



La gestione dei rapporti con investitori istituzionali e
strumenti di disclosure

2 – L'Engagement

Alex Bolis

La Shareholder Directive II e l'Engagement

DIRECTIVE (EU) 2017/828 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of 17 May 2017

amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement

(Text with EEA relevance)

...

DECRETO LEGISLATIVO 10 maggio 2019, n. 49.

Attuazione della direttiva 2017/828 del Parlamento europeo e del Consiglio, del 17 maggio 2017, che modifica la direttiva 2007/36/CE per quanto riguarda l'incoraggiamento dell'impegno a lungo termine degli azionisti.

La voce degli investitori: BlackRock

- According to **BlackRock**'s CEO, Larry Fink:
 - *"The time has come for a new model of shareholder engagement – one that strengthens and deepens communication between shareholders and the companies that they own. I have written before that companies have been too focused on quarterly results; similarly, shareholder engagement has been too focused on annual meetings and proxy votes. If engagement is to be meaningful and productive [...] then engagement needs to be a year-round conversation about improving long-term value."*
(2018 letter to CEOs)
 - *"For engagements to be productive, they cannot occur only during proxy season when the discussion is about an up-or-down vote on proxy proposals. The best outcomes come from a robust, year-round dialogue."*
(2019 letter to CEOs)

La voce degli investitori: Canada Pension Plan

- According to **Canadian Pension Plan Investment Board**:
 - *“We work to enhance long-term performance of the companies we invest in by engaging with them, either individually or collaboratively with other investors. Proactive and constructive dialogue with senior executives, board members, [...] and other stakeholders can reduce investment risks and enhance and sustain returns over time.” (CPPIB 2019 Report on Sustainable Investing)*
 - *“If our concerns are not sufficiently addressed, [we] consider escalating the engagement, which may include [...] exercising our proxy voting rights to express dissatisfaction, collaborating with other investors, submitting a shareholder proposal or making our concerns public.” (Id.)*
 - *“Boards should encourage shareholder engagement and provide opportunities for shareholders to communicate directly with the board.” (CPPIB 2019 Proxy Voting Principles and Guidelines)*

Quali sono gli obiettivi della SRD II

Scope and who does it apply to?

The Directive establishes requirements in relation to certain shareholder rights attached to voting shares of companies that have their registered office in the EU and their shares listed on a regulated market in the EU.

The Directive also applies to:

- Intermediaries used by shareholders
- Institutional investors and asset managers to the extent that they invest in in-scope shares
- Third country intermediaries when they provide services to in-scope shares

Main changes from SRD I to SRD II

- The main change from SRD I to SRD II is the significant change that has been made to Article 3 which now gives companies the right to identify their shareholders. This creates an obligation on intermediaries to transmit the necessary information to determine shareholder identity.

- Intermediaries also have to transmit relevant information from the company to the shareholder to facilitate the exercise of their shareholder rights. Intermediaries must publicly disclose what they charge for these services and costs must be non-discriminatory and proportionate.
- For institutional investors and asset managers, there are additional requirements to publish an engagement policy and disclose annually how the main elements of their investment strategy contribute to the medium to long-term performance of their assets.
- Proxy advisors must adhere to a code of conduct and disclose information to show how their voting recommendations are accurate and reliable.
- Shareholders have the right to vote on remuneration.

Che cos'è l'Engagement?

Engagement is how institutional investors and money managers actively assess – also through meetings with executives and directors - **the governance and the approach to sustainable business practices of the listed companies they invest in, and how they give feedback on their views and expectations.** This is an elaborate and personalized way – typically reserved for more relevant companies and for larger equity holdings - through which voting intentions in AGMs get formed.

Very synthetically, **the 2020 UK Stewardship Code** mentions under its Principle n. 9 – Engagement: “**Signatories engage with issuers to maintain or enhance the value of assets.** Examples of engagement methods include but are not limited to:

- meeting the chair or other board members;
- holding meetings with management;
- writing letters to a company to raise concerns; and
- raising key issues through a company's advisers.”

La declinazione pratica della Stewardship...

Engagement has been gaining further relevance with the implementation of the **SRD2**, which sets specific obligations for the exchange of information between listed companies and their shareholders. **On the website of all major institutional investors** and asset managers, **we can currently find ample disclosure on their engagement and related voting activities**, along with a list of their expectations on ESG, strategy and compensation aspects to be discussed in meetings with companies they invest in.

Just to mention one, **BlackRock in the 2020 season voted in 16,200 shareholder meetings, after engaging with 2,020 companies**, up by 39% versus previous year (1,458). Showing the deep degree of scrutiny dedicated to the voting process, 37% of voted meetings included votes against one or more of management recommendations.

...e una preziosa modalità di dialogo tra l'emittente e i suoi investitori

Interestingly, in the last season **BlackRock** discussed in more than **400** of its engagements **the impact of COVID-19**. The stance it took was a very constructive one, supporting companies on proposals outside their normal governance policies, such as virtual shareholder meetings, poison pills, dividend cuts, off-cycle revision of executive pay, and authorization for additional financing without shareholder approval.

Vanguard, which voted in 18,476 shareholder meetings during the last season, and **State Street** as well, which voted in 10,298 meetings, have also active engagement policies and corporate access departments.

Wrapping up, **engagement opens high value-added opportunities for listed companies** to exchange views with well-informed shareholders on ESG topics, on corporate strategy and capital allocation, on human capital management and on compensation policies, in order to be aligned with evolving best practice, and **to maximise the long-term value of their shares**.

Le indicazioni dei top investors globali

1. BlackRock

AUM: \$9.1 trillion
(3Q23)

BlackRock is not just the world's largest asset manager, but one of the world's largest financial institutions. The company was founded in 1988 and went public in 1999. The firm has been influential in advancing the growth of exchange-traded funds (ETFs), through its iShares products. iShares now comprise more than a quarter of BlackRock's assets under management

2. The Vanguard Group

AUM: \$7.7 trillion
(April 2023)

Vanguard has become synonymous with the strategy of passive investing, in which money is placed in mutual funds designed to mirror the activity of specific indexes or the broader stock market. Vanguard boasts of low expense ratios for most of its funds. In addition to asset management, Vanguard offers brokerage services, financial planning, annuities, and other services.

3. State Street Global Advisors

AUM: \$3.7 trillion
(3Q23)

Boston-based State Street is the subsidiary of State Street Corporation. It manages investments for a wide range of institutional clients including non-profits, local governments, associations, and even educational groups.

I Company Engagements annuali di BlackRock

*

The importance of connectivity between companies and their investors

Over the past proxy year, investors continued to navigate a complex macroeconomic and geopolitical backdrop. Persistent supply constraints have caused major central banks to hold policy tight, creating greater macroeconomic and market volatility. Company earnings stagnated as pandemic-driven spending shifts normalized and labor costs increased.

At the same time, many companies adapted their business models to navigate these issues, amongst others. Some repositioned their strategies to capture opportunity from powerful structural forces — like advancements in artificial intelligence and public policy incentives spurred by geopolitical fragmentation.

It is during times like these when connectivity between companies and their investors becomes even more essential. **In the 2022-23 proxy year, BIS held 4,000 engagements with more than 2,600 unique companies in 49 markets, effectively covering more than 75% of the value of our clients' equity assets managed by BlackRock.**

BlackRock.

2023 global voting spotlight

4,000

total engagements

2,600+

unique companies engaged

¹ Every year, BlackRock submits its global voting record to the U.S. SEC through the filing of Form N-PX, the annual form that mutual funds and other registered investment companies are required to submit disclosing how they voted proxy ballots. Form N-PX is to be filed not later than August 31 of each year, containing the proxy voting record for the most recent 12-month period ended June 30. See: "[Form N-PX](#)." ² Reflects BlackRock exposure as of June 30, 2023.

2019 engagement priorities and supplemental commentaries

BIS priorities and commentaries serve as frameworks for how we will engage with boards and management around material factors that we believe affect the long-term performance of a company.

2019 engagement priorities

2019 supplemental commentaries explaining how we will engage on key topics

1

Governance

We focus on board composition, effectiveness, and accountability as a top priority. In our experience, most governance issues require board leadership and oversight. We engage to better understand how boards assess their effectiveness and performance, as well as their position on director responsibilities and commitments, turnover and succession planning, crisis management, and diversity.

Board effectiveness and diversity

- Board composition and alignment with strategy
- Board evaluation and succession planning
- Position on board diversity and its evolution
- Approach to phasing director tenures
- Deepening the pool of director candidates

2

Corporate strategy and capital allocation

We expect boards to be fully engaged with management on the development and implementation of the company's long-term strategy. Companies should succinctly explain their long-term strategic goals, the milestones that demonstrate progress, and any obstacles anticipated or incurred.

Engagement on strategy, purpose and culture

- Board's role in shaping and monitoring
- Clear articulation of purpose and long-term strategy
- Milestones to assess performance
- How culture is shaped and assessed

3

Compensation that promotes long-termism

We expect executive pay policies to use performance measures that are closely linked to the company's long-term strategy and goals to ensure executives are rewarded for delivering strong and sustainable returns over the long-term, as opposed to short-term hikes in share prices.

Executive compensation

- Board oversight of executive pay
- Transparency and connection with long-term shareholder value creation
- Demonstrable alignment of pay with company performance
- Disclosure of performance measures and selection rationale

4

Environmental risks and opportunities

Sound practices in relation to material environmental factors inherent to a company's business model can be a signal of operational excellence and management quality. Environmental factors relevant to the long-term economic performance of companies are typically industry-specific, although in today's dynamic business environment some, such as regulation and technological change, can have a broader impact. Corporate reporting should help investors and others understand the company's approach to these factors and how risks are integrated, and opportunities realized.

Climate risk

- The board's role in assessing impact and adaptation in regard to climate risk
- How climate risk may impact long-term strategy
- How reporting is evolving
- Assessing potential opportunities
- Climate risk as a factor in long-term capital expenditure plans and value creation

5

Human capital management (HCM)

In a talent constrained environment, we view a company's approach to HCM as a potential competitive advantage. We expect disclosure around a company's approach to ensuring the adoption of sound business practices that would likely create an engaged and stable workforce.

Human capital management

- Level of reporting to the board on HCM issues to help assess policies and their effectiveness
- Oversight of policies meant to protect employees
- Diversity of the board and workforce composition
- HCM strategy for ensuring the desired culture is realized

1**Boards and directors**

The performance of the board is critical to the economic success of the company and to the protection of shareholders' interests. Board members serve as agents of shareholders in overseeing the strategic direction and operation of the company. For this reason, BlackRock focuses on directors in many of our engagements and sees the election of directors as one of our most important responsibilities in the proxy voting context.

We expect the board of directors to promote and protect shareholder interests by:

- establishing an appropriate corporate governance structure
- supporting and overseeing management in setting long-term strategic goals, applicable measures of value-creation and milestones that will demonstrate progress, and steps taken if any obstacles are anticipated or incurred
- ensuring the integrity of financial statements
- making independent decisions regarding mergers, acquisitions and disposals
- establishing appropriate executive compensation structures
- addressing business issues, including environmental and social issues, when they have the potential to materially impact company reputation and performance

There should be clear definitions of the role of the board, the committees of the board and senior management such that the responsibilities of each are well understood and accepted. Companies should report publicly the approach taken to governance (including in relation to board structure) and why this approach is in the best interest of shareholders. We will seek to engage with the appropriate directors where we have concerns about the performance of the board or the company, the broad strategy of the company, or the performance of individual board members.

1

(continued)

BlackRock's engagement on board diversity

BlackRock believes that diversity is a factor in quality leadership and financial performance. We are not aiming to direct the nominating process or tell companies what to do. As well as sharing our views, we seek to understand the company's philosophy, policies, and performance on diversity at the board level, and by extension, within senior management and the "talent pipeline". Where it is absent, we encourage disclosure by the board of its thinking, actions, and progress (backed by relevant data). Investors and others can then assess whether they believe the approach taken by a company is appropriate given its business, and the broader context in which the company operates.

In our engagements, we ask probing questions about board composition and the appointment process. We expect boards to have credible responses to a range of questions that in our experience can demonstrate a robust approach to board diversity. The topics we may cover include:

- Current board composition and how it reflects the company's stated strategy, trends impacting the business, and succession expectations.
- How the company's position on diversity has evolved over time.
- Board evaluation process, including how it influences succession planning and the director appointment process.
- The board's approach to phasing director tenures.
- Potential to have a slate of only diverse candidates.
- Deliberate steps the nominating committee (or equivalent) is taking to enhance board diversity.
- Director appointment process and how those involved countered unconscious biases.
- How directors cultivate a diverse network of professional peers. The common practice of incumbent directors identifying candidates for the board from their networks is not necessarily an impediment to a diverse board if those networks are diverse.
- If recruitment consultants are used to identify candidates, how the nominating committee assessed the consultant's networks and expertise in finding and placing diverse directors, especially first-time directors.

2

The topics we might cover in a discussion about strategy, purpose, and culture include:

- How the company's strategic framework has evolved and what drove the evolution (e.g., changing customer needs, resources/input constraints, industry dynamics, and global mega trends)
- How the company defines "long-term" and why that time frame is most appropriate
- How the board contributes to strategy, purpose, and culture and oversees management's implementation of the agreed plans and policies; how it assures itself that the stated long-term strategy feeds into practices related to budgeting and financing, capital expenditure, and risk management
- The strategic milestones against which shareholders should assess performance
- Employee involvement, if any, in shaping strategy, purpose, and culture; the feedback mechanisms available; and the incentives provided to ensure implementation
- How the board and management assess the compatibility of the company's culture, purpose, and strategy and, where absent, how it was remedied
- How the short-term dynamics in the business feed into the long-term strategy
- The short-term pressures on the company, their source, how management deals with them, and how the board provides support to management to maintain a long-term focus

3

Say on Pay Analysis Framework

- We analyze the compensation practices in the context of the company's stated strategy and identified value drivers and seek to understand the link between strategy, value drivers, and incentive plan design.
- We examine both target and realizable compensation in order to understand the compensation committee's intended outcomes, to judge the appropriateness and rigor of performance measures and hurdles, and to assess the pay plan's sensitivity to the performance of the company.
- We make an assessment of the relevance of the company's stated peers and the potential impact the company's peer selection may have on pay decisions.
- We conduct our analysis over various time horizons, with an emphasis on a sustained period, generally 3-5 years; however we consider company-specific factors, including the time frame the company uses for performance evaluation, the nature of the industry, and the typical business cycle in order to identify an appropriate timeframe for evaluation.
- We review key changes to pay components from previous years and consider the compensation committee's rationale for those changes.
- We examine extraordinary pay items (including but not limited to actual or contractual severance payments, inducement grants, one-time bonus, and/or retention awards) to understand the compensation committee's rationale and alignment with shareholder interests.
- We may engage with companies, preferably independent members of the compensation committee of the board, where concerns are identified or where we seek to better understand a company's approach to executive compensation.

4

Dear CEO,

Climate change has become a defining factor in companies' long-term prospects. Last September, when millions of people took to the streets to demand action on climate change, many of them emphasized the significant and lasting impact that it will have on economic growth and prosperity – a risk that markets to date have been slower to reflect. **But awareness is rapidly changing, and I believe we are on the edge of a fundamental reshaping of finance.**

...

Will cities, for example, be able to afford their infrastructure needs as climate risk reshapes the market for municipal bonds? What will happen to the 30-year mortgage – a key building block of finance – if lenders can't estimate the impact of climate risk over such a long timeline, and if there is no viable market for flood or fire insurance in impacted areas? What happens to inflation, and in turn interest rates, if the cost of food climbs from drought and flooding? How can we model economic growth if emerging markets see their productivity decline due to extreme heat and other climate impacts?

...

These questions are driving a profound reassessment of risk and asset values. And because capital markets pull future risk forward, we will see changes in capital allocation more quickly than we see changes to the climate itself. **In the near future – and sooner than most anticipate – there will be a significant reallocation of capital.**

Larry Fink

Chairman and Chief Executive Officer

5

When engaging management teams, the topics we may cover include:

- Policies to encourage employee engagement outcomes and key drivers (e.g., wellness programs, support of employee networks, training and development programs, and stock participation programs)
- Process for ensuring employee health and safety and complying with occupational health and safety policies
- Voluntary and involuntary turnover on various dimensions (e.g., seniority of roles, tenure, gender, and ethnicity)
- Statistics on gender and other diversity characteristics as well as promotion rates for and compensation gaps across different employee demographics
- Programs to engage organized labor and their representatives, where relevant
- Systems to oversee matters related to the supply chain (including contingent workers, contractors and subcontractors)



Our four principles



Board composition

We believe that good governance begins with a great board of directors.

Our primary focus is to ensure that the individuals who represent the interests of all shareholders are independent, committed, capable, and appropriately experienced.

We also believe that diverse boards make better decisions that can lead to better results. That's why we seek to understand, through disclosure, a board's mix of experience, tenure, skills, and personal characteristics and how that aligns with the company's strategy.

Boards must also continuously evaluate themselves and evolve to align with the long-term needs of their business.



Oversight of strategy and risk

We believe that boards are responsible for effective oversight of a company's long-term strategy and any relevant and material risks.

We believe there should be a constant exchange of information between the board and management across a company. After all, we expect directors to bring a wealth of experience to the boardroom, and they can provide valuable counsel to company leaders who are executing on strategy.

Investors benefit when the market has better visibility into significant risks to the long-term sustainability of a company's business. The evaluation and disclosure of significant risks to a business arising from various potential factors, including environmental and social concerns, result in a more accurate valuation of the company. Accurate valuation over time is critical to ensuring that our fund shareholders are appropriately compensated for the investment risks they assume.



Executive compensation

We believe that performance-linked compensation (or remuneration) policies and practices are fundamental drivers of sustainable, long-term value.

We look for pay plans that incentivize outperformance versus industry peers over the long term. When shareholders do well, so should executives. When companies underperform, however, executives' pay should move in the same direction.



Governance structures

We believe that companies should have in place governance structures to ensure that boards and management serve in the best interests of the shareholders they represent.

When we encounter governance structures that are unfriendly to investors, we advocate for structural changes that strengthen shareholder rights.

Vanguard



Our team represents Vanguard fund shareholders' interests through industry advocacy, company engagement, and proxy voting.



Advocacy: We are tireless advocates for the sustainable, long-term value of our shareholders' investments. We promote a long-term view in both corporate governance and investment practices through public forums and published materials.



Engagement: We meet with portfolio company executives and directors to share our long-term orientation and principled approach and to learn about companies' corporate governance practices. We characterize our approach as deliberate, constructive, and results-oriented.



Voting: Our team votes proxies at public company shareholder meetings on behalf of each of our funds. Because of our advocacy and engagement efforts, by the time we cast votes on the funds' behalf, companies should be aware of what priorities and governance principles we deem most important to the creation and protection of shareholder value over the long term.

Status dell'Engagement di Vanguard



Our approach

1,304

Companies engaged as of
December 31, 2022

34

Markets represented in our
engagements as of
December 31, 2022*

\$3.1T

Equity assets under
management engaged in the
last year**

L'Engagement di State Street...

2022 Comprehensive Engagements

956

Environmental

331

Social

386

Governance

631

Portion of Equity AUM Engaged (%)

49%

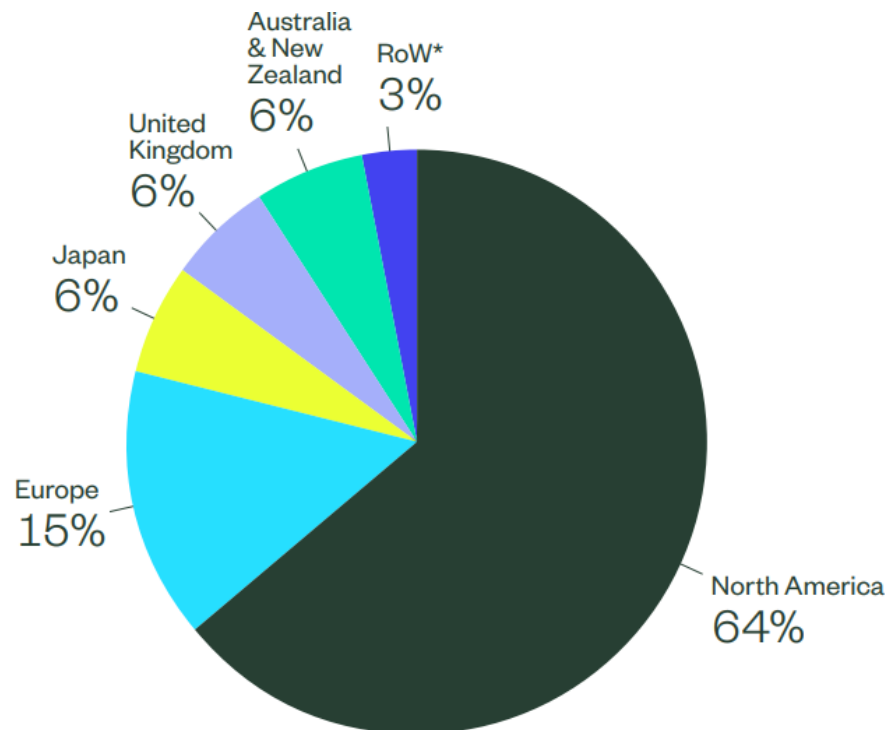
Countries

31

... e come si distribuisce geograficamente

Figure 6

Breakdown of Engagements by Region in 2022



Source: State Street Global Advisors 2022 Stewardship Platform. *Rest of the World.

All requests for engagement should be sent to the Asset Stewardship team at GovernanceTeam@ssga.com.

Guidelines for Engaging with Investee Companies

- We seek to meet with management at reasonable intervals to receive updates on execution of strategy, financial, and operational performance, as well as significant matters that may affect the future prospects of the company. Discussions pertaining to interim financial results or other short-term considerations will not be considered a priority.
- We believe that as a long-term shareholder with substantial holdings, it is important to establish a relationship and have a direct communication channel with independent directors in our investee companies. Therefore, as part of our active engagement process, we prefer to meet with the non-executive chairperson/lead independent director and/ or representative of key board committees. Such meetings help us assess the quality and effectiveness of the board, the extent of the oversight of management, and the board's perspectives on key issues, such as strategy, risk, capital allocation, and compensation. It also allows us to escalate matters to the board's attention if management has been unresponsive to suggestions discussed during prior engagements.
- After our initial meeting with members of the board, the frequency of desired follow-up meetings is determined by the nature of the issues discussed. We will outline expectations and timelines for subsequent meetings during the discussion. We follow similar guidelines for meeting requests with C-suite management representatives at companies.
- Typically, we allow additional capacity for reactive engagement in Q2 for markets such as in the US, UK, EU, and Japan (Q4 for Australian companies) where the majority of the companies in those countries have general meetings between the months of April and June.
- We reserve the Q1, Q3, and Q4 time periods to conduct the majority of our active engagements with some room for reactive engagement for companies that have experienced a significant event or are seeking approval for a corporate transaction, board transition, or other material concern.

Guidelines for Engaging with Activist Investors or Investors Soliciting State Street Global Advisors' Votes in Connection with Vote-No Campaigns or Shareholder Proposals

We believe it is good practice for us to speak to other investors that are running proxy contests, putting forth vote-no campaigns, or proposing shareholder proposals at investee companies. However, we limit such discussions with investors to one engagement unless we believe that it is necessary for us to have a follow-up call. We welcome the opportunity to review materials sent in advance of the proposed discussion. To the extent possible, we review all materials made publicly available by the investor or the company on a contested ballot item before making a voting decision. Our primary purpose of engaging with investors is:

- To gain a better understanding of their position or concerns at investee companies
- In proxy contest situations:
 - To assess possible director candidates where investors are seeking board representation in proxy contest situation
 - To understand the investor's proposed strategy for the company and investment time horizon to assess their alignment with State Street Global Advisors' views and interests as a long-term shareholder

State Street



All requests for engagement should be sent to the Asset Stewardship team at GovernanceTeam@ssga.com.

Investor Engagement Protocol

State Street Global Advisors encourages boards of directors to develop an investor engagement protocol or plan that establishes policies and mechanisms through which independent directors communicate with and receive feedback from institutional investors. The protocol would help foster strong relationships between a company's directors and its investors, while promoting transparency, responsibility, and accountability of the board.

The protocol should identify key independent directors (such as a non-executive chairman, lead independent director, or a representative of a key board committee), who would be mandated to engage with shareholders on a range of topics that are of interest to State Street Global Advisors and/or other institutional investors. A robust engagement protocol would also develop a crisis communication plan for the board when institutional investors and the market-at-large need to communicate with independent directors, in a timely manner, about their oversight and response to a developing concern facing the company.