



ALGEBRIS

Voting & Engagement Report

2023



1. Algebris Voting Policy

Algebris Investments (“Algebris” or “we”) embraces **active ownership**, encourages good governance and sustainable corporate practices, which contribute to long-term value creation for our investors. These are the guiding principles we have followed in setting out our policy with respect to the exercise of voting rights related to investments made by Algebris on behalf of our clients and the funds which we manage.

Algebris uses a combination of highly disciplined bottom-up fundamental research informed by top-down understanding of the macro context in which such investments occur and may be influenced. A bottom-up approach involves a fundamental analysis of individual securities, the short- and long-term economic prospects of the underlying company as well as an assessment of the underlying company’s intrinsic value.

Where Algebris has invested in the equity of a company, we will engage with the company on their ESG practices on a regular basis via broker conferences, company road shows or separately arranged meetings. All such meetings where relevant will take place in accordance with our Wall Crossing procedures and adherence to market abuse and insider dealing controls. The level and frequency of engagement may vary and will be determined by a number of factors, including but not limited to, the type of asset class held and the size of the position that we hold. The engagement will take place on a regular basis with additional engagement if there are any concerns about the company and/or the market in which it operates, including on ESG matters.

In many cases, Algebris seeks to build long-term relationships with the companies we invest in and is able to maintain a dialogue with senior management on ESG matters that is critical within the investment process. Algebris’ investment selections undergo exhaustive due diligence, communication with company executives, and a highly disciplined approach to risk control.

Regarding ESG, we incorporate the following principles in our voting process:

- Voting decisions are to be made on a case-by-case basis following an assessment of the matter at hand and after taking into consideration its likely effect on the performance of the investments and the relevant separate account mandate or Algebris fund. Algebris also takes into account **long-term sustainability considerations** of each issuer when deciding to vote.
- Any votes cast must be in the best interests of the relevant client, being:
 - The separate account holder in the case of votes attaching to an investment made under the relevant investment management agreement; or
 - The Algebris fund and the investors therein in the case of votes attaching to an investment made by Algebris
- Algebris is a supporter of the **Say on Climate Initiative**. As part of our commitment to the initiative, Algebris will encourage all listed companies to submit a Climate Transition Action Plan at their AGM for a shareholder vote. Where companies do not do so voluntarily, Algebris will vote for and file AGM resolutions (whenever we have sufficient votes) requiring such votes.

Our **Voting Policy** can be found on our website [here](#).

Our **Shareholder Engagement Policy** can be found on our website [here](#).

Proxy voting is managed via the ISS Proxy Exchange platform. The Algebris Operations team will receive meeting notifications which are sent to the investment team. Upon instruction from the relevant portfolio manager, the vote is input into the appropriate platforms. The vote will require an approval from a manager in the Operations team. Algebris vote on a meeting-by-meeting basis.

2. Voting Outcomes

In 2023, Algebris exercised its voting rights at 201 companies, voting in 238 meetings and 2,296 proposals (table 1). Our voting activity has increased sizably over the past five years: in 2023 we voted at 99% of all the meetings called at investee companies and 99% of proposals, compared to 47% in 2019.

Our full voting record for the year can be found on our website [here](#).

Algebris voted against the position of the companies' management in 8% of voted proposals. The majority of these contrarian votes (41%) related to matters of compensation. We consider the alignment of interests between management and shareholders to be a key element of corporate governance and we place a high degree of scrutiny on remuneration policies and executive compensation. Our decision to vote against management on these issues was mostly based on a determination that the policies under review did not provide enough transparency on performance criteria for short-term variable remuneration, and/or did not establish an appropriate link between pay and performance. Some examples are provided below.

Table 1 – Summary Statistics

	2019	2020	2021	2022	2023
Meetings Voted (n)	74	137	126	196	238
Meetings Voted (%)	47%	90%	91%	98%	99%
Proposals Voted (n)	591	988	1,040	3,159	2,296
Proposals Voted (%)	46%	85%	89%	89%	99%
Proposals Voted against Management (%)			4%	8%	8%
Votes against Management, by topic:					
<i>Compensation</i>			49%	49%	41%
<i>Director election</i>			na	14%	19%
<i>Directors related</i>			13%	7%	12%
<i>Capitalization</i>			9%	12%	12%
<i>Routine Business</i>			9%	4%	5%
<i>Reorganization / Mergers</i>			2%	1%	..
<i>Shareholder Resolutions</i>			18%	8%	6%
<i>Other</i>			..	4%	5%
Shareholder Resolution Voted (% of total)			91%	97%	96%
Shareholder Resolution Supported (% of those voted)			76%	70%	55%

Weak Remuneration Policy at Interpump Group SpA

Algebris voted against the remuneration policy because it presented a number of weaknesses. Most notably, termination payments can be in excess of 24 months' pay, the level of pay for the CEO is excessive relative to peers, the company can pay significant discretionary bonuses (up to 75% of fixed remuneration) and the board maintains excessively broad derogation powers. Dissent rate was 48%.

Unclear Targets at Safilo Group SpA

Shareholder approval was sought for a binding resolution to approve the company's remuneration policy. Algebris voted against it because the company did not disclose targets of variable compensation, it allowed discretionary payments, it gave the board discretion to grant variable compensation to NEDs, although in limited amount, and the company uses the same two financial indicators in both short-term and long-term remuneration. Overall, the dissent rate amounted to 19%.

2.1 Shareholder Resolutions

In 2023, we voted on 206 shareholder resolutions across all funds (96% of all votable resolutions). Out of all shareholders resolution that were voted, 55% (ie. 114 out of the total 206) were voted in favour. In accordance with our voting commitment in the context of Say on Climate Initiative, we supported all shareholder resolutions asking investee companies to set climate action plans. Some examples of the shareholders resolutions that we supported are provided below.

Transparency on political activity at Stryker Corp

Shareholders submitted a resolution requesting that the company further disclose information regarding its political activities and expenditures. The company states that it does not make any political contributions of significance but does not deny contributions outright while at the same time acknowledging participation in industry trade organizations, with few details given. Algebris supported the resolution, feeling that such additional disclosure would help shareholders more fully evaluate the company's use of corporate funds in the political process and its management of any related risks. The resolution was defeated by 63% of votes against.

Indigenous Rights at Citigroup Inc

Shareholders submitted a resolution requesting a report on how effective Citigroup's policies, practices, and performance indicators are in respecting Indigenous Peoples' rights in its existing and future general corporate and project financing. This is the third time that Citi has faced a proposal related to concerns of violations of Indigenous Peoples' rights and the company has been under scrutiny over its financing of companies active in the Amazon oil and gas industry that are linked to drilling on and near Indigenous territories. Algebris supported this resolution (as it had done in 2022), but the resolution was defeated with 68% of votes casted against.

Fossil Fuel Lending Policy Resolution at Citigroup Inc

Shareholders submitted a resolution requesting that the Board of Directors adopt a policy for a time bound phase out of Citi's lending and underwriting to projects and companies engaging in new fossil fuel exploration and development. Algebris shared the concern that, without a policy to phase out financing new fossil fuel projects, the company might fall off track to meet its climate commitments and be exposed to higher transition risks. Algebris supported the resolution, which was defeated by 88% of votes against.

3. Other Engagement Initiatives

We aim to use our role as investors to achieve positive change, and hence place high importance on actively engaging with investee companies. We maintain our commitment to stewardship of investee companies throughout the lifecycle of the investment, through ongoing monitoring of ESG credentials and progress. We conduct both individual engagement on specific issues and collective engagement on broader themes.

3.1 Individual ESG Engagement

The goal of our individual ESG engagement is to positively influence the behaviour of investee companies to improve the long-term sustainability of their business models, either by focusing on broad ESG themes or by addressing company-specific issues. Individual engagement is also a central part of both our UNGC and ESG best-in-class screenings or through our monitoring of ESG controversies. We generally see divestment as a last-resort when engagement fails or when we deem the concerned company's failures to be too significant and persistent to be realistically remedied via engagement.

Algebris investment professionals hold ongoing dialogues with investee companies on ESG, typically done in the form of calls and meetings with management, following publication of results or upon presentation of industrial plans. The Algebris ESG team may also be involved in those conversations.

In our individual engagement with investee **banks**, we are vocal on the need for them to start disclosing the carbon footprint of their loan book – with particular attention paid to financed emissions (Scope 3 Category 15). Banks are gatekeepers to the green transition, as they decide what sectors to allocate funding to. Their largest climate impact therefore stems from their lending – but there is still very little transparency on Scope 3 financed emissions. Some examples of individual ESG engagements that we have had during the year are reported below.

Ad hoc engagement on abortion rights with Cencora Inc

The Sustainable Equities team contacted Cencora (formerly Amerisourcebergen) in March 2023 on foot of a report that appeared in the online publication Politico, which seemed to suggest that the company would stop distributing the Mifeprex abortion drug to 29 US states following legal developments at the time. The team enquired if the claim was accurate, and if so whether the company could explain the rationale behind the decision and selection criteria used. The company denied the allegations in the Politico report in full offering strong reassurance, and issuing a public statement on the matter.

Be-Spoke Questionnaires sent to Italian SMEs

The Algebris Italian Securities Strategy invests primarily in equity securities of Italian companies, focusing on the small and mid-capitalization segment of the market. It is well known that coverage of the SMEs segment from third-party ESG data providers has significant gaps. In 2023, the Fund's investment team sent a proprietary ESG questionnaire to more than 30 companies. In general, companies' own disclosure practices have kept improving over the past few years also in the SME space, requiring less ESG-specific engagements to be held.

Incomplete ESG Disclosure at Adler Pelzer GmbH

An investment in Adler Pelzer GmbH was flagged by our ESG best in class screening due to the company having a low ESG score. Based on the ESG team's assessment, this appeared to be mostly an issue related to the company's limited ESG disclosure, as the company was being scored for the first time. On the basis of this information, Algebris' investment team and ESG team engaged with the company to establish the nature of the poor score and the feedback overall suggested the company was aware of the issue and pro-actively looking to address it. The team monitored the situation and re-engaged on the same issue over the course of the year.

3.2 Collective ESG Engagement

Algebris recognises the value of collective engagement undertaken together with other investors in pushing for better environmental disclosures globally. Our collective engagement efforts are currently anchored around participation in multiple public transnational initiatives. Some examples are provided below.

Carbon Disclosure Project (CDP) – Non-Disclosure Campaign

CDP is the largest procurer of direct, reported, primary environmental information worldwide and it holds the largest collection of primary carbon, water, and deforestation information. Algebris actively participates in CDP's Non-disclosure Campaign (NDC) since 2021 – requesting investees to respond to climate change, forests and water security questionnaires developed and managed by CDP. In 2023 Algebris led the NDC engagement on 12 companies (up from 8 in 2022). Engagement was successful in 2 instances, but Algebris plans on re-engaging with the companies that did not submit a CDP questionnaire next year or on an individual basis.

Net Zero Asset Managers Initiative (NZAM)

Algebris joined NZAM in March 2021, and in March 2022 we disclosed our NZAM AUM target, committing to align 57% of our total AUM (79% of AUM excluding mandates) with the net zero objective by 2050 or sooner. The target will be reviewed periodically – with a view to reach 100%. Through the pledge, Algebris has committed to drive

adoption of science-based emission reduction Targets across all underlying investments in the portfolios and funds that are included in the Firm's Net Zero AUM commitment, by 2040. In line with this commitment, Algebris participated in CDP's Science Based Targets (SBT) campaign in 2023 and engages directly with investee companies on this.

3.3 ESG Engagement with Policymakers

Algebris believes engaging pro-actively with governments, regulators and other relevant bodies on a range of sustainability issues that are important to the firm and to investors. In 2020 and 2021 we addressed [letters](#) to EU authorities sharing our concerns on ESG matters. In both 2021 and 2022 we [signed](#) the Global Investor Statement to Governments on the Climate Crisis, promoted by The Investor Agenda, urging governments to take action to limit global temperature rise to 1.5°C above pre-industrial levels. In 2023, Algebris also participated to the consultations opened by the European Commission on EU sustainable finance legislation.

Learn more about our voting policy: <https://www.algebris.com/esg/policies-and-disclosures/>