



# **PAYDEN GLOBAL SIM S.p.A.**

## **ISSUER ENGAGEMENT POLICY**

Shareholder Rights Directive II (EU) 2017/828

Reviewed by the Board of Directors on 21.04.2021

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**Note: This document is confidential. It cannot be provided to any third party without prior written approval of the Chief Executive Officer, Head of Operations or Internal Reference Person for Compliance and Risk.**



## 1. INTRODUCTION

This engagement policy (the “**Policy**”) has been adopted by Payden Global SIM S.p.A. (the “**Firm**” or the “**SIM**”) in order to explain how the Firm complies with its obligations under the Shareholder Rights Directive II (EU) 2017/828 (the “**SRD II**”) on the encouragement of long-term shareholder engagement with listed companies, as well as the laws and regulations implementing the SRD II in Italy.

## 2. MAIN REGULATORY REFERENCES

The SRD II aims at improving the governance of listed companies by (i) encouraging greater and more informed shareholder engagement in issuers’ corporate governance, and (ii) promoting the exercise of voting and other shareholder rights.

The SRD II prescribes, *inter alia*, transparency requirements to promote the commitment and long-term orientation of the investment of portfolio managers and institutional investors in listed companies, and to ensure adequate information flows in the contractual relationship between them.

SRD II has been implemented by Section I-ter (*Transparency of institutional investors, asset managers and voting consultants*) of Part IV, Title III, Chapter II of the Italian Legislative Decree no. 58 of February 28, 1998 (Consolidated Law on Finance or “**CLF**”), as well as by Chapter III-ter (*Transparency of asset managers and voting consultants*) of Part III, Title IV of the Issuers Regulation adopted by Consob with resolution no. 11971 of May 14, 1999 (the “**Issuers Regulation**”).

In particular, Article 124-quinquies of the Consolidated Law on Finance provides that portfolio managers “*shall adopt and communicate to the public an engagement policy that [...] describes how they monitor participated issuers on material matters, including strategy, financial and non-financial performance and risks, capital structure, social and environmental impact and corporate governance, engage in dialogue with investee companies, exercise voting and other share-related rights, collaborate with other shareholders, communicate with relevant stakeholders of participated issuers and manage current and potential conflicts of interest in relation to their engagement*”.

Pursuant to Article 124-quinquies of the Consolidated Law on Finance and Article 143-sexies of the Issuers’ Regulation, portfolio managers shall publish their engagement policy or, alternatively, the possible decision not to adopt the commitment policy or to comply with any of the above obligations, accompanied by a clear and reasoned communication of the reasons thereof, on their website or, alternatively through additional online means or dedicated



platforms, easily accessible and free of charge, where it remain available to the public at least for three years after the end of its validity.

By February 28 of each year, they are also required to make available to the public information on the manner in which they have implemented the engagement policy, including a general description of voting behaviour, an explanation of the most significant votes and of the use of the services of proxy advisors, indicating how they have cast their votes in the meetings of participated listed issuers, with the right to abstain from exercising their votes when non significant in relation to the subject of the vote or the size of the shareholding in the companies.

### **3. INTEGRATION OF SHAREHOLDER ENGAGEMENT WITH INVESTMENT STRATEGY**

According to the applicable Italian legal framework, the requirements of SRD II apply to institutional investors<sup>1</sup> and SGR, SICAV, SICAF and other intermediaries authorised in Italy to the provision of the investment service of portfolio management investing in companies with shares traded on an Italian or EU regulated market.

The Firm's regulated business activity is to act as investment manager for separately managed accounts and as sub-distributor for Payden Global Funds plc UCITS sub-funds in predominately fixed income investments. As such, the Firm is engaged to a limited degree in investment management in equity securities on behalf of its clients. Certain clients may elect to exercise voting rights in respect of their investments themselves and the Firm's role in this instance is to facilitate such exercise through the provision of information in a timely manner. The Firm approaches engagement and stewardship by seeking to exercise its rights to intervene and vote in the relevant meetings of the investee companies in respect of its public equities' investment management. In such a context, the Firm, also through its proxy advisor, may monitor and conduct analysis on the investee company aimed at collecting information useful to the purpose of exercising its rights of intervention and vote.

### **4. PERIMETER OF THE POLICY**

The Firm, in line with its investment management strategy and the proportionality principle, focuses on the engagement and the exercise of its rights to attend and vote with limitation to issuers' shareholdings that it deems to be 'significant', based on the following criteria and thresholds:

- shareholdings greater than 0.5% of the total share capital of the listed company;

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<sup>1</sup> Meaning insurance and reinsurance companies and pension funds with no less than 100 members, as defined in Article 124-*quarter*, let. D) of the CLF.



- shareholdings representing more than 0.5% of the total asset value of the relevant portfolio under management

(the “**Significant Shareholdings**”).

Therefore, this Policy applies only to Significant Shareholdings. The SIM does not intend to play an active role with respect to the management of issuers in which it has an interest; at the same time, it does not intend to exclude itself from the possibility of pursuing short-term financial objectives or strategies, when these - in compliance with any legal constraints or deriving from the mandates received from investors - are evaluated as the best solution for the relevant clients.

Even in the case of Significant Shareholdings, the SIM may evaluate not to apply this Policy, by assessing the costs and benefit, with respect to, by way of example, particularly high administrative costs associated with the intervention or voting rights, the concrete possibility of influencing the vote, or other circumstances where the engagement does not appear beneficial, appropriate or strictly necessary to the protection of the Firm’s clients’ interests.

## **5. MONITORING OF INVESTEE COMPANIES**

The Firm may, also through the services offered by the proxy advisor, monitor and analyse news and events concerning investee companies, on a contingent basis. The monitoring may encompass strategy, financial and non-financial performance and risk, capital structure, social and environmental impact and corporate governance, and, when conducted, shall be duly documented. Such monitoring is aimed at acquiring data and up-to-date information on the investee companies in order to allow the Firm to exercise its rights of intervention and vote in the relevant meeting of such companies, where applicable, in the best interest of the Firm’s client and to the purpose of facing any material risk to the long-term financial performance of the portfolio.

## **6. DIALOGUE WITH INVESTEE COMPANIES**

The Firm does not usually directly engage nor dialogue with investee companies and their management. However, the Firm could exceptionally be open to a dialogue with the latter, when this is aimed at resolving detected (potential) significant criticalities and protecting and increasing the value and long-term financial performance of the portfolios it manages, also through divestment, where necessary.

The CIO or the PMs who may engage with the investee companies shall duly document and refer to the Investment Committee of the Firm on the issues arisen and solutions and safeguards adopted, in order to take them into consideration in the monitoring of the portfolio’s performance and in assessing potential divestment opportunity.



## **7. EXERCISE OF SHAREHOLDER RIGHTS**

The Firm considers any issues related to proxy matters, by regularly engaging with its proxy voting firm [(Glass Lewis)] (“the **“Proxy Advisor”**”) to make sure they are considering, *inter alia*, ESG matters in their voting recommendations.

For ballot items that are routine in nature, Payden sets parameters that are listed in a template used by the Proxy Advisor. For items that are more complicated in nature, such as shareholder proposals, the Proxy Advisor will provide research and advice that the Investment Committee will take into consideration when determining the Firm’s voting decisions. When evaluating proxy matters, the Investment Committee will vote in a manner that is consistent with the best interest of the client and does not subordinate the client’s interests to its own. Payden does not automatically vote with management. Payden leverages the expertise of the Proxy Advisor in evaluating whether any particular shareholder or bondholder voting entitlement would be regarded as significant and in escalating these matters for further analysis. Very broadly, matters that require a special majority/special resolution are not likely to be routine matters and thus are likely to be significant voting event. Similarly, shareholder circulars can also be an indicator that a matter should be regarded as significant.

## **8. COOPERATION WITH OTHER SHAREHOLDERS AND STAKEHOLDERS OF INVESTEE COMPANIES**

It is not the Firm’s policy to participate in formal shareholder coalitions, groups or similar initiatives for specific voting matters in order to preserve confidentiality and on the basis that it may not be in investors’ interests for the views and intentions of the Firm to be widely known in advance of votes being cast. The Firm may participate in industry-wide working groups in connection with stewardship.

## **9. CONFLICTS OF INTEREST**

Any potential or actual conflict of interest pertaining to engagement in investee companies is subject to the Firm’s Conflicts of Interest Policy.

## **10. ANNUAL DISCLOSURE**

By February 28 of each year, the Firm makes annual disclosure by means of its website, of the manner in which they have implemented this Policy, on including the following information: (i) a general description of voting behaviours adopted on behalf of the managed accounts; (ii) an explanation of the most significant votes; and (iii) report on the use of the services of proxy advisors, if any.

The SIM also provides information on how this Policy and the strategy for the exercise of voting rights are implemented through the periodic client reporting referred to in Article 60 of Delegated Regulation (EU) 2017/565 (the **“MiFID II Delegated Regulation”**).



## **11. SUPERVISION AND REVIEW**

This Policy is reviewed annually by the Firm's Board of Directors, and more frequently should the need arise. The Chief Executive Officer is responsible for the correct implementation of this Procedure. The Board of Directors authorises him to make disclosure in accordance with this Policy to relevant stakeholders.

The Compliance Officer reviews this Policy at least once a year in order to assess its compliance and compliance of any amendments thereto with the applicable legal and regulatory framework.