

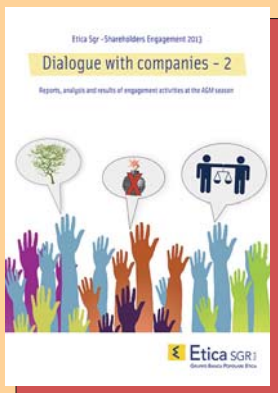
Etica Sgr - Shareholders Engagement 2013

# Dialogue with companies - 2

Reports, analysis and results of engagement activities at the AGM season



**Etica SGR** S.p.A.  
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# Shareholder Engagement: A Strategic plan for a better world

by Ugo Biggeri  
Chairman of Etica Sgr  
and Banca Popolare Etica



**W**hen we buy shares we can have multiple interests. Investment obviously springs to mind; we can ask ourselves how much it will yield in terms of dividends or how much the share price will increase. Another factor we must consider is risk; we can ask ourselves how much risk are we willing to take in order to attain optimal yield. Information on these factors can be found on a daily basis, even in real time thanks to modern methods of communication. In reality, we will consider the yield foremost and then the connected risk. This is food for thought, risk is a very significant factor and is linked to yield in the medium term. To reason on the sole basis of yield is quite simply wrong. Risk has a wide horizon, it tells us about the future, possible losses, factors linked to the reputation of a company, environmental factors and social aspects linked to the company of which we hold shares. It reminds us that best practice management also depends on the governance which shareholders exercise. The fact that a shareholder does not own a large percentage of a company does not mean that a shareholding body as whole cannot exercise its decision-making powers. Only too often the problems of large companies have arisen due to the fact that only one variable was considered; that of short-term yield by avoiding control mechanisms and

*best practice, which are linked to risk. When this has occurred, the consequences have been significant, not only from an environmental point of view, but also in relation to yields. This is a more complete overview of shareholders can help underline at least two strategic intents in the companies we invest in, these being yield and sustainable policy-making. It is certainly not a problem to manage an equation with two variables, the fact that it does not often occur is down to a cultural problem, the removal of responsibility in relation to profit generation, which is systematic even when it is evident that most of the financial crisis we experiencing were due to erroneous decisions in relation to social and environmental responsibility. At Etica Sgr, we would like to consider ourselves as pioneers of a modern way of interacting with the companies in which we invest by means of shareholder engagement. Corporate governance, production choices, respect of rights and best practice are some of the themes, which in conjunction with the best international organisations of shareholder engagement, we which we bring into AGM's in order to ask for accountability and to stimulate improvement. We may have a small percentage of shares, but our voice is loud and clear, since we have something to say which is in everyone's interest.*

# To make the voice of small shareholders count

by *Alessandra Viscovi*  
*Managing Director*  
*of Etica Sgr*



*Responsible finance is not limited to investment in companies or States which respect environmental and social considerations, but is by its very nature participatory, seeking constant dialogue with the subjects it funds. Etica Sgr, through the process of shareholder engagement, aims to convince companies to reflect on social, environmental and corporate governance issues in relation to their activities. In this way we try to act as a stimulus, since public companies are increasingly more committed to safeguarding the environment, human rights, workers rights and the adoption of best practice. The active shareholder initiatives, allow us to monitor the behaviour of companies in which we have invested and to guarantee our members that these companies are the best in terms of social responsibility. An initial assessment is not sufficient, this process requires constant attention, built on dialogue with these companies, verification that promises have been upheld and pressing management at AGM's to improve sustainability. Shareholder engagement follows determined guidelines, published initially in 2007 and which have been continually updated. These can be viewed at [www.eticasgr.it](http://www.eticasgr.it). The "Guidelines for Shareholder Engagement" are a very*

*important instrument for Etica Sgr, since they allow for transparency in the notification of engagement strategy to financial backers and our stakeholders. In 2013, Etica Sgr participated in the AGM's of Italian public companies which had Responsible Funds portfolios. In these instances, social and environmental reconditioning, human rights, with specific reference to monitoring of supply chains, use of energy from sustainable sources and corporate remuneration policy were discussed with management. It is with great pleasure that we share the results on our activities over the past year.  
Happy reading.*



# Shareholder Engagement 2013 Let's go!

*Article from ETicaNews, 7th of March 2013*

**S**hareholder Engagement News. EticaNews brings you these stories like we did in 2012. We are following engagement initiatives brought about by Etica Sgr, the savings management company of Banca Etica, for some years now the standard-bearer of Italian shareholder engagement at the AGM's of a series of public companies. Shareholder engagement is a potentially very effective practice, by which socially responsible investors, who identify with the principles of ethical finance or Sri, integrate these principles in their investment choices, by seeking direct

contact with management. This is in order to encourage these companies to adopt practices, policies and strategies which are increasingly responsible. It is not always necessarily the case that these issues have to be raised at AGM's, seen as dialogue between investors and management can produce positive outcomes away from formal settings. However, traditionally the AGM has been setting, wherein shareholders have been able to attain maximum visibility and obtain most influence in relation to the issues raised.

The home of shareholder engagement is



the United States. Particularly, ICCR (Interfaith Center on Corporate Responsibility), of which Etica Sgr is a member, is the beacon of this movement and for many years now, has monitored and promoted resolutions in relation to social and environmental themes at AGM's on behalf of Sri investor groupings in the United States. As can be noted from the ICCR database, available on its website, all resolutions and investors are punctually listed. From the end of March this year, Etica Sgr, which for some time had developed precise and up-to-date guidelines on shareholder engagement, will participate in the AGM's of Snam, Piaggio, Prysmian, Yoox, Indesit and Terna. At each of these AGM's we will promote resolutions regarding performance in relation to corporate responsibility, which are linked to the proposals of the previous year as well as furthering new proposals. Notification of these events will be reported beforehand on EticaNews and will be reported in real time on Twitter: #direttatwitter A summary of events will be provided, focusing on points raised by Etica Sgr and management response. But not only. This year, EticaNews, in order to provide better reporting on the importance of events in Italy, will broaden its outlook to add the opinions of other major players in this field, specifically in the SRI sector. This information will be presented in an Instant Book which, like last year, will offer a broad outlook on share-

holder engagement activities for 2013. This year could be of extreme importance in the area of Italian shareholder engagement. Indeed all the ingredients for success are in place. Starting from the fact that issues which are held in high regard by the shareholder engagement community, and more generally in the world of finance and SRI, are very much in fashion and have a great bearing on public opinion, particularly within the banking sector. One of these issues has been the object of an era-defining referendum in Switzerland and on which the EU is preparing regulations. Even the exemption of ethical investments from the Tobin tax was launched in Italy, this tax was introduced to the Stock, Market at the beginning of March, is another event which could attract attention to the way shareholders exercise their vote at AGM's. Starting naturally from investments represented by Etica Sgr, which account for over half a billion Euro in assets, making the largest player in this sector in Italy. Another point of contention, seen the precarious situation of public finances in most of Europe, is that of Avoidance Tax, that is to say the practice implemented by companies, especially multinationals, in order to exploit the differences between the various taxation laws of various States (including tax havens), resulting in lower taxes. This is something that does not bode too well with ordinary citizens, especially in Italy, as they consider themselves to ha-





ve been squeezed to the limit by the fiscal authorities. In the United States, however, shareholder engagement has become a constant presence, both encouraged and feared by public companies, especially those with a guilty conscience in relation to corporate responsibility. This situation has brought

about a state of affairs in which shareholder engagement has become an important springboard for implementing improvements in many companies, stimulating management to be more aware and far-sighted with regards to socially responsible strategies. This could soon be case in Italy. Maybe even this year.



# ICCR, the Shareholder Engagement University

*Article from ETicaNews, 22nd of May 2013*

**F**or over forty years, it has been a thorn in the side of major U.S and international corporations, pressing them to implement more responsible business practices. For those involved in shareholder engagement, or more generally in SRI, it is "the" point of reference. A legend, you might say. We are talking about the Interfaith Center on Corporate Responsibility, ICCR for short, this non-profit is an assembly hundreds of religious international investors, mainly from the United States, which does not hold back when it comes to promoting social responsibility and sustainable investment. It demonstrates this each year during the AGM season, it is often represented by battle-hardened nuns or priests, who make their opinions heard

loud and clear, whilst eye-balling highly-paid senior management figures, pointing out the defects of company management. To its eternal credit, it has been able to reach its targets on many occasions. The ICCR was founded more than 40 years ago in the United States with a very precise aim, which was revolutionary at the time, this was to use investment in a such a way as to create a fairer and more sustainable world. This aim materialised in the first great "battle" conducted by the ICCR, the fight against the Apartheid regime, it criticised those U.S corporations which did business with the South African government, choosing profits before human rights, putting the "business is business" philosophy into play.



The first shareholder resolution of this kind was put to the General Motors AGM, whereby it was explicitly requested that the company pull out of South Africa. Similar requests to other big companies followed. From that point, mainly down to its religious investors, which still today make up the heart of the organisation, the ICCR went from strength to strength. History shows us that the resistance to Apartheid as well as the campaign against companies involved in the Vietnam war, was one of the SRI movement's defining moments and which brought it worldwide attention. From those early days the ICCR, which has its headquarters in New York, has experienced constant growth. Currently around 300 faith-based institutional investors are associated with the organisation, but trade unions, pension funds, universities and savings companies are also involved. Together they manage assets of around 100 billion US dollars (more than 75 billion Euro). Further to its official website [www.iccr.org](http://www.iccr.org) (a survey is being conducted at present and visitors to the site are asked if they intend to provide feedback upon access), where it is possible to view a list of members, which are categorised as "faith-based", "associate" or "affiliate" (Italian members include Adige, the association of ENEL, ECPI and Etica Sgr employees and shareholders), ICCR is also on Twitter (@ICCRonline) and also has Youtube and Vimeo

channels. Interviews with the executive director, Laura Berry, can be viewed on the Etica Sgr channel on Youtube, What does the ICCR really do? It is involved in many activities, all of which are compatible with its original aims. It organises regular meetings, in particular the annual meeting dear to SRI investors, it supports them in their activities as responsible investors, publishes magazines and investment guides which provide reference on certain themes. Amongst recent publications, the guide on how to invest responsibly in the food commodities market stands out particularly for example. The guides on land-grabbing or on the internationally contentious issue of fracking have also made their mark. The ICCR however, is mainly known for organising shareholder engagement activities, in which most of its members are involved. These issues are reported in an extremely punctual and systematic manner on the website. The Shareholder Resolutions section of the ICCR website is in fact a beacon which informs us on all the themes, the issues shareholders are engaged in the US and worldwide and also the results it can manage to achieve. All resolutions presented by shareholders during the AGM season are listed. One only has to take a quick glance to see all the main themes displayed in the list, including non-discrimination, use of natural resources, transparency, lobbying costs, political contributions, climate change, carbon emissions re-



duction, high-profile management salaries, corporate governance, sustainability reports, human rights, supply chain control and many other issues. There is still more. Each resolution is explained in detail, including the names of the ICCR member organisations which forwarded the resolution (often in partnership). As the AGM's proceed, all voting is reported in terms of voting in favour on motions in relation to social responsibility issues. Each year, before the AGM season, the Proxy Resolutions and Voting Guide is published. The guide illustrates all the items which will be presented to various

management boards of public companies by shareholders. The lesson that the SRI movement in Italy can learn is that in order to achieve results unity is essential. In order to effectively influence business practice in large corporations, "fire power" in terms of investment is needed, this can only be achieved by bringing all the necessary elements together in a united front. This front is an instrument for those who wish to use investment as instrument in the construction of a more just and sustainable world, *l'ccr dixit*.

MARINETTA INTONTI

# «Engagement? Prevention is a group activity»



*Interview with ETicaNews, 14th of March 2013*

**W**e must talk about it more», this is one of the (many) reasons why shareholder engagement in Italy, which is preparing a new season, is only considered by few. This is the opinion of Marinetta Intonti, Associate Chair of the Economics of Financial Intermediaries at the University of Bari - Aldo Moro, (you can find her on Twitter : @intontimari), who in recent years has conducted detailed research on ethics in the financial sectors in Italy, Europe and worldwide, particularly in relation to engagement policy. She is considered to be one of the biggest experts in this field in Italy. Policies "implemented by ethical investors such as SRI funds, pension funds and institutional investors, she explains, in order to involve and to create awareness in public companies on matters of social responsibility. And in influence them to adopt more ethical behaviour in at least three fields, namely the ESG (Environmental, Social and Governance) parameters».

### ***What are the differences between "soft" and "hard" engagement?***

Engagement policies use a series of instruments which we can define as being morally persuasive. Soft engagement consists of dialogue with the target company. Hard engagement is essentially the assertion of voting rights at an AGM in relation to ESG themes or the promotion of relevant motions on the part of one or more investors. Therefore, the difference, is intensity and the incisiveness of the instruments.

### ***In what time-frame can these instruments be used by ethical investors?***

Soft engagement can occur before in the period preceding an AGM. Thus, is



would also be possible to implement before an investment is made.

***... a sort of preventative engagement?***

Yes. In the sense of carrying out an assessment and engaging in dialogue with the target company. It can be an alternative to exit policies, or in other words the withdrawal of investment in the case that the company management does not respond adequately to the engagement. How can you put it? If you respond to my prerequisites, then I can consider an investment in your company. It could also be a good method to broaden investment options.

***Which characteristics should an engagement policy possess in order to be truly effective?***

Firstly, the right preparation and planning of activities; they must be correctly identified, the right people must be assigned roles and a series of strategies must be activated in order to achieve results. Another consideration for increasing efficiency is to widen the number of issues treated, they should cover all elements of ESG and not only corporate governance, which is currently the area where most engagement activities are concentrated. This is underlined in the latest Eurosif guide, which states that matters other than governance must be considered seriously to include social and environmental themes, in order to be perfectly compliant with an engagement strategy. Furthermore, it could be useful to use a collaborative approach initially, in such a way so that engagement is seen as being a positive contribution for the good of the company and not in a negative light. This is something that can happen in Italy above all, since companies have been closed to these types of intervention.

This approach can become increasingly more incisive, if the company puts up any resistance.

***In an AGM situation, usually what type of approach pays off, dialogue or a harder line?***

It depends. It depends also on which point of the negotiations have been reached. If after many years the collaborative approach has failed to move the company management, it could be useful to adopt a hard line, abstentions, dissent, withdrawal of investment and so on so forth. Public dissent is also an option, it is a sort of social sanction and brings the risk of damage to the company's reputation, which is something management takes very seriously.



But, there is something I think that is fundamental to exercise in an AGM...

***What is that?***

The formation of coalitions. This is something that doesn't happen often in Italy, where interventions on the part of individual investors are more widespread, even if valid and effective in their own way. The formation of coalitions, as is the case in the U.S and in other countries, can lead to greater and more positive results. My opinion in this case is that there really is strength in unity, in a survey I worked on some years ago in collaboration with Professor Antoni dell'Atti and Antonella Ianuzzi, where we considered over 300 European ethical funds, it emerged that in nearly 40% of cases the target company was chosen on the basis of the body of participants in the engagement. This means that the investment group realises that a good level of participation is necessary in order to be incisive and it can be achieved by working in unison with other investors which have the same aims, in other words in in a coalition.

***What other gaps does the engagement movement have to bridge in Italy?***

The absence of large coalitions of SRI investors, as I have already mentioned, it is certainly one of the main gaps. Furthermore, shareholder engagement is less widespread in Italy. One problem is that SRI funds in Italy are still excessively limited from a numerical point of view. There are also too few pension funds working on an ethical basis, however this an obstacle which can be overcome. Furthermore, Italian companies are not all that attractive to foreign SRI investors, this is something to consider. Greater clarity of engagement strategy is needed. Also, there is a lack of information on recent changes in legislation which favour engagement, this could help to standardise the process, it would help to discuss the matter in further depth more often.

ALESSANDRA VISCOVI

# Etica Sgr, human rights



*Interview with ETicaNews, 20th of March 2013*

**H**uman rights will be at the forefront of Etica Sgr's engagement activity in this its tenth anniversary year. The 26th of March is the first day of the AGM season and Sgr with Ugo Biggeri at the helm is kicking off proceedings by targeting a new company, SNAM, which up to now was excluded from public investment as it was controlled by ENI. According to policy, Etica Sgr does not invest in the oil and gas sector, as it is a controversial area which is difficult to monitor from an environmental point of view. EticaNews will follow all six of the AGM's in which Etica Sgr will participate, these include SNAM, Piaggio, Prysmian, Yoox, Indesit and Terna. Foreign engagement will be more intense this year. One of Etica Sgr's aims is to increase the number of proposals in both U.S. and European companies, with the support of international networks. The investment portfolio is made up mainly of foreign companies, explains Alessandra Viscovi the managing director of Etica Sgr, the list of Italian companies is composed largely of financial services companies, which are excluded from our funds following a decision by our Ethics Committee and approval by the Board of Directors. This is a prudent choice seen that it is a sector which is experiencing great difficulty in the area of corporate governance and transparency, which in light of the financial crisis helped Etica Sgr to avoid incurring large losses.

***A new shareholder season is under way. Do shareholders have more of an advantage this year? What has changed from a legislative point of view in the last year?***

Further to an advantage, I would say that the mood is changing. Engagement





in Italy is still an under used process. Etica Sgr is one of the few organisations promoting it, but we can see that large institutional investors like pension funds are becoming more interested and are preparing policies on shareholder engagement. The perception is that something is afoot. The resolutions we have proposed have achieved significant results from the point of view of CSR as applied to public companies, for example the law on gender equality, but also the fact that CONSOB asked for clarifications in relation to "say on Pay", that is to say on remuneration policies, one of the issues which we constantly contest in AGM's. No least, the law banning interlocking, which prevents the accumulation of roles in management and monitoring bodies. The signs are there.

***What is the difference in engagement options between Italy and other countries, where you are shareholders in public companies?***

More than legislative variations, the difference is cultural above all. In Italy we are a pioneering force, after initial difficulties we made ourselves known and we have promoted engagement. In the U.S. it is a very common practice. In 2011, a study conducted by the University of Bari under the guide of Maria Antonietta Intonti in relation to engagement practices in Europe, showed that Etica Sgr was in third place in the top ten list of SRI organisations and the only Italian one present. The advantage of conducting engagement in Italy is the possibility of being represented physically at an AGM and getting to know management on personal level. Abroad we rely on international networks of responsible investors, which give us the advantage of learning best practice in this area. Etica Sgr is a member of the ICCR, PRI, the Carbon Disclosure Project, the Italian network of CSR and Eurosif.

***Has asset allocation changed since last year?***

The management of asset allocation has been delegated to Anima Sgr. We prefer to keep the two entities separate. We deal with ESG analysis and social responsibility, these are the filters with which we create a potential investment world from an ethical viewpoint. Twice yearly we update the share analysis and state bonds on an annual basis. In recent times, large controversies have not occurred. In the past, we withdrew from France Télécom, due to tragic suicides of employees. In recent times, we have excluded Canadian state bonds due to the fact it withdrew from the Kyoto Protocol in December of 2011, the U.S.A., China, Japan and all states which



apply the death penalty and have suspect human rights track records are also excluded.

***Are you satisfied with the companies in which you have invested, from the points of view of both profits and ethics?***

In the past year the yields on our funds have been satisfactory. With regards to companies, we have noted a positive mood in management, which has helped the dialogue approach. We shall see how they respond this year, but in general they are getting used to the idea of increasingly open interaction.

***What issues will you raise this year?***

The key issue this year will be human rights, an important theme upon which we will work on several levels. We want companies to become more responsible not only with regards to its employees but also in relation to suppliers. More attention must be paid to sub-contractors, the levelling of blame on suppliers is simply not acceptable by way of response. This year we invited Italian companies to complete a survey on the supply chain, to inspect monitoring they carry out on suppliers. The results are not ready yet, but we have to note that all companies agreed to carry this out.

***What engagement activities do you intend implementing in Italy?***

Firstly, we are in direct contact with our target companies all year round. Engagement is constant. In AGM's, we will be active in exercising a slate vote in those companies which are in the process of renewing management, such as SNAM. We will try to assess management according to the criteria of competency and transparency. Furthermore, we feel that the figure of Company Chairman and CEO should be separate. With regards to AGM's, one of the recurrent themes is that of remuneration policies. In our opinion, disclosure on the parameters used to define remuneration is not enough. The criteria for defining salaries or bonuses must also include aims of a social nature. The more enlightened companies are already moving in this direction, even in Italy. Another example of engagement is the pressure we have put on institutions. For example, we have petitioned the EU to force companies to monitor the respect of human rights in Burma.

ANDREA BARANES

# «Engaged shareholding, a tannoy for the developing world»



*Interview with ETicaNews, 24th of April 2013*

**W**hy should anyone be involved in engagement? This question might seem obvious to spontaneous to some and banal to others. The answer which Andrea Baranes, (President of the Cultural Foundation for Ethical Responsibility, or FCRE, of the Banca Etica system), will surely not be taken for granted, for some years now he has personally followed the shareholder engagement initiatives of the foundation with regards to some of the biggest companies listed on the Italian stock exchange. «Not only does the shareholder have rights - he answers - there are also duties».

***The FCRE has promoted engagement for many years. What is your model?***

The FCRE was founded to discuss ethics in the world of finance. The main aim behind our engagement initiatives is to make people understand that the shareholder must not just passively wait for dividends, since he/she has become a part owner of that company, even if in a small way. We also do it in order to be able to communicate with other shareholders, such as pension funds and to diffuse and broaden the idea of critical shareholding. We wish to be of support to campaigns promoted by the NGO's with which we work closely, in fact we have acquired shares in ENEL in support of Greenpeace Italy and ENI shares on the behest of Re:Common. Above all we work with various organisations in the developing world, often small NGO's which often struggle to make themselves heard, this way they are represented at AGM's and can dialogue with management, all in under the gaze of the press. In this way engagement works as a "tannoy" for the developing world.



***How difficult is it to build relationships and create coalitions in relation to engagement initiatives?***

One of our aims was to try and involve pension and socially responsible funds in engagement initiatives. As the ICCR does in the U.S., it brings hundreds of religious investors with significant clout together, which they are not afraid to exercise in AGM's. We only bought several shares just to be able to participate in AGM's, but with the idea of working with others. We ran into difficulties however, I don't know why, maybe because of the financial culture in Italy or because financial markets are not as developed here. For the coming years, one of our aims is to create a network of engaged shareholders. Also because shareholder engagement requires resources, it must be followed all the year round, it is a very demanding job. So, it must be carried out in structured fashion.

***Are there many differences between engaged shareholders and "normal" ones?***

The differences are apparent, because large corporations have hundreds of thousands of investors. However, what we are trying to make people understand is that when issues linked to social or environmental impact arise, for example in the area of human rights, there is a connected financial risk which can affect shareholders. For example, in the case of an environmental catastrophe caused by any given company, there could be financial consequences running into billions of dollars in fines, court cases and investments for reparations operations. The same applies for instances of corruption. Thus, the shareholders and the NGO's do not just work for their own immediate interests, they can work on two different levels but in synergy and in the interests of everyone.

***The FCRE will participate at the coming AGM's of ENI and ENEL as an engaged shareholder. Which issues will you raise?***

With regards to ENI, one of the central points will concern the issues in relation to instances of corruption, despite the fact that the company boasts to have installed the most advanced anti-corruption guidelines in the world. And certainly an update on its investments in the developing world, such as in Nigeria or the Congo. For some years now we have raised the issue of gas flaring in Nigeria, which has been outlawed for some time now, it must be said that the company acquired plants from other oil companies which implemented this practice in the past and consequently needs time to reach its aim of eradi



icating the process. In fact gas flaring continues. We will ask if there is a precise time-frame for reaching this objective and request data on the actual situation.

***And with regards to Enel?***

We will request information of an industrial nature from ENEL, specifically in relation to energy mix and whether they still have investments in nuclear energy despite the 2011 referendum. There is also the dam building project in Pantagonia which is opposed by the majority of locals, which is being managed by the holding company Endesa.

***Since we have been a presence at the AGM's of these large corporations, has there been dialogue? Have your proposals been listened to? Or have you been perceived as trouble makers?***

There has been dialogue, I recognise the fact that it has been quite open, we were granted meetings each time we requested. Particularly with ENI. It was thing to be received, listened to and given information, it is another to influence the behaviour of these companies.

***What needs to be done to make a difference?***

Shareholder engagement reinforces other initiatives, such as awareness campaigns. On its own its not enough. It has added value when combined with other similar initiatives. In order to achieve concrete results once must think in the long-term. You need to work closely with other investors a great deal, better still if they are influential.

***At this point there could be doubts on the part of some, if a company is deemed to be irresponsible, is the sanction of non-investment, withdrawal of investment or engaged investment most effective in obtaining results on ESG issues?***

They are different paths with different objectives and methods of approaching management, but they are complementary. This is what we are trying to achieve with the Banca Etica network. Etica Sgr chooses the best companies from the point of view of social responsibility, it invests in them in the long-term and intervenes at AGM's with aim to requesting further improvements. On the other hand, with regards to the FCRE you can't really talk more of about investment as such since the sums are very modest, in this case it is gesture made along with other organisations and campaigns by critical shareholders.



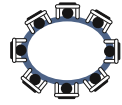
# Small shareholders: too many SNAM dividends



*Article from ETicaNews, 27th of March 2013*

Nearly all of the attention of small shareholders was on the EUR 0.25 dividend at the first SNAM AGM at San Donato Milanese since its separation from ENI. Etica Sgr was present, represented in the person of its vice-chairman Alessandro Antoniazzi. EticaNews reported events directly on Twitter. A very positive outcome of this AGM was the fact that engaged shareholders accounted for over 50% of total capital. This included 1.08% belonging to the Norwegian government, which is the new boy on the small shareholder

block, the event was attended by 1340 shareholders, accounting for 1.7 billion shares or 50.6% of the total capital. On the agenda were the approval of the company balance for 2012, the distribution of dividends, the remuneration of members of the Board and the renewal of company bodies for the next three financial years. Even in relation to this last point, SNAM has a significant record in the field of corporate governance, four out of the nine new company directors are women, over 40%, which is the highest of any listed company. Well above



average, which according to a study conducted of 9300 Italian companies with returns of between 30 and 500 million Euro by Ria Grant Thornton in March is around 14%. Even in relation to the rights of minorities, SNAM has done its homework, according to its statute three of the nine components are reserved for the minorities list, which was in fact presented by investment funds.

The lists were already public knowledge and there was no controversy amongst those elected, it must also be noted that five directors out of nine are independents. Amongst these are the three from the minorities list (Elisabetta Oliveri, Sabrina Bruno and Francesco Gori), who are added to the six directors chosen by the majority shareholder, CDP, which accounts for 30% of the total capital, and which put forward the following candidates: Lorenzo Bini Smaghi (reconfirmed as Chairman of the Board), Carlo Malacarne (reconfirmed as CEO), Roberta Melfa, Andrea Novelli, Alberto Clò (independent) and Pia Saraceno (independent). The Board of Auditors is made of five members, three proposed CDO (Leo Amato, Stefania Chiaruttini and for the role of alternate Auditor Maria Gimigliano) and two from the minorities list (Massimo Gatto and for the role of alternate Auditor, Luigi Rinaldi). The questions posed by small shareholders were mainly in relation to dividends, which were greater than profits, this implies a drain on reserves. In particular,

## \*TWITTERNEWS

The following is a selection of tweets from the SNAM AGM held on the 27th of March at San Donato Milanese. To view the full report please visit:

[http://www.eticanews.it/wp-content/uploads/2013/03/Twikicro\\_naca\\_Snam\\_26\\_03.pdf](http://www.eticanews.it/wp-content/uploads/2013/03/Twikicro_naca_Snam_26_03.pdf)

- *Assembly renews corporate bodies, approval of accounts and dividends*

- *Intervention of Alessandro Antoniazzi, vice chairman of Etica Sgr*

- *1338 billion shareholders participated accounting for 1.7 billion shares or 50.68% of total capital*

- *Malacarne: our capacity to access the market proves the solidity of our model*

- *Malacarne: profits are slightly down, due to the financial pressures caused by the refunding of debt*

- *In 2012 SNAM shares were listed in the most important sustainable indices worldwide*

- *Antoniazzi of Etica Sgr: attention was paid to certain aspects of sustainability, the balanced was well presented, sustainability reaches A+*

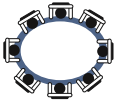
- *Antoniazzi: good progress on human rights and supply chain monitoring, you answered our questionnaire*

- *Antoniazzi: dialogue must include specific policy and supply chain monitoring*

- *Antoniazzi: balance, dividend not in line with high level of debt and investments*

- *Etica Sgr: positive that there is a will to listen to proposals*

- *Malacarne: preparing to*

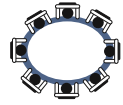


Etica Sgr in its role as a responsible investor with regard for sustainable long-term development, pointed out that the proposal of the Board in relation to the distribution of dividends was not in line with the high level of debt incurred by the company, which grew by 11% in 2012 and with the relevance of investments planned by SNAM in the period 2013-2016 in the industrial sector. "For this purpose - declared Antoniazzi - we would have preferred a different strategic choice on the part of the company, such as the allocation of profits to the reserve or the payment of dividends which not exclusively in a monetary form and even the issuing of new shares.".SNAM proposed remuneration for the new directors, which were by a majority vote. Consultants and auditors will each receive 40,000 Euro net per year, whilst the Chairman of the Board of Auditors will receive an annual salary of 60,000 Euro net. Carlo Malacarne received payments totalling 1.6 million Euro in 2012, these payments included the fixed salary bonuses and incentives. In this case, Etica Sgr was pleased with the high level of detail in the Remuneration Report for 2013, which was in line with guidelines from control authorities and particularly with the presence of an indicator linked to health and safety levels in the workplace, in other words an accident indicator, included in the definition of the variable component of high-level management

*answer questions*

- *Malacarne: average cost of debt for 2012 is 3.6%, cost of post-funding financial package is 4%*
- *Malacarne: cost of debt in line with that previously paid by ENI, objective two thirds of debt at fixed rate*
- *SNAM: strategy of increasing loans from institutional lenders such as BEI*
- *SNAM: points out that Robin Hood tax is not part of special items*
- *Distribution of dividends judged to be adequate in relation to our capital structure*
- *David Croff: first part of report on remuneration put to the vote by assembly*
- *We are going to the voting, duration of appointments and nomination of members of the board*
- *Proposal for annual remuneration for directors is 40,000 Euro*
- *Proposal for annual remuneration for Chairman of the Board of Auditors is 60,000 Euro and 40,000 Euro for members of the Board of Auditors*
- *SNAM: list 1 (majority) obtains 31.7% of vote, list 2 (minority) obtains 19.1%*
- *Board of Auditors approved with Massimo Gatto as President*
- *SNAM AGM declared closed for business*





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remuneration. Etica Sgr also expressed its appreciation for the effort and the attention shown by the company in relation to the reporting of all aspects of corporate activities and the presentation of a sustainable balance which attains the highest ratings from the Global Reporting Initiative indicators, reaching the highest level of A+. The analysis of human rights was also positive. "Although it does not operate in countries with human rights issues - declared Antoniazzi - SNAM is committed to different initiatives aimed at best practice in these areas and to monitoring the supply chain". This was the first time Etica Sgr partici-

pated at a SNAM AGM. How was the presence of shareholder engagement viewed by management? "I reckon that it was very positive - commented CEO Malacarne - Four or five years ago in occasion of the road shows I asked to see the ethical funds as well. As a company we have a lot to say, the concept of sustainability is engrained in our activities. We are the type of business which remains rooted in the local community and for this reason we pay a lot of attention to locations, people and social context. Dialogue on these issues with shareholders is important"

## STATEMENT

# «Profits: better held in reserve»

*Sandro Antoniazzi Vice-President of Etica Sgr - SNAM 26th of March 2013*

***D**ear members of the Board and shareholders, for the first time ever we are participating at the AGM in our role as responsible investors with special regard to the social, environmental, financial and commercial performance of the company.*

*Etica Sgr is the only Italian savings management company which is exclusively committed to the institution and promotion of socially responsible common investment funds aimed at investment in companies with proven track records in this field.*

*During our research and analysis activities we make use of different databases from companies specialised in corporate social responsibility and we adopt a methodology which includes both criteria of exclusion and assessment in the areas of corporate governance, the environment, the observance of human rights and relations with interest groups. Etica Sgr is part of a network of socially responsible investors and along with some of these, such as Boston Common Asset Management, which manages a fund of 1.8 billion US dollars, Tri-State Coalition, (Centre for Reflection, Education and Action) and Triodos Bank, which manages a fund of 8 billion Euro, we would like to draw your attention to some aspects regarding sustainability in your company.*

*We would like to express our appreciation for the effort and the attention shown by the company in relation to the reporting of all aspects of corporate activities and the presentation of a sustainable balance which attains the highest ratings from the Global Reporting Initiative indicators, reaching the highest level of A+.*

*Furthermore we appreciate the fact that all reporting was made available on the company website before the AGM, in such a manner which allowed for analysis to be carried out before voting took place. Although it does not operate in countries which experience human rights issues, SNAM is committed to different initiatives aimed at managing these questions and the monitoring of the supply chain. In 2012 your company participated in the "Supply Chain Questionnaire" project which was*

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*developed and devised by CREA, an American organisation dedicated to education and socio-economic research. This questionnaire was proposed by Etica Sgr to Italian companies with the objective of reinforcing initiatives aimed at best practice in the areas of human rights and supply chain. We hope that the dialogue entered into on this subject will continue in future and that SNAM can produce a specific policy and a system of management and monitoring on the human and workers rights, including reference to its supply chain, whilst providing ample notification.*

***Distribution of company profits.*** *We are aware of the successful year the group had in 2012, as can be seen from the main items in the annual balance, such as net profits, revenue, EBITDA and EBIT. Moreover, Etica Sgr in its role as a responsible investor with regard for sustainable long-term development, pointed out that the proposal of the Board in relation to the distribution of dividends was not in line with the high level of debt incurred by the company, which grew by 11% in 2012 and with the relevance of investments planned by SNAM in the period 2013-2016 in the industrial sector. For this purpose, we would have preferred a different strategic choice on the part of the company, such as the allocation of profits to the reserve or the payment of dividends which not exclusively in a monetary form and even the issuing of new shares. We hope that our considerations can be interpreted as a stimulus for increasing sensibility aimed at satisfying all your interest groups.*

***Management remuneration and Annual Remuneration Report.*** *We were pleased with the high level of detail in the Remuneration Report for 2013, which was in line with guidelines from control authorities and particularly with the presence of an indicator linked to health and safety levels in the workplace, in other words an accident indicator, included in the definition of the variable component of high-level management remuneration. In our role as responsible investors, we consider it important that a listed company must introduce these indicators in its remunerative layout and link them to the variable component of management salaries.*

## VOTING

Points on the order of business	In Favour	Against	Abstention	Ref: Etica Sgr Guide Lines
<b>ORDINARY PART</b>				
1) Balance on the 31st of December 2012, SNAM S.p.A Consolidated balance on the 31st of December 2012. Reports of the Board of Directors , Board of Auditors and Independent Auditors. Relevant deliberations	X			1.7
2) Allocation of profits and distribution of dividends		X		1.7-1.7.1
3) Policy in relatio to remuneration in accordance to articolo 123-ter del Decreto Legislativo 24 febbraio 1998, n. 58;	X			1.6
4) Determination of number of members of Board of Directors	X			/
5) Determination of mandate of Board of Directors	X			/
6) Nomination of Directors				1.1
6.1) List of candidates Cassa Depositi e Prestiti	X			
6.2) List of minority candidates	X			
7) Nomination of President of the Board	X			1.1
8) Determination of remuneration for company directors	X			1.6
9) Nomination of auditors				/
9.1) List of candidates Cassa Depositi e Prestiti	X			
9.2) List of minority candidates	X			
10) Nomination of the President of the Board of Auditors	X			/
11) Determination of remuneration of President of Board of Auditors and board members	X			1.6
<b>EXTRAORDINARY PART</b>				
1. Modification of articles 2,5,6 and 17 of company statute	X			/
2. Modification of articles 9 and 12 of company statute	X			/
3. Modification of articles 13,16 and 20 of company statute	X			/



# Piaggio: no bonuses but fantastic dividends

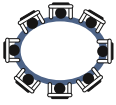
Article from *ETicaNews*, 16th of April 2013

**P**iaggio will participate in a paediatric medicine project in Vietnam in conjunction with the Bambin Gesù hospital of Rome, the National Hospital for Paediatrics will be opened in Hanoi next week. The announcement of the initiative "Vespa for Children" was made the Pontedra group at its AGM in Milan yesterday (reported on Twitter by EticaNews), which was chaired by the president and CEO (an interlocked position which proved controversial last year), Roberto Colaninno, who stated that the details (including the business commitment of the group) will be made available next week. With this new set of "ethics", the motor cycle group is

## \*TWITTERNEWS

The following is a selection of tweets from the Piaggio AGM held on the 15th of April. To view the complete series of tweets please visit: <http://www.eticanews.it/wp-content/uploads/2013/04/Twittercro naca-Piaggio-pdf.pdf>

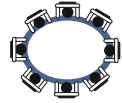
- *The Piaggio AGM is about to begin, chaired by the CEO Roberto Colaninno*
- *129 shareholders with voting rights were present in person or by proxy, accounting for 252, 913, 819 ordinary shares or 68%*



reinforcing its commitment in Vietnam, where the company has to manufacturing plants and sells 5000 units a month. "In Vietnam- states Colaninno - we have encouraged the constitution of a trade union, which is something which never existed in that country prior to this. Our manager for Vietnam, after complaints from employees, engaged with the supplier in order to return the size of rice portions to the correct size". It is in relation to the increasing presence of Piaggio in countries such as Vietnam, China, Indonesia and India, where human and workers rights are particularly important, that Etica Sgr, through its intervention by its managing director Alessandra Viscovi, wished that company continues to operate according to increasingly detailed policies and to manage these issues even in relation to suppliers, which should be selected according to the principles of social responsibility. "Piaggio - continues Viscovi - operates in countries which we know are experiencing significant economic and social growth, but which also suffer from problems linked to the control and management of corruption. We are aware that for some time good procedures have been implemented in this area, we hope for the voluntary adhesion to international programmes or guidelines in relation to issues of corruption and governance, such as for example, the UN Global Compact and "Business Principles for Countering Bribery of Transparency

*of the capital*

- Colaninno: partners IMMSI (5.3075%) and Diego Della Valle (5.336%) are present*
- Piaggio Vietnam: "Vespa for Children" initiative in conjunction with the Bambin Gesù to build a paediatric ward in a Hanoi hospital*
- Other projects will follow in developing countries like India or Africa*
- Etica Sgr: the investor should pay attention to social and environmental performance as well as business matters*
- Etica Sgr: proposal on the allocation of profits in the next AGM must be exempt from approval of balance*
- Etica Sgr: good reporting and presentation of sustainable balance*
- Excellent that reporting was published before AGM, allows for analysis of Piaggio results before voting*
- Etica Sgr: we hope that data on industrial disputes will be provided in next annual balance*
- Human rights: Piaggio must continue to operate according to detailed policy and also in relation to suppliers*
- Piaggio should voluntarily adhere to international programmes or guide lines on corruption and governance*
- We hope that Piaggio uses energy originating from renewable sources in manufacturing activities*
- Etica Sgr: we hope that data is*



International". With regards to the environment, Etica Sgr has requested the group to use energy originating from renewable source in manufacturing and pointed out that only in the Indian and Vietnamese plants that water is recycled and reused in large quantities. Furthermore, Etica Sgr, whilst appreciating the considerable investment carried out by the company and the will to remunerate shareholders, considering the decrease of the main results of the annual balance (net profits, revenue and EBITDA) and the contextual increase of net debt, it has drawn attention to the excessive increase of 23% in the payout ratio in relation to 2011. Lastly, it hopes that evidence will be provided regarding the number of industrial disputes in its Italian and foreign plants in the next annual balance and that Piaggio will voluntarily adhere to the international programmes or guide lines on corruption and governance. How did the group respond to these proposals? "Piaggio - states Colaninno- is a company which is committed to remunerating the shareholder with dividends and this an ethically important fact. Our primary objective is the remuneration of savings. In relation to data on industrial disputes, we already provide a great deal of information on lost working hours, we can improve on this, but the content is already quite precise. Furthermore, Piaggio has for some time already adopted a code of ethics which follows

*provided on industrial disputes is provided in the next annual balance*

*•Piaggio should voluntarily adhere to international programmes or guide lines on corruption and governance*

*•We hope that Piaggio uses energy originating from renewable sources in manufacturing activities*

*•Colaninno: Piaggio is a company committed to remunerating the shareholder with dividends, it is an ethically important fact*

*•Colaninno: this year I and other executives refused to take bonuses, which would not be a good thing in the current climate*

*•Colaninno: we have been accused of relocation, our answer was to move a Piaggio plant from Spain to Italy*

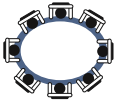
*•Colaninno: in Vietnam we have encouraged the creation of a trade union, which is a first for this country*

*•Colaninno: Piaggio Vietnam engaged with suppliers to ensure the correct quantities in rice portions for workers*

*•Colaninno: From an ethical point of view, Piaggio brings its values with wherever in the world it locates to*  
*•Director of Finance: Piaggio has 30 pending law suits of over 100,000 Euro*

*•Director of Finance: consultancy and technical services cost the company around 30 million Euro*

*•Director of Finance: legal*



best practice. With regards to renewable energy sources, our current suppliers cannot guarantee the origin of energy products, our priority is to reduce usage". Etica Sgr voted in favour of the balance and remuneration, against the cancellation of shares and abstained on the matter of reacquisition of its own shares. The group stated that Colaninno and all other high-level executives did not receive bonuses, since they would not be perceived well in the current economic climate. 129 shareholders with voting rights were present in person or by proxy, accounting for 252, 913, 819 ordinary shares or 68% of the capital and nine partners in person.

*matters, Altroconsumo has lodged an appeal which are waiting on a verdict from the Pontedera Court*

- *We have already provided a great deal of information in regards to industrial disputes such as working hours lost*

- *Piaggio: we can improve on this, but a lot of precise information has already been provided*

- *Piaggio: we have for some time adopted a code of ethics which follows best practice*

- *Renewable sources, current suppliers cannot guarantee origin of energy, our priority is usage*

- *Colaninno puts the Annual Balance for 2012 to the*

- *vote*

- *Approval of financial statements*

- *Colaninno brings AGM to a close*



## STATEMENT

# «Commitment to developing nations»

*Alessandra Viscovi Managing Director of Etica Sgr - Piaggio 15th of April 2013*

**D**ear members of the Board and shareholders of Piaggio S.p.A., for the third year running we are participating at the AGM in our role as responsible investors with special regard to the social, environmental, financial and commercial performance of the company. Etica Sgr is part of a network of socially responsible investors and together with some of these, such as the Cooperative Bank (which manages a fund of 23 billion Euro) and CREA, we would like to draw your attention to certain aspects in relation to sustainability in your company.

***Distribution of company profits.*** *Whilst we appreciate the considerable investments made by the company and the will to remunerate shareholders, considering the decrease in the main results of the balance (profits, revenue and EBIDTA) and the increase in net debt, we consider that the increase of 33% in the payout ratio compared to 2011 is excessive. Furthermore, we hope that our proposal for the allocation of profits can constitute in the following AGM's, a fixed point on order of business exempt from the approval of the annual balance..*

***Socio-environmental reporting*** *We express our appreciation or the commitment and attention paid by the company to reporting on all activities and in the presentation of the annual sustainable balance on the basis of the international guide lines provided by Global Reporting Initiative and in relation to the B+ rating. We also appreciate the fact that all reports were made available on the company website before the AGM in such as to allow analysis before voting took place.*

***Occupational stability.*** *In these difficult times for the Italian and global economies, we are closely observing the development of agreements undertaken by Piaggio with partners in Italy in terms of appeals to the temporary state lay-off fund and to solidarity contracts and we hope that data in relation to industrial disputes in Italian and foreign plants is provided in the annual balance.*

***Human rights and supply chain.*** *Given the increasing presence of Piaggio in*

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*countries such as Vietnam, China, Indonesia and India, where human and workers rights are important issues, we hope that the company continues to operate in accordance to increasingly detailed policies and manages these matters also in relation to suppliers, possibly selected on the basis of social responsibility criteria.*

*Policies in relation to corruption issues Piaggio operates in countries which we know are experiencing significant economic and social growth, but which also suffer from problems linked to the control and management of corruption. We are aware that for some time good procedures have been implemented in this area, we hope for the voluntary adhesion to international programmes or guide lines in relation to issues of corruption and governance, such as for example, the UN Global Compact and "Business Principles for Countering Bribery of Transparency International.*

***Energy from renewable sources.*** *Given the group's significant commitment to the development of hybrid and low-emission products, we hope that the group will use energy from renewable sources in its manufacturing activities, in that we believe that they should be increasingly considered as a valid alternative to traditional energy sources.*

***Water resources.*** *Considering the high environmental impact of activities carried out by Piaggio, we think it is important that water resources and the disposal of effluents be managed in a responsible fashion. We feel that the Annual Balance for 2012 should provide a detailed report in relation to the identification of water sources and their exploitation, we note that adequate recycling of water only occurs in the plants located in India and Vietnam We hope that in the coming year that water recycling will spread to all plants owned by the group, along with the relevant notification.*

## VOTING

Motions proposed by the company	In Favour	Against	Abstention	Ref: Etica Sgr Guide Lines
<b>ORDINARY PART</b>				
1) Annual Balance on the 31st of December 2012, Management Report and proposal for the allocation of profits, Report of the Board of Auditors, Independent Auditors Report and relevant and consequent deliberations.	X			1.7
2) Remuneration Report in accordance with art. 123-ter del D.Lgs. 58 -1.7 1998 Consequent and relevant deliberations.	X			1.6
3) Authorisation for the acquisition of own shares in accordance with artt. 2357 and 2357-ter c.c.art. 132 of D.Lgs. 58/1998 Consequent and relevant deliberations.			X	1.5
<b>EXTRAORDINARY PART</b>				
1) Proposal for cancellation of 10.971.521 shares, following modifications to article 5.1 of company statute Consequent and relevant deliberations.		X		-

## THE COMPANY'S ANSWER

# «Constant human rights observance»

*O*n the 15th of April 2013 in Milan, Etica Sgr participated in the Piaggio AGM for the third year running. The company produces two and three wheeled motor vehicles and commercial vehicles (three and four wheels). Etica Sgr voted in favour of the Annual Balance and the Remuneration Report, whilst it abstained on the vote on the authorisation for the acquisition and allocation of its own shares (Etica would have preferred a greater level of detail in the definition of the objectives subject to the request for authorisation) and it voted against the cancellation of its own shares (in relation to the previous order and increase in net debt registered by Piaggio). With the support of some socially responsible investors, such as the Cooperative Bank (which manages a fund of 23 billion Euro) and CREA, Etica Sgr participated in the AGM in order to draw attention to certain issues related to corporate sustainability. Etica Sgr pointed out the increase in the payout ratio in relation to 2011, despite the decrease in the main results on the balance and the increase in net debt.

*The President and CEO of Piaggio, Roberto Colaninno, emphasised how the company is making efforts to distribute dividends with a certain level of consistence where possible and in the awareness that they represent the due remuneration for the investment made, even from an ethical point of view and with due respect to shareholders. Given the strong presence of the company in countries such as China, Vietnam, Indonesia and India, Etica Sgr requested increasingly detailed policies in relation to human and workers rights and also to suppliers, and the voluntary adhesion to international programmes or guide lines in relation to the issues of corruption and corporate governance. Etica also appreciated the will on the part of Piaggio to select its suppliers on the basis of socially responsible criteria and the adoption of a code of ethics. Mr. Colaninno answered by stating that Piaggio has always paid a great deal of attention to issues related to working conditions and human rights in foreign plants via its "Country Managers".*

*Etica Sgr emphasised the importance of certain environmental issues such as the use of renewable energy in its manufacturing process. Upon this point, Mr. Colaninno underlined that currently it is not so simple to reach satisfactory agreements with suppliers of this kind of energy in Italy. Finally, Etica Sgr requested updates in relation to the development of agreements undertaken with partners in Italy in terms of the state temporary redundancy fund and solidarity contracts and disclosure on the rate of industrial disputes in its foreign plants*



# Prysmian: less divergence between salaries

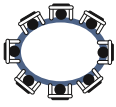
Article from ETicaNews, 17th of April 2013

The main issue considered by Etica Sgr was remuneration policy at the Prysmian AGM (117,618, 186 shares were represented accounting for 54.81 of the total capital, 1207 shareholders were present, including 10 in person), which was held yesterday afternoon in Milan (EticaNews reported events on Twitter) and the approval of the annual balance for 2012. Our managing director Alessandra Viscovi intervened on the fact that, despite the adequate transparency in the Remuneration Report, that calculation indicators for the variable component were not sufficient to assess the quality of company management. Indicators which correlate the different eco-

## \*TWITTERNEWS

The following is a selection of tweets from the Prysmian AGM held on the 16th of April 2013. To view the complete series of tweets please visit:  
<http://www.eticanews.it/wp-content/uploads/2013/04/Twittercronaca-Prysmian.pdf>

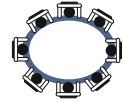
- *The Prysmian AGM is open for business, chaired by Massimo Tononi and Carlo Marchetti (Notary Public)*
- *On the order of business is the approval of the balance for 2012, the report on management and*



conomic variables are needed (ROE, cost/income, ROI and ROS). Furthermore, she suggested the introduction of socio-environmental aims into remunerative outlay, which are currently set aside for certain professional figures. The AGM and Prysmian Chairperson, Massimo Tononi answered by stating that he understood the suggestion, but mostly provided data which would indicate a "wiki policy". And, the narrowing of the gap between management and workers' salaries. In 2011, the ratio between the annual salary of a CEO and a factory operative was 43:1 in Italy and 45:1 in the rest of the world on average. In 2012 the ratio fell to 41:1 in Italy and 41:1 in the rest of the world. The ratio between management and office worker salaries was stable at 17:1 in Italy and 21:1 in the rest of the world. Apart from their remuneration, the only benefit company directors availed was a company car, Etica Sgr also requested management to improve socio-environmental reporting: "Disclosure is all very fine - says Alessandra Viscovi - but, in-depth reporting is necessary on relations with both foreign and Italian interest groups". Also on the agenda was the renewal of the Board of Auditors, the salaries of members were increased in accordance with the expansion of the group, explained President Tononi. The fact that Prysmian is a true public company (the last remaining on the stock exchange), there is no majority list, instead two lists of minori-

*the allocation of profits*

- Shareholders deliberate on the plan to allow employees to hold shares
- The remuneration policy is also discussed
- 117.618.186 shares are represented, accounting for 54.81% of the total capital
- The main shareholders present are Clubtre 6.2%, Norges Bank 3.2%, Fmr Llc 3%, Jp Morgan 2.1% and Franklin Templeton 2.1%
- Other Prysmian investors include State Street Global Advisor Ireland 2.1%, Fidelity 2.1%, Schoder 2% and Oppenheimerfunds 2%
- 1207 investors are represented, 10 in person
- Revenues stable, profits up by 10% to 112 million Euro
- CFO: reason for debenture loan is the lengthening of debt, there is no emergency as far as liquidity is concerned
- Tononi: no increase in capital is envisaged
- Net debt at 918 million at the end of December 2012
- Assembly approves balance and allocation of profits
- Board of Auditors, List 1 Clubtre
- Board of Auditors, List 2 institutional investors
- Etica Sgr voted for List 2 (funds)
- Tononi: I will increase salaries of the Board of Auditors due to company expansion
- Authorisation for acquisition of own shares, some funds do not



ty shareholders: List 1- the Tamburi list (Clubtre partner with a 6.2% share) which obtained the majority and List 2 - the Assogestioni list (1% at the time of registration). Etica Sgr voted in favour of List 2. The assembly and Etica Sgr voted in favour of employee shareholder participation (see "Prysmian values wiki capital" - EticaNews) and the convertibility into shares of bonds, which was decided, explains management, to lengthen the time-frame of debt. In 2013, a significant decrease in the financial burden is expected. At the end of the AGM, CEO Valerio Battista made himself available to the press for questions and in relation to observations on remuneration policy addressed by Etica Sgr, he replied: "We already take some of the indicators mentioned by Etica into account, ROE for example. Different indicators can be taken into consideration, but we must not chip away too much at management incentives, which must have a few very clear objectives. I would like to emphasise that we have produced our first sustainable balance, certified by Deloitte, this year". The balance was only published on Friday however, that is to say four days before the AGM, not a great deal of time in which to perform a detailed analysis. A view which was made known to management by Etica Sgr.

*agree, Etica Sgr votes in favour*

- *Etica Sgr votes in favour of employees becoming shareholders*
- *Tononi: only benefit for Company Directors is company car*
- *Intervention by Alessandra Viscovi*
- *Etica Sgr has been a Prysmian shareholder for 3 years*
- *Socio-environmental reporting: disclosure is good, level C+ GRI standard*
- *Wider reporting on relations with Italian and foreign interest groups*
- *Etica Sgr: Remuneration report: detail and transparency are good*
- *Indicators for variable component not sufficient to assess quality of management*
- *Etica Sgr: inclusion of indicators which correlate the different economic variables are needed (ROE, cost/income, ROI and ROS).*
- *Also introduce socio-environmental aims, currently too few*
- *Etica Sgr: plan for allowing employees to become shareholders is good*
- *The plan reinforces corporate identity and allows employee interest to come into line with those of shareholders*
- *Tononi: office worker-management salary ratio is 17:1 in Italy and 21:1 in the rest of the world, for both 2011 and 2012*

## STATEMENT

# «Human rights in the supply chain»

*Alessandra Viscovi Managing Director Etica SGR - Prysmian 16th of April 2013*

**D**ear members of the Board and shareholders of Prysmian S.p.A., for the third year running we are participating at the AGM in our role as responsible investors with special regard to the social, environmental, financial and commercial performance of the company. Etica Sgr is part of a network of socially responsible investors and together with some of these, such as ECOFI Investments (6.5 billion Euro fund), the Cooperative Bank (which manages a fund of 23 billion Euro) and CREA, we would like to draw your attention to certain aspects in relation to sustainability in your company.

***Socio-environmental reporting:*** we appreciate the increasing efforts and high level of disclosure undertaken by Prysmian in relation to issues in the socio-environmental field, this year the company obtained a C+ rating from the Global Reporting Initiative, but at the same time, we urge you to provide increasingly more detailed and broader reporting in relation to relations with interest groups in Italy and abroad. Whilst we understand the relevant operational difficulties, we also ask you to publish the Annual Sustainability, at the same time as the Annual Balance, before the AGM in order to be able to express informed opinions at assembly, for the benefit of all interest groups.

***Human rights and supply chain:*** given the increasing presence of Prysmian in countries such as China, India and the Ivory Coast, where human and workers rights issues are significant, we hope that the company will continue to operate according to increasingly detailed policies and manage these issues along with issues concerning the supply chain, which should be possibly selected on the basis of socially responsible criteria, these include, not using mineral resources originating in geographical areas of conflict or in areas where human rights violations have been recorded, areas like the Democratic Republic of the Congo for example.

***Remuneration:*** We have noted the high degree of detail and transparency in the 2013 Remuneration Report, which is in line with control authorities guide lines. We



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*feel that the calculation indicators currently in use for the variable component were not sufficient to assess the quality of company management and debt levels. Moreover, Etica Sgr would favour the use of indicators which correlate different economic variables, such as ROE, ROCE and ROI. Whilst we are aware of the limitations of these indicators, we feel that they can be useful to link management remuneration variables to company management. Furthermore, we hope that the company introduces socio-environmental objectives, which are currently envisaged only for certain professional figures, in its remunerative outlay, whilst explaining implementation mechanisms clearly.*

*We would also like to know the relevant data on the wage gap between the CEO and the average Prysmian employee, with reference to the 2011 and 2012 financial years. Finally, we appreciate the adoption of the "Plan for employee share participation", which reinforces the sense of corporate identity and allows workers' interests to come into line with those of shareholders.*

## VOTING

Ordinary Assembly	In Favour	Against	Abstention	Ref: Etica Sgr Guide Lines
1. Annual Balance on the 31st of December 2012, Management Report and proposal for the allocation of profits, Report of the Board of Auditors, Independent Auditors Report and relevant and consequent deliberations.	X			1.7-1.7.1
2.1 Nomination of the Board of Auditors and its President 2012-2015 ( ClubTre List)				-
2.2 Nomination of the Board of Auditors and its President 2012-2015 ( Assogestioni List)	X			-
3 Determination of remuneration of members of Board of Auditors	X			-
4 Conferral of authorisation to Board for the permission to acquire own shares in accordance with Articles 2357 e 2357-ter of Civil Code, annulment of deliberation of the 18th of April 2012 in relation to acquisition of own shares, and relevant and consequent deliberations	X			1.5
5 Plan for employee participation in Prysmian share ownership	X			1.6
6 Consultation on Prysmian Group remuneration policies.	X			1.6
<b>EGM</b>				
1. Authorisation for the convertibility in accordance with art. 2420-bis, comma 1 c.c. of equity linked debenture loan, deliberated by Board on 4th of March 2013, reserved to institutional investors and equal to a nominal value of 300,000,000.00 Increase in company capital in accordance with art. 2420-bis, comma 2 c.c, with exclusion of an option right in accordance with art. 2441, comma 5 c.c., for the purposes of the conversion of said debenture loan for a nominal value of 1,344,411.30 by means of the issue of 13,444,113 ordinary shares for the nominal value of 0.10 each. Modification of article 6 of company statute. Consequent and relevant deliberations. Conferral of powers in relation to the operation	X			-

## THE COMPANY'S ANSWER

# «The Balance must be delivered sooner»

***P**er il terzo For the third year running, Etica Sgr has participated and voted at the Prysmian AGM, which was held on the 16th of April 2013 in Milan. All points on the order of business were voted for favourably. With the support of a few socially responsible investors, such as ECOFI Investments (6.5 billion Euro fund), the Cooperative Bank (which manages a fund of 23 billion Euro) and CREA, Etica Sgr intervened during the assembly in order to draw attention of management to certain aspects linked to corporate sustainability. Progressive and broader reporting was requested with regards to relations with interest groups in Italy and abroad and the more punctual publication of the Annual Balance in order to permit analysis and to facilitate informed opinions at the AGM.*

*The President of Prysmian, Massimo Tononi, promised Etica that the company would increase efforts to improve socio-environmental reporting and to publish the Balance punctually. In relation to remuneration, Etica underlined the high degree of detail and transparency in the 2012 Remuneration Report and suggested the introduction of some new criteria, such as ROE, ROCE and ROI for example, in the definition of variable remuneration of the CEO, since these indicators can be very useful in linking the variable remuneration of management to company management. Etica also requested the relevant data on the wage gap between the CEO and the average Prysmian employee, with reference to the 2011 and 2012 financial years in Italy and abroad.*

*Mr. Tononi thanked Etica for the advice and provided an answer in relation to the differential between the fixed wage of the CEO and the average salary of an ordinary employee in Italy and abroad: in 2011 the ratio was 43:1 in Italy and 45:1 abroad, whilst in 2012 it was 41:1 in Italy and 44:1 abroad. The gap between the CEO's salary and office workers remained stable in 2012 and was 17:1 in Italy and 21:1 abroad.*

*Finally, Etica suggested that the company continue to operate according to increasingly detailed policies in relation to suppliers both in Italy and abroad (especially in China, India and the Ivory Coast), and that they should be possibly selected on the basis of social responsibility criteria. The monitoring of possible suppliers in the Democratic Republic of the Congo was also requested (in line with the Congo Conflict Minerals programme of the PRI of the UN to which Etica has adhered.)*

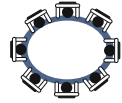


# Yoox experiences great success with mobility manager

*Article from ETicaNews, 23rd of April 2013*

The presentation of the first Annual Balance to the Yoox AGM (reported on Twitter by EticaNews) was not the only item on the agenda. Last Monday, the founder of the company, President and CEO (maybe too many roles here?), Federico Marchetti, provided the result obtained in relation to sustainability (B+ according to GRI) to the 5 shareholders accounting for 74.7% of the total capital ("Are you satisfied? Marchetti says informally, addressing Etica Sgr's President, Sandro Anotniuzzi), he also provided very detailed and precise answers to all the issues raised. In the first part of its statement, Etica Sgr (the only share-

holder which took the floor) hoped that Yoox, given its increasing presence in markets such as China, where the issue of human and workers rights is particularly relevant, continues to operate according to increasingly detailed policies, also with regards to logistics and supply. "The observance of International Conventions on Human Rights and labour standards are currently, more than ever, the central points concerning sustainability in public companies and a particularly relevant issue for ethical investors. The constant commitment to economic, social and environmental sustainability are part of Yoox's DNA, ans-

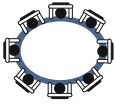


wers Marchetti (...). Acting in accordance to the principles of sustainability is deeply entrenched in our way of doing business and constitutes a strong stimulus for the increment of our innovative and competitive capacity. With regards to the issue of human rights and labour standards, the observance of these rights and the health and safety of all employees represent an absolute priority. The group is committed to constantly ensuring that working conditions guarantee the health and safety of workers. This is the case in Milan as it is in Bologna, Hong Kong or in New York. In relation to logistics and the supply chain, Yoox pays particular attention to the analysis of the quantitative levels of supply, in accordance with ethical principles in the conducting of business and with respect for health and safety best practice in the workplace. At the level of policy, the principles and regulations are defined in the Code of Ethics under Organisational Model 231 and in the procedures formalised in relation to the supply of products and services, for the selection and control of suppliers. They draw their inspiration from the criteria of free competition, honesty, impartiality, fairness and the quality of the product and/or service. Furthermore, in the phase which precedes the activation of a supply relationship, Yoox acquires commercial information and references which allow for an initial assessment of the supplier. At a contractual level, we request that our counterparts, whether they are suppliers of clothes, logistics or technology, provide guarantees on ethical behaviour and the observance of human and workers

## TWITTERNEWS

The following is a selection of tweets from the Yoox AGM held on the 16th of April 2013. To view the complete series of tweets please visit: <http://www.eticanews.it/wp-content/uploads/2013/04/Twittercro-naca-Yoox.pdf>

- *The Yoox AGM is about to begin*
- *Etica Sgr is there, represented by its Vice-President Sandro Antoniazzi*
- *42.9 million shares are represented, accounting for 74.7% of the total capital, 5 shareholders are there in person*
- *The CEO Federico Marchetti declares the AGM to be legally constituted*
- *Sandro Antoniazzi is about to speak*
- *Sustainability report is good, also requested by Etica last year, it obtained a B+ from the GRI*
- *Positive that reporting documentation was made available*
- *Human rights: must continue to operate according to increasingly detailed policies even in relation to logistics and supply*
- *Marchetti: constant commitment to environmental sustainability part of Yoox DNA*
- *Yoox is committed to human rights in Milan and Bologna, but also in Hong Kong*
- *Yoox has a code of ethics for su*



rights, the principle of non-discrimination, the prohibition of forced labour and the safeguarding of trade union rights. In the context of agreement between the parties, Yoox also requests that the supplier adheres to the Code of Ethics, which includes all company values, as well as the observance of the norms and principles contained in Organisational Model 231. Moreover, by the end of this year we will have updated our Organisational Model 231, placing particular attention on the relevant risks to these questions. We can confirm that the efforts made by Yoox in this field are considerable". The assembly which approved the 2012 Balance also dealt with the presentation of the Remuneration Report. "We have noted the high level of detail and transparency of the 2013 Remuneration Report, in line with control authorities guide lines", states Antoniazzi in the second part of his statement, "We feel that the indicator currently implemented for the calculation of the variable component of remuneration allows for a good assessment of company growth but it is not sufficient for an adequate assessment of the quality of company management. Therefore, Etica Sgr would favour the implementation by Yoox of indicators which correlate different economic variables, such as ROE and ROS, whilst we are aware of the limitations of these indicators, we feel that they can be useful in linking variable remuneration to company management. We would also like to know the relevant data on the wage gap between the CEO and the average Yoox employee, with reference to the 2011 and 2012 financial years. Fi-

*pliers, it asks guarantees on ethical behaviour and on the respect of human rights*

*•Marchetti asks Etica if it liked the Balance*

*•Getting ready to vote on balance, Etica votes in favour*

*•Discussion on remuneration begins*

*•Etica Sgr comments on the remuneration report*

*•Good detail and transparency in 2013 remuneration report, in line with official guidelines*

*•Indicators for variable component not sufficient to assess quality of management*

*•Need for indicators which correlate different economic variables: ROE, cost/income, ROS*

*•We would like information on the difference between the CEO's remuneration and that of the average worker*

*•Etica Sgr hopes for the introduction of socio-environmental objectives, which clearly describe the implementation mechanisms*

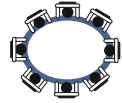
*•Yoox: EBIDTA is not the only parameter for the variable remuneration component*

*•Yoox lists other indicators*

*•In 2012 ratio between top salaries and that of ordinary workers is roughly half that of comparable companies*

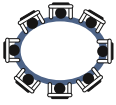
*•MDO already linked to socio-environmental objective, example: use of renewable energy*

*•Vote on remuneration*



nally, we hope that the company will introduce socio-environmental objectives in its remunerative outlay, clearly describing the implementation mechanisms.". Yoox's reply is even more detailed and precise. "EBIDTA is not the only parameter that is anchored to the variable component of remuneration. For a large proportion of staff (...) the short-term variable component (MBO) is linked to reaching an annual EBIDTA objective, as well as individual objectives linked to performance in their own areas of business and company functions. With reference to individual objectives, indicators are defined for the different areas of activity which follow the aim of stimulating the manager and to operate in the context of optimisation of specific management indicators. (...). Furthermore, a large number of our personnel benefit from Stock Option Plans, which are aimed at stimulating the beneficiary and to operate in the context of optimisation of corporate value, also measured in share prices, and to operate in line with the interests of You the shareholders. In 2012, the indicator which compares the remuneration of the CEO in relation to the remuneration of the average worker, is considerably wider in other comparable companies than it is in Yoox, where it is about double, despite an increase in the previous financial year. I would like to emphasise that for the purposes of the definition of my remuneration for 2012-2015, the Remuneration Committee has availed of the expertise of the independent expert Spencer Stuart, who has taken comparable remuneration packages in comparable companies into account, in other words in public and

- *Funds vote against with 14 million shares, Etica Sgr votes in favour*
- *Remuneration Report approved*
- *Vote on approval for acquisition of own shares approved*
- *Statutory modification to bring it in line with the new legislation on gender quotas*
- *Vote on statutory modifications, nobody against and nobody abstains*
- *Yoox approves the modifications*
- *Marchetti brings business to a close*



private companies in the luxury and fashion sectors in Italy and Europe, which are similar to Yoox in terms of size and complexity, trendsetting capability and with a significant online retail business. Similar analysis are carried out by our HR department in relation to the remuneration of executives, middle-management and office workers. With regards to the socio-environmental objectives, the fact is that the company has already linked the MBO of certain company roles to the attainment of these objectives, in line with improvement targets which the group has imposed on itself for the near

future. By way of example, some of the targets assigned are the attainment of ISO 14001 certification during 2013 and the increment of energy from renewable sources, by the acquisition of CO-FER certified products. At the beginning of 2013, we have nominated an internal Energy Manager with the responsibility for defining and implementing policy and the group's energy management model and also the appointment of a Mobility Manager with the aim of defining a sustainable mobility policy which helps to lessen the environmental impact.



## STATEMENT

# «CSR in high-level management remuneration»

*Sandro Antoniazzi Vice-President of Etica SGR - Yoox 19th of April 2013*

**D**ear members of the Board and shareholders of Yoox S.p.A., for the second year running we are participating at the AGM in our role as responsible investors with special regard to the social, environmental, financial and commercial performance of the company. Etica Sgr is part of a network of socially responsible investors and together with some of these, such as the Cooperative Bank (which manages a fund of 23 billion Euro), Boston Common Asset Management (fund of 1.8 billion) and the Tri-State Coalition for Responsible Investment, we would like to draw your attention to certain aspects in relation to sustainability in your company.

***Socio-environmental reporting:*** with great pleasure we welcome the presentation of the first Annual Sustainability Balance, as requested last year, aimed at all interest groups and with a degree of detail which has already obtained a B+ rating from the Global Reporting Initiative, following Yoox's will to manage its activities in a sustainable manner from a commercial, financial and socio-environmental point of view. Furthermore we appreciate the fact that all reporting was made available on the company website before the AGM, in such a manner which allowed for analysis to be carried out before voting took place.

***Human rights and supply chain:*** The observance of International Conventions on Human Rights and labour standards are currently, more than ever, the central points concerning sustainability in public companies and a particularly relevant issue for ethical investors. Given its increasing presence in markets such as China, where the issue of human and workers rights is particularly relevant, continues to operate according to increasingly detailed policies, also with regards to logistics and supply.

***Remuneration:*** we have noted the high degree of detail and transparency in the 2013 Remuneration Report, which is in line with control authorities guide lines. We feel that the calculation indicators currently in use for the variable component were not

sufficient to assess the quality of company management and debt levels Moreover, Etica Sgr would favour the use of indicators which correlate different economic variables, such as ROE, cost/income and ROS, Whilst we are aware of the limitations of these indicators, we feel that they can be useful to link management remuneration variables to company management. We would also like to know the relevant data on the wage gap between the CEO and the average Yoox employee, with reference to the 2011 and 2012 financial years. Finally, we hope that the company will introduce socio-environmental objectives in its remunerative outlay, clearly describing the implementation mechanisms.

#### VOTING

Points on the order of business	In Favour	Against	Abstention	Ref: Etica Sgr Guide Lines
<b>ORDINARY PART</b>				
1) Approval of annual balance on 31st of December 2012 Reports of the Board of Directors , Board of Auditors and Independent Auditors.	X			1.7
a. Approval of 2012 Balance	X			
b. Allocation of profits and distribution of dividends	X			1.7.1
2) Nomination of Board of Directors				1.1 - 1.2
a. Determination of mandate of Board of Directors	X			
b. Determination of number of members	X			
c. Nomination of President and members of the Board according to list system				
- List presented by Merloni, M.C. Lazzarini, C. Merloni and M.F. Merloni	X			
- Lista presented by Fineldo SpA				1.4
d. Determination of remunerations	X			

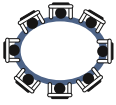


# Indesit stumbles on corporate governance

*Article from ETicaNews, 8th of May 2013*

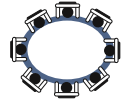
**B**ene il bilancio The sustainability balance, dividend policy and personnel outplacement were all positive, however there was disappointment in relation of the interlocking of the roles of President and CEO, a step backwards in terms of corporate governance. Yesterday Etica Sgr participated at the Indesit AGM, in its role as an engaged shareholder and was represented by its managing director, Alessandra Viscovi. The AGM, held at company HQ in Fabriano, was well attended, around sixty shareholders were present. "CEO, Marco Milani underlined the difficulties of the Italian market, but confirmed the intentions if the company to keep manufacturing in Italy

and gave an account of the plan for personnel outplacement from plant closures", states Alessandra Viscovi, who shone a light on plant shut-downs at last year's AGM. The assembly approved the 2012 Balance, which had positive elements: net profit was 62 million Euro (+2.2%), an EBIT of 132 million (+4.6%) and total revenue of 2.8 billion Euro (+2.1%). Net debt in million increased slightly from 218 million in 2011 to 256 million in 2012. A dividend was established at 20 cents per share, a payout ratio of around 33%, a much lower rate compared to the 40.35% reported in 2011. This is a fair percentage, Etica Sgr comments, last year it had complained about too high a payout rate. The sustain-



nability balance was also presented to the assembly, again this year an A+ rating in accordance with GRI guidelines was obtained. Amongst the most significant results obtained in 2012, the company states, was the further improvement to building safety (all plants obtained OHSAS 18001 certification), with a 28% reduction in the accident frequency in industrial plants index, a further reduction of 2% of CO2 emissions per unit and a 40% increase in staff training hours. However, Etica Sgr objected to the fact that the document was only made available the day before the AGM and has requested that publication take place in a punctual manner in order to allow for informed requests and detailed observations, in the interest of all. "We congratulate the company for obtaining the Top Employers Italia certificate for 2013, which is awarded to companies which have high standards in practices and policies in the management of HR and which reflect the importance which Indesit places on its employees through the years" declares Alessandra Viscovi. Furthermore, the company has only partially provided an answer in relation to the gap between the remuneration of the CEO and the average worker's wage, with reference to both the 2011 and 2012 financial years. The only data provided is in relation to Italian operations, on the basis of which it would seem that the CEO earns around 25 times more than the average industrial wage. Yesterday Indesit renewed all its top positions. Etica Sgr voted for the minority which was presented by the Merloni family, which was able to account for one director out of eleven. The new Board of

Director is composed of Marco Milani, Luigi Abete, Paolo Amato (included on the minority list), Franca Carloni, Guido Corbetta, Sergio Erede, Andrea Merloni, Antonella Merloni, Aristide Merloni, Maria Paola Merloni and Libero Milone. Marco Milani was reconfirmed as CEO and also nominated President, thus succeeding Andrea Merloni. The incumbent president says that he was very proud that Etica Sgr was a shareholder in Indesit, which attended the AGM for the ninth year running. "Etica's requests serve as a stimulus for constant improvement", he declared. Etica Sgr quickly pointed out the mistake the company made in relation to corporate governance. "With regards to best practice in corporate governance on an international level, which provides that the role of company president and CEO must be separate, we hope for the return of a division of these positions with an aim to achieve a more effective management in the medium and long terms". Etica Sgr voted against the incentives plan. "We have detected the same performance objectives in relation to annual bonuses which, however creates a situation whereby short and long term remuneration are assessed, at least partially, according to the same targets", says Alessandra Viscovi. In our opinion, there is a lack of information in relation to the value of the two objectives and the minimum attainment percentages which determine the issuing of a long term incentive. Finally, we would have preferred that the plan was aimed at all group employees." Etica Sgr voted against remuneration policy because no cap was indicated for long term variable



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components."In relation to the calculation of remuneration for high level executives, we would favour the implementation of indicators which correlate different economic variables, such as ROE, cost/income and ROI, whilst we aware of the limitations of these indicators, we feel that they can be useful in linking variable remuneration to company management.As was requested last year, we hope that indicators linked to

health and safety can be introduced for the CEO and high-level management (such as a frequency indicator the rate of serious injury and the rate of exposure to noise) and other parameters linked to environmental performance (such as, for example, the reduction of energy consumption, the reduction of water usage in manufacturing and waste production), currently in place for certain professional figures"

## STATEMENT

# «Governance safeguards everyone's interests»

*Alessandra Viscovi Managing Director of Etica Sgr - Indesit 7th of May 2013*

**D**ear members of the Board and shareholders of Indesit S.p.A, for the ninth year running we are participating at the AGM in our role as responsible investors with special regard to the social, environmental, financial and commercial performance of the company. In fact, Etica Sgr is the only Italian savings management company which is solely committed to the institution and the promotion of socially responsible common investment funds which invests in companies with a good socio-environmental profile. Etica Sgr belongs to a network of socially responsible investors and together with some of them such as CREA and Boston Common Asset Management (1.8 billion fund), we would like to draw your attention to certain aspects of company sustainability.

*We express our appreciation of the constant commitment and attention paid to the presentation from 2002 of a Sustainability Balance which this year obtained an A+ rating from the GRI. At the same time, we would kindly ask you to publish the documentation in a punctual manner in order to allow for informed observations and requests, in the interests of all groups.*

*We congratulate the company for obtaining the Top Employers Italia 2013 certificate, which is awarded to companies which offer high standards in the practices and policies in relation to the management of HR and is recognition of the importance which Indesit has placed on its employees down through the years.*

*With regards to this point we would also like to know the relevant data on the wage gap between the CEO and the average Indesit employee, with reference to the 2011 and 2012 financial years.*

*With regards to best practice in corporate governance on an international level, which provides that the role of company president and CEO must be separate, we hope for the return of a division of these positions with an aim to achieve a more effective management in the medium and long terms. We have detected the same*

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*performance objectives in relation to annual bonuses which, however creates a situation whereby short and long term remuneration are assessed, at least partially, according to the same targets. Furthermore, in our opinion, there is a lack of information in relation to the value of the two objectives and the minimum attainment percentages which determine the issuing of a long term incentive. Finally, we would have preferred that the planned was aimed at all employees.*

*We detected a high level of detail in the 2013 Remuneration Report, in line with control authorities guidelines, even if we would have favoured a cap in relation to long term variable components and lock-up clauses of non-monetary incentive plans. In relation to the calculation of the variable component of the remuneration of high-level executives, we would favour the implementation of indicators which correlate different economic variables, such as ROE, cost/income and ROI, whilst we aware of the limitations of these indicators, we feel that they can be useful in linking variable remuneration to company management.*

*Finally, as was requested last year, we hope that indicators linked to health and safety can be introduced for the CEO and high-level management (such as a frequency indicator the rate of serious injury and the rate of exposure to noise) and other parameters linked to environmental performance (such as, for example, the reduction of energy consumption, the reduction of water usage in manufacturing and waste production), currently in place for certain professional figures".*

## VOTING

Points on the order of business	In Favour	Against	Abstention	Ref: Etica Sgr Guide Lines
<b>ORDINARY PART</b>				
1) Approval of annual balance on 31st of December 2012 Reports of the Board of Directors , Board of Auditors and Independent Auditors.	X			1.7
a. Approval of 2012 Balance	X			
b. Allocation of profits and distribution of dividends	X			1.7 1
2) Nomination of Board of Directors				1.1 - 1.2
a. Determination of mandate of Board of Directors	X			
b. Determination of number of members	X			
c. Nomination of President and members of the Board according to list system				
- List presented by Merloni, M.C. Lazzarini, C. Merloni and M.F. Merloni	X			
- Lista presented by Fineldo SpA				1.4
d. Determination of remunerations	X			
3) Incentive plan, in accordance with 114-bis D.Lgs. 58 - 1998		X		
4) Proposal for acquisition of own shares Consequent and relevant deliberations.		X		1.5
5) Remuneration policy in accordance with art. 123-ter D.Lgs. 58 - 1998		X		1.6
6) Deliberation in relation to fund for protection of shareholder common interests	X			



## THE COMPANY'S ANSWER

# «More transparent salaries in future»

*On the 7th of May 2013, Etica Sgr participated at the Indesit AGM, held at the company HQ in Fabriano, for the ninth year running. Indesit is a leader in the European domestic appliances market. Etica Sgr voted favourably in relation to the allocation of company profits, the creation of a fund for the protection of shareholder interests and the determination of the mandate, the remuneration and the number of members on the new Board of Directors, for which Etica supported the minority list.*

*On the other hand, it voted against the long-term incentives plan proposed for high level executives (due to the lack of information linked to the parameters used for issuing bonuses), the authorisation of the acquisition of its own shares (which is partially aimed at the development of the plan) and the remuneration policy.*

*With the support of socially responsible investors such as the Cooperative Bank (which manages a fund of 23 billion Euro), Boston Common Asset Management (fund of 1.8 billion) and the Tri-State Coalition for Responsible Investment, we would like to draw your attention to certain aspects in relation to sustainability in your company.*

*The incumbent president, Andrea Merloni, answering in a transparent fashion to requests, stated that he was very proud that Etica Sgr was a shareholder in Indesit, which has attended the AGM for many years, since the organisation always acted as a stimulant for constant improvement within the business. Etica Sgr expresses its appreciation of the constant commitment and attention paid to the presentation from 2002 of a Sustainability Balance which this year obtained an A+ rating from the GRI.*

*At the same time, we have requested the publication of the Balance in a punctual manner in order to allow for a detailed analysis of company performance. Mr. Merloni answered promising greater commitment in relation to the publication of the Sustainability Balance before the AGM.*

*Etica Sgr congratulated the company on its recent certification award for 2013 from Top Employers Italia and requested the relevant data on the wage gap between the CEO and the average Indesit employee, with reference to the 2011 and 2012 financial years.*

*Mr. Merloni replied that the figure was in the region of 20-25 times more , for both 2011 and 2012. No information was provided in relation to foreign employees, Etica Sgr has suggested the insertion in the remuneration outlay of certain criteria which correlate different economic variables, such as ROE, cost/income and ROI and reminded the company of the importance of broadening ESG targets which already exist in the remuneration packages of a part of the management, in the assessment of the variable remuneration of the CEO. Mr. Merloni has promised Etica Sgr greater disclosure in relation to indicators used for the definition of remuneration.*

*Finally, following the election of the new Board of Directors, which has seen the actual CEO become President, Etica Sgr has requested for the return of the separation of these roles in order to promote a more effective management in the long term and for the safeguarding of interest groups*

# INTERNATIONAL ENGAGEMENT CAMPAIGNS

Further to its activities at AGM's, Etica Sgr supports many international campaigns in the field of social and environmental responsibility.

- **Carbon Disclosure Projects:** these are initiatives which involve sending questionnaires to different companies with the aim of improving their policies with regards to CO2 emissions, water consumption, wood usage and its impact on forests, decreasing the carbon emissions and energy efficiency.
- **Conflict Minerals:** the aim is to oblige American and European companies by way of policy, to monitor human rights issues (forced land child labour) amongst their suppliers of primary resources in the Congo and to publish the results of said monitoring.
- **Investor Statement on Bangladesh:** the aim here is to sensitize companies with regards to human rights, with specific reference to the supply chain and to oblige them to report on health and safety matters.
- **Emerging Market Disclosure Project:** the aim here is to improve reporting in the field of socio-environmental matters in companies active in emerging markets.
- **Human Rights In Burma:** the aim is to oblige American and European companies by way of policy, to monitor human rights issues (forced land child labour) amongst their suppliers in Burma and to publish the results of said monitoring.
- **Indigenous Rights Collaborative Engagement:** the aim is to improve policies in relation to the human rights of tribal peoples and to obtain their consent with regards to projects which impact on their communities.
- **Senior Gender Diversity:** The objective here is to improve company policies in matters of gender diversity at AGM's and at executive level.
- **Supply Chain Questionnaire:** the aim is to monitor the respect of human rights (forced and child labour) in the supply chain.
- **Sustainable Solar Initiative:** The objective is to sensitize companies which operate in the sustainable energy sector on matters relating to social responsibility.
- **UK/USA Political Lobbying Expenditure Disclosure:** The aim is to improve transparency in the reporting of payments and donations to political parties and/or lobbying.
- **Regulation on derivatives:** in order to sensitize the US Senate as to the importance of transparency in the sale of derivatives to the public and for stricter regulations in this sector on the part of SEC.



**CONCRETAMENTE>**

**Controcorrente,  
non controprofitto.**

 **Etica** SGR S.p.A.  
GRUPPO BANCA POPOLARE ETICA

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