approving supplementary pension plans if the annual pension cost and pension contributions are disclosed, the scope of beneficiaries is published and based on a certain number of pre-established criteria, including the presence in the company at the time of retirement, service seniority, and the company’s performance.

1.3.10 Non-executive directors' remuneration

Non-executive directors and members of the board of statutory auditors (if any) have mainly supervisory duties. Appropriate remuneration for these roles should not be linked with financial/operational performance, so as to preserve the required independence and accountability. If a variable remuneration is deemed appropriate by the investee company and/or is envisaged by local market practices (e.g. the USA, Germany), it should nevertheless be linked to the director's performance parameters.

1.4 Transparency and quality of financial and non-financial information

Investee companies' financial and non-financial statements shall be transparent and based on true and complete information. Said statements shall highlight the strategy and the long-term prospects, as well as the main risks to which investee companies are exposed and shall be promptly disclosed.

BGFML will vote against the approval of financial and non-financial statements in case of material breaches of the investee company's disclosure obligations or in case of material uncertainties are expressed by the independent auditors.

1.4.1 Discharge

BGFML refrains from totally or partially discharging the board of directors/directors in jurisdictions where it is not a usual practice and/or if the discharge limits any possible legal action by the shareholders. In any case, BGFML will not vote for resolutions for totally or partially discharging the management in case of alleged serious misconduct, gross negligence, and/or prejudice to stakeholders' interest.

In any case of total/partial discharge of the management, BGFML may, in principle, vote for discharging the management, if this is in line with the market practices and it does not restrict the legal rights of shareholders.

1.4.2 Appointment of independent auditors

Investee companies should appoint an auditor chosen among independent subjects with adequate professional skills. The independence of the auditor is fundamental in light of the auditor's accountability and in order to protect shareholders' interests. Where an independent auditor has to be approved by shareholders, the latter have to be provided with all the necessary information for them to correctly assess the resolutions, including information on the provision of additional services (non-audit services), the proposed fees, and the term of the mandate.

Independent auditors' independence will be assessed taking into account:

- the ratio of audit fees on non-audit fees, provided that non-audit fees do not exceed 50% of audit fees, and provided that not sufficiently detailed audit-related fees be qualified by BGFML as non-audit fees;

- existence in the past 5 years of additional economic interests between the independent auditors and/or their partners and the company and/or its group (including corporate bodies);
- existence of a family relationship between the independent auditors and/or their partners and the management of the company and/or its group.

BGFML shall vote against the appointment of independent auditors in case of material lack of transparency in the auditors' selection or in case of lack of independence.

Except for divergent local market practices, the term of independent auditors or of a statutory auditor should not exceed 10 years. Audit tenders should take place regularly at least every 10 years, barring compelling reasons.

1.4.3 Dividend payouts

Investee companies should disclose their dividend payout policy. The content of such policies should be in line with shareholders' expectations and the investee company's financial needs, and it should be consistent with the company's long-term development.

BGFML assesses allocation resolutions relating to investee companies on a case-by-case basis, based on financial metrics (including dividend covered by earnings and/or free cash flow), past practices (taking into account year-on-year changes and supporting rationale), business practices (regarding the investee company's competitors and the trends of the reference market). Investee companies shall pursue a sustainable dividend policy, preserving the long-term value of the investee company, also through dividend covered by earnings and/or free cash flow.

1.5 Environmental risks and factors

BGFML expects investee companies to carefully assess Sustainability Risks related to material environmental factors and to disclose the results of such assessment, gradually integrating them in their business models and activities. In particular, the sustainability risks related to environmental factors refer to:

- climate change mitigation and adaptation (e.g., carbon footprint and vulnerability to climate-related physical and transition risks);
- sustainable use and protection of water and marine resources;
- transition to a circular economy;
- pollution control;
- protection and restoration of biodiversity and ecosystems.

In situations involving i) severe or systematic violations or ii) lack of compliance processes and mechanisms for managing the above-mentioned risks, if there is no evidence that the company has made or is willing to make progress in this area, BGFML may refrain from supporting the reappointment of one or more directors.

1.5.1 Climate change mitigation and adaptation

With specific regard to climate change mitigation and adaptation, BGFML exercises its voting rights advocating for, and engaging on, corporate and industry actions in favour of a low-carbon transition.
With regard to climate-related resolutions proposed by top managers to ensure a proper and consistent approach, the following initiatives are taken into account:

- development of policies and transition plans that commit the company to net-zero GHG emissions throughout its value chain by 2050 and to support the transition by 2050;
- definition of science-based targets for GHG emission reduction over the short term in line with the path to net-zero emissions by 2050, and consistent with maximum 1.5°C warming (i.e., intermediate targets in line with Article 4.9 of the Paris Agreement for 2025, 2030, 2040 and the IEA's Net Zero Emissions by 2050 Scenario);
- development and implementation of business plans consistent with achieving a carbon neutral economy, also considering the associated social impacts;
- support to the adoption and implementation of governance policies that facilitate the transition to net-zero emissions;
- adoption of measures and achievement of objectives aimed at reducing GHG emission intensity of the company’s operations and products,
- disclosure of decarbonisation actions and initiatives in line with the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations.

With reference to climate-related resolutions proposed by shareholders, BGFML will in principle support resolutions requesting the disclosure of a company’s GHG emissions levels, as well as the adoption of strategies (including lobbying and political donations) aimed at reducing future emissions, which allow to provide shareholders with the opportunity to periodically express approval or disapproval of the plan.

1.6 Social risks and factors

BGFML expects investee companies to carefully assess risks related to material social factors and to disclose the results, as well as the risk management and mitigation measures implemented. In particular, the sustainability risks related to social factors refer to:

- human rights;
- labour;
- anti-corruption and anti-bribery;
- consumer interests;

- science and technology;
- unfair competition;
- taxation.

In situations involving i) severe or systematic violations or ii) lack of compliance processes and mechanisms for managing the above-mentioned risks, if there is no evidence that the company has made or is willing to make progress in this area, BGFML may refrain from supporting the reappointment of one or more directors.

1.6.1 Diversity, Equity & Inclusion

With specific regard to Diversity, Equity & Inclusion, BGFML is committed to:

- enhancing diversity to create long-term value, so as to be innovative and sustainable for all stakeholders;
- fostering equity to achieve impactful results by promoting fair treatment and access to equal opportunities, while working to eliminate the barriers that prevent each person from unleashing his/her full potential;
- promoting diversity of all kind in terms of gender, age, seniority of office, educational and professional background, ethnicity and nationality, at all corporate body levels.

BGFML believes that equality must be ensured in all areas, including employment, work and remuneration. Accordingly, companies are asked to implement a diversity and inclusion policy consistent with its company strategy, and to define targets and plans aimed at creating a greater gender balance at all company levels (boards of directors, management and employees). Targets should be appropriate and ambitious, publicly disclosed and subject to revision.

Where employment, work and remuneration practices are below local best standards and there is no evidence that the company has made or is willing to make progress in this area, BGFML may refrain from supporting the reappointment of the chairman of the nomination committee or of the members of the nomination committee or of the chair of the board of directors, if the chair of the nomination committee is not a candidate for reappointment.

With specific reference to gender diversity at board level, BGFML will encourage greater gender diversity, providing for at least 40% of the non-executive directors or 33% of all directors to belong to the least represented gender. In case of lower representation, BGFML will support the candidate belonging to the least represented gender, after the related profile assessment.

1.7 Special provisions for market-wide and systemic risks

BGFML recognises that investee companies and the entire financial system are exposed to potential market-wide and systemic risks that include, but are not limited to: changes in interest rates, geopolitical issues, currency rates, climate change, natural disasters and pandemics.

As a responsible investor, BGFML promotes the adoption of a case-by-case approach, on the basis of company-specific, industry-specific and market-specific facts and circumstances, so as to favour a long-term sustainable recovery and to allow companies to become resilient to changed conditions.

1.8 Special provisions for small-sized and unlisted companies

BGFML is aware of the differences between listed and unlisted companies. However, BGFML believes that the promotion of the corporate governance and sustainability practices in unlisted companies may foster the creation of long-term value and higher returns for shareholders.

To this scope, BGFML supports resolutions promoting a better corporate governance and effective management of risks related to sustainability factors, in line with international best practices. In this sense, a proportional approach will be applied to the principles embedded in this Policy in order to avoid unbearable costs for small-sized and unlisted companies. In any case, transparency should always be sufficient to allow shareholders to adequately assess the feasibility of the resolutions and alignment with the corporate strategic goals.

1.9 Related party transactions

BGFML requires investee companies to set up a procedure for related party transactions ensuring an adequate level of transparency, supervised by an independent committee, where requested by the relevant legal framework. Related party transactions shall be carried out in a fair and balanced way, disclosing to the market all relevant information useful to enable an informed vote by shareholders, when requested.

When voting on related party transactions, BGFML will take into account the opinion provided by the independent committee responsible for supervising the process, the commercial fairness of the transaction and how conflicts of interest are addressed. BGFML may vote against in case of insufficient disclosure and/or when the fairness of the transaction is questionable, as compared to market practice.

1.10 Consistency with engagement activities

When no progress is identified despite engagement activities, or companies are insufficiently responsive to material topics, BGFML may vote against proposals connected with the said topics and/or indirectly express its dissent (e.g., by voting against the discharge of the directors, opposing the reappointment of the directors concerned, voting against remuneration that is not linked to the sustainability targets pursued by BGFML). The rationale of the dissent vote must be recorded.

In voting on a shareholder proposal, BGFML does not consider successful engagement initiatives as a reason to vote differently than provided for by the Policy.

1.11 Other factors

For the resolutions submitted to investors' vote and not directly falling within the scope of the Policy, BGFML votes taking into account the existing circumstances, the rationale provided by the relevant company and/or investor(s) submitting the resolution, evaluating the possible risks and opportunities, the governance framework of the investee company, the availability of sufficient information, and the alignment with long-term investors' interests.