



**GENERALI**  
INVESTMENTS

# ACTIVE OWNERSHIP REPORT

2018



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# Introduction



We are pleased to present you with the Annual Report on Active Ownership, summarizing the results of our proxy voting and engagement activities in 2018, and how we will continue to improve as an active investor seeking to have a positive impact on corporate governance standards through Stewardship.

We witness an increasing convergence of investors' expectations in markets around the world when it comes to corporate governance, as well as an acceleration towards a global consensus surrounding the related best practices.

As a member of the International Corporate Governance Network (ICGN), Generali Group ("Generali") was pleased to officially endorse the ICGN Global Stewardship Principles in 2018 and will continue to promote global standards in the area of corporate governance.

In 2018, we built a range of new activities that we are delighted to present in this report, aimed at increasing shareholders' value through Active Ownership and the support of positive changes for the companies we invest in. We want to build - through Engagement activity - a constructive dialogue with the issuers we invest in, highlighting any concerns we may have and thus encouraging changes.

Regarding our approach to voting, it is based on our voting policies, integrating Generali's ESG principles.



**Livio Gentilucci**

*Head of Governance Proxy Voting and Engagement  
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# About this Report



The 2018 Active Ownership report is our third annual report on the matter, and it reflects the efforts made during 2018 to strengthen our approach to Stewardship. It provides information and performance data on proxy voting as well as engagement activities performed during the year.

The report focuses on the actions we have taken on governance issues that are most material to our business and our stakeholders. Additionally, it describes the way we interact with companies so as to understand how ESG issues are addressed over time.

The document comprises two sections.

- Section 1 gives a brief presentation of our voting principles as per the Generali Voting Guidelines, and it includes our proxy voting data with the rationale behind the most significant votes expressed.
- Section 2 covers Engagement, exploring the different engagement strategies we put into action in 2018.

We welcome your feedback on any aspect of our report. Please contact us at: [GovernanceProxyVoting@generali.com](mailto:GovernanceProxyVoting@generali.com)



# Highlights



**1,201**

Meetings\* in which  
the Generali Group voted



**33**

Countries covered



**15,257**

Resolutions voted



**13%**

Negative opinions

\* The aggregated data as at 31st December 2018 refer to the assets owned by the Generali Group and those managed by Generali Insurance Asset Management S.p.A. Società di gestione del risparmio and Generali Investments Partners S.p.A. Società di gestione del risparmio, considering both shareholders' meetings and bondholders' meetings.

# Group Voting Guidelines



Generali votes according to its own Voting Guidelines that have been developed on the basis of international corporate governance practices and their evolution in time. It encompasses Generali's expectations for companies regarding board governance, remuneration, protection of shareholder rights and environmental and social topics, among other issues. Being the Voting Guidance applied to global assets, it allows some nuances so as to take into consideration local practices when applying the principles.

In terms of shareholders' rights, Generali supports the equal treatment of shareholders and therefore the "one share, one vote" principle, as it reflects and preserves the link between economic interest and voting power.

In terms of applicable Board principles, Generali believes that an adequate representation of independent directors within the board of directors is necessary to reinforce boards' accountability and preserve a right balance of powers. Generali constantly pays attention to the number of directorships an individual director holds, and whether the director in question has sufficient time to perform its role properly.

Moreover, Generali supports the principles related to board committees requiring, for the audit, nomination and remuneration committees to be composed by non-executive directors, with a majority of independent members, and chaired by an independent director.

A relevant and suitable combination of skills and perspectives is critical to the quality of the board, and Group Voting Guidelines take into account the value of individual diversity, e.g. in terms of gender, age, educational and professional background, as we believe that diversity is essential in enhancing the board's overall performance.

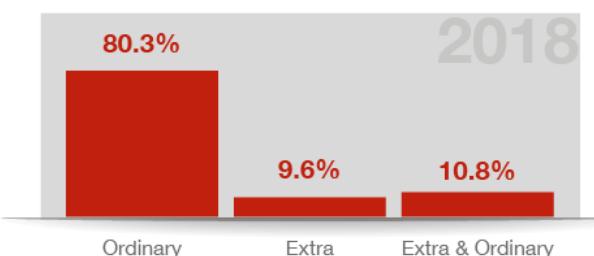
Generali supports the disclosure by issuers of all relevant non-financial information, including Environmental, Social and Governance related information.

# Overall Proxy Season

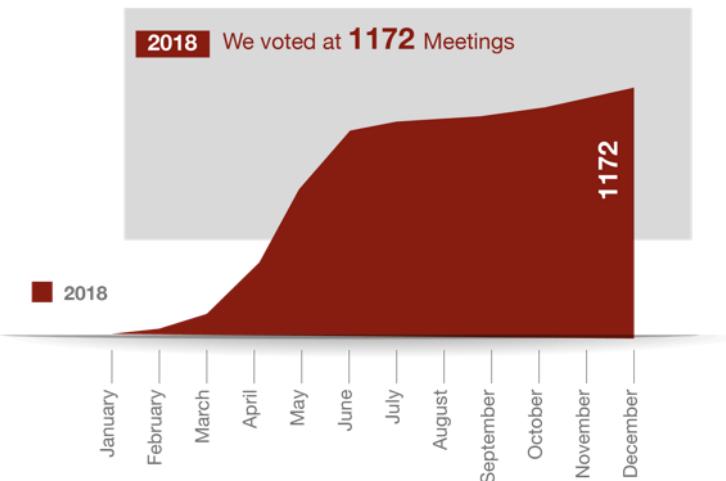
(shareholders' meetings)



## Meetings type

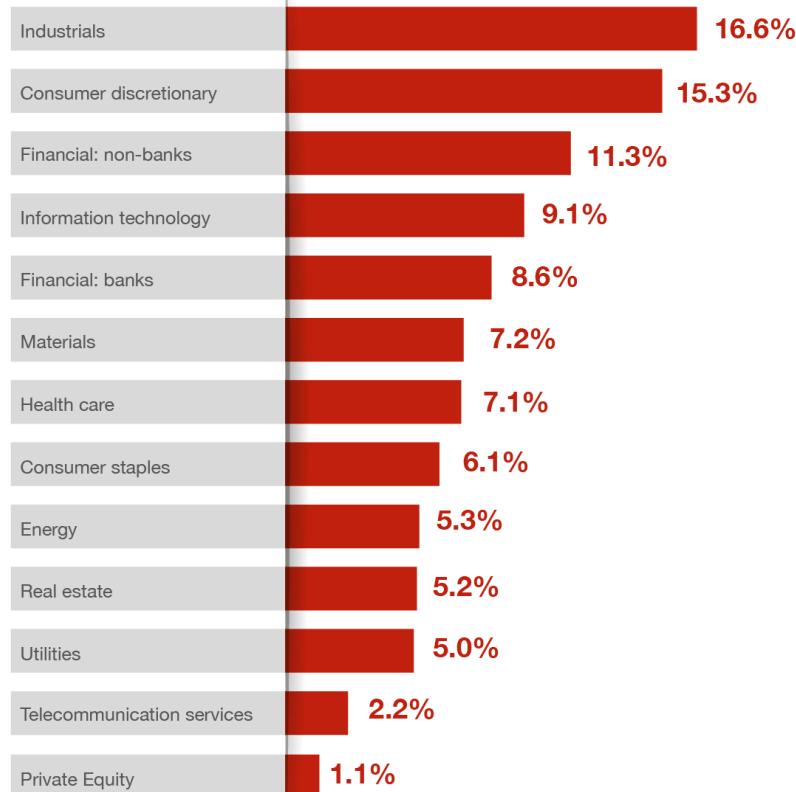


2018 We voted at **1172** Meetings



## Meetings per sector

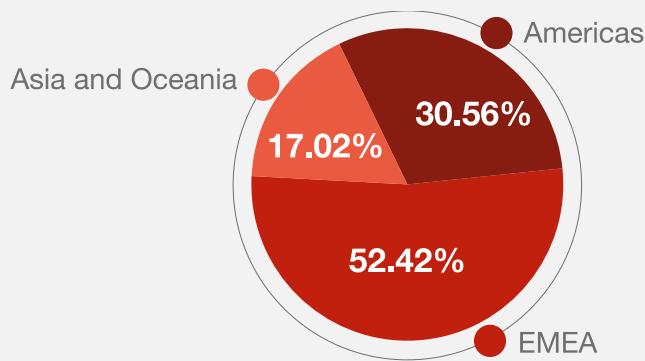
### Meetings voted 2018



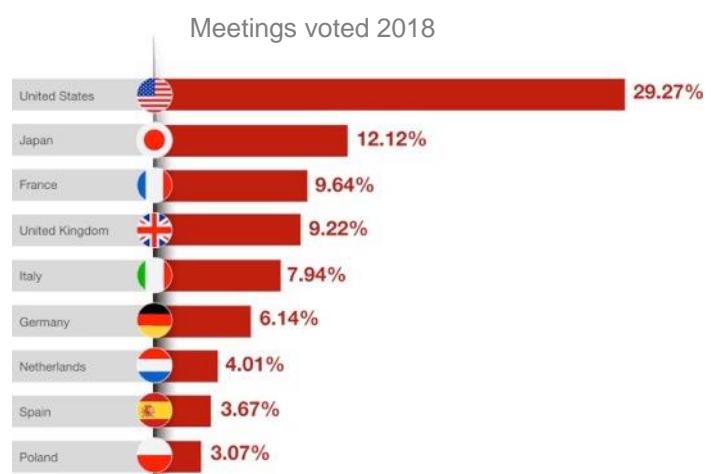
# Meetings Covered Per Country



**Meetings coverage per geographical area**



10 countries with the highest number of meetings

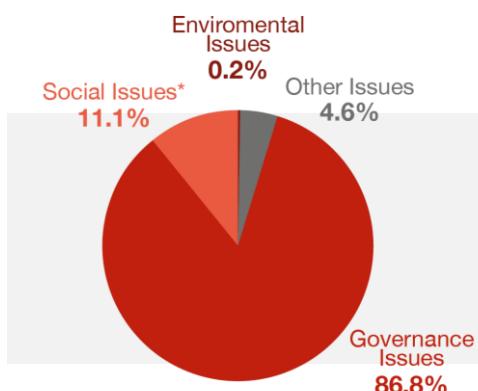
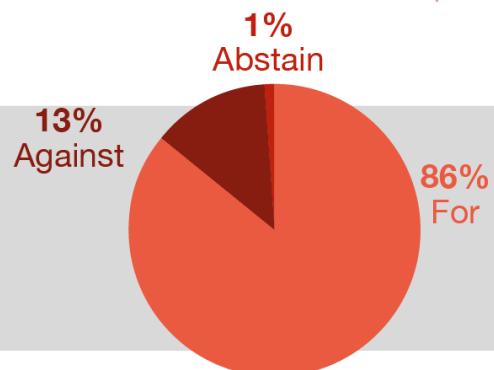


# Voting at a Glance



We voted **15,199** proposed resolutions

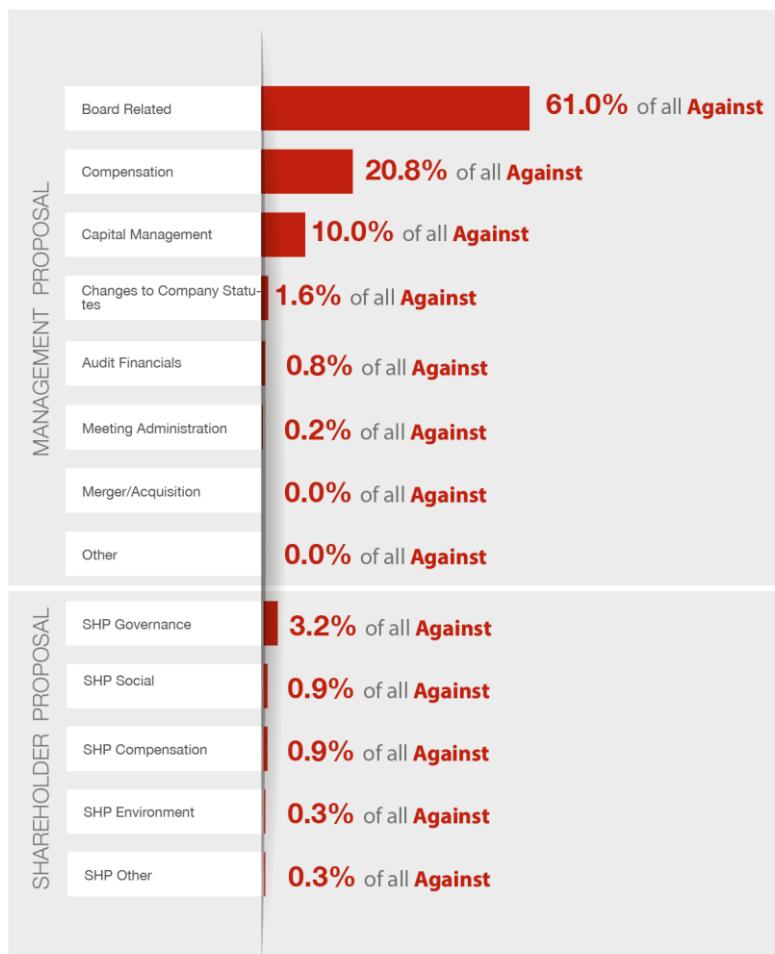
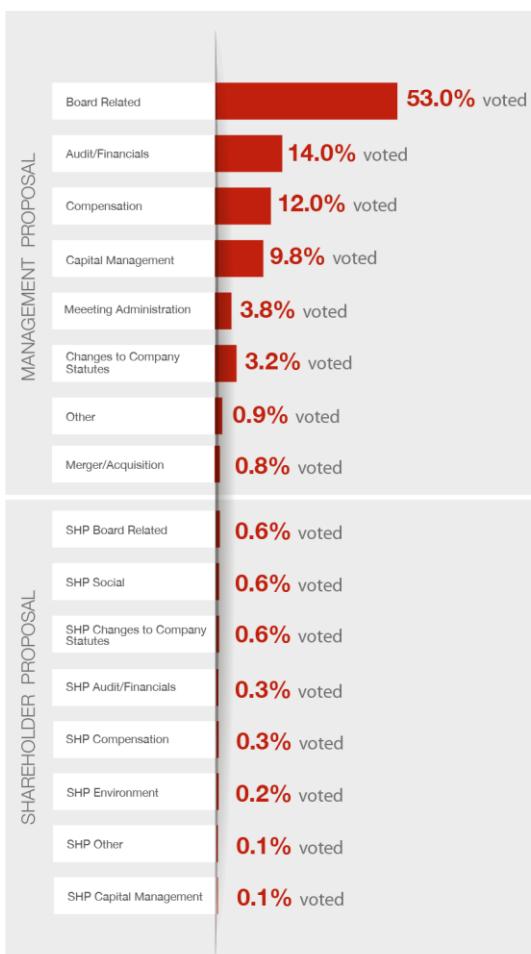
Total number  
of votes exercised  
**2018 51,496**



\*Social Issues include remuneration

## Proposal Type

## Against votes distribution



# Sustainability in Active Ownership

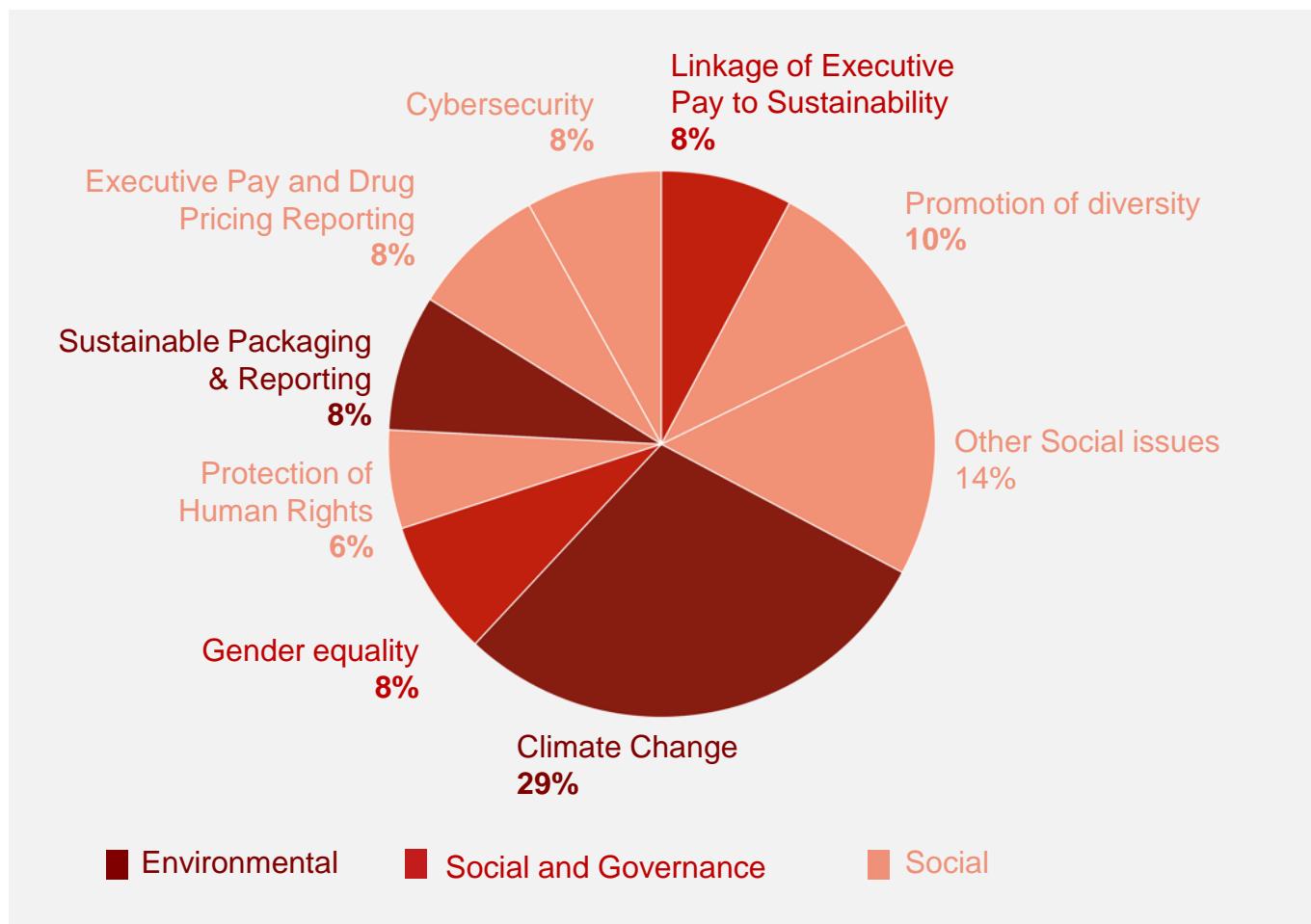


The integration of ESG topics into the investment process is constantly evolving, and it becomes increasingly mainstream, representing a way for companies to interact with the wider society.

Boards need to be aware of human rights' issues or other social themes, and to have an appreciation of the environmental impact of their activities, and how to address them. Considerable value can be destroyed in case of uncommitted boards. We address these issues in our proxy voting and engagement activities with the issuers we invest in, giving our contribution to generating a positive impact.

Votes on shareholders' proposals are for instance considered an effective way to suggest the need for a change in policies, disclosures or related ESG aspects of a company's business.

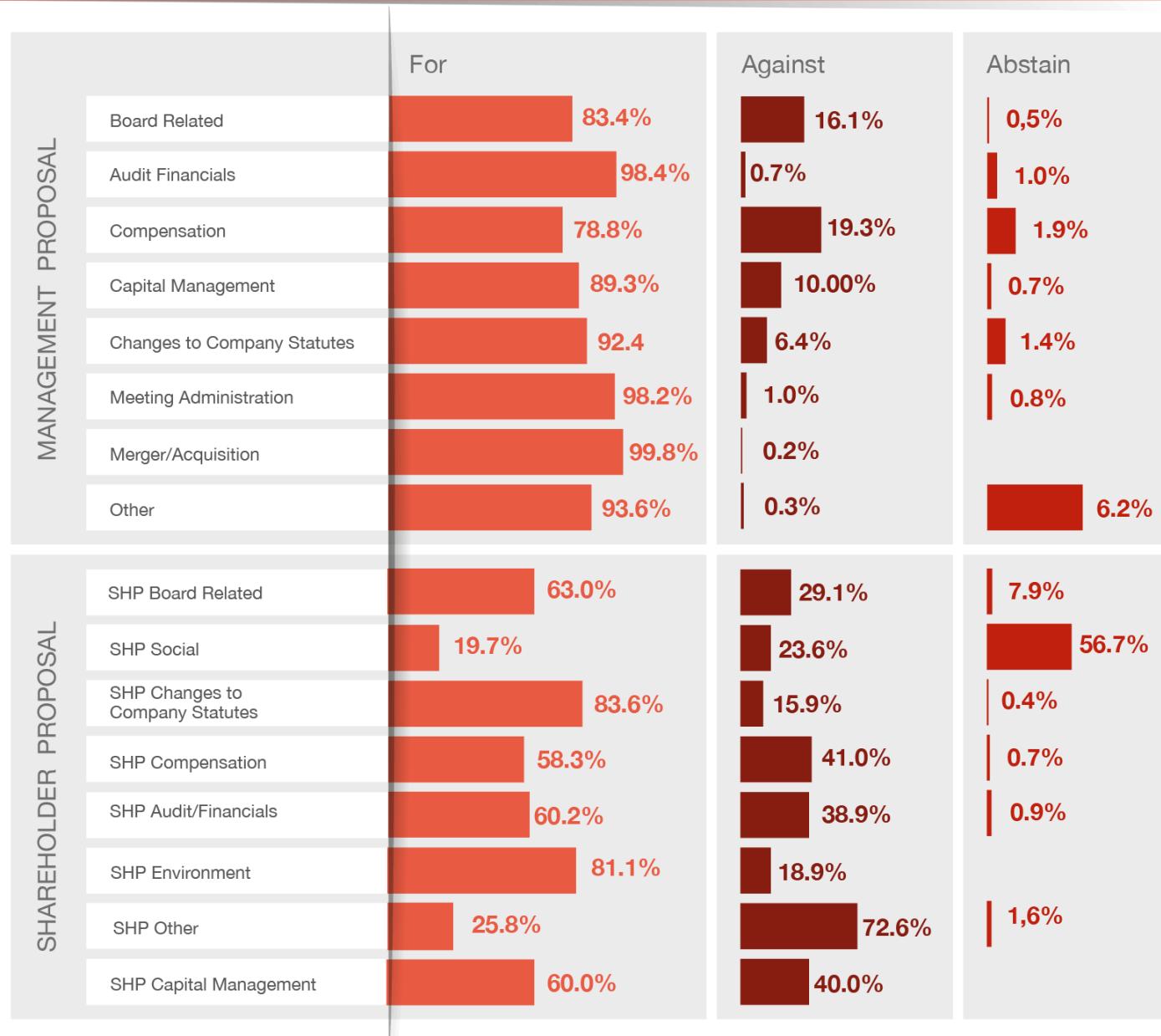
In this section we present data related to key shareholders' proposals on ESG issues supported (49 in total), and mapped internally against the Sustainable Development Goals (SDGs) targets, formalized by the United Nations with the introduction of its 2030 Agenda for Sustainable Development.



# Resolutions and Casted Votes



## Votes exercised for each Category

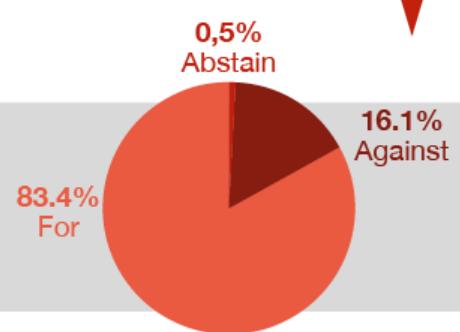


# Resolutions and Casted Votes



## Board Related

### Board Related



## Most significant votes

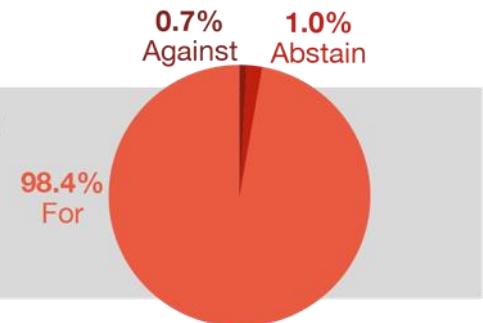
**Largest banking and financial services French company, leading French Company operating in air platform construction, and French company operating in the retail distribution sector.**

An excessive number of external directorships could have a negative impact on the quality of the board decision process.

To ensure that members have sufficient time to perform their functions and responsibilities to protect shareholders' interest as well as adequate availability to deal with unexpected circumstances (such as acquisitions, mergers, takeover, or a crisis), we did not support the election of some directors in these Companies in case of excessive time commitment.

## Audit/financials

### Audit/Financials



## Most significant votes

### US Company producing semiconductors.

We did not express a favourable vote for the appointment of the statutory auditor's firm at the annual meeting, since the auditor's firm was not deemed to be free of conflict of interests. Indeed, non-audit fees accounted for 52% of audit fees in 2017.

### Turkish Company operating in defence electronics.

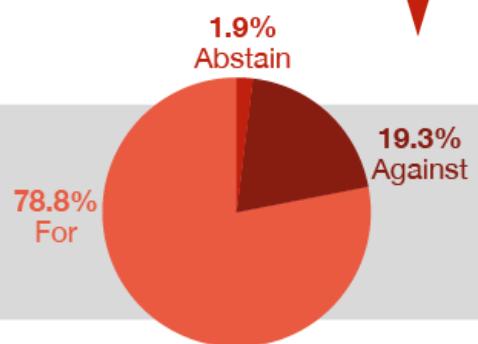
We did not support the appointment of the auditor, as no information regarding the name of the proposed auditor had been submitted to the attention of the shareholders.

# Resolutions and Casted Votes



## Compensation

## Compensation



### Most significant votes

#### Spanish real estate Company

We did not support the remuneration report due to a lack of disclosures regarding performance targets, insufficient length of long-term incentive performance period, and because of an excessive rise in executive directors' fixed compensation without a corresponding increase in their responsibilities.

#### French prime bank

The lack of a long-term Incentive plan in the remuneration policy of some executives was part of the reason why we decided to vote against the proposal to approve the remuneration policy at the Company's annual general meeting.

#### British industrial equipment rental Company, Japan-based Company mainly engaged in Internet and game business

"Malus" or "claw back" systems are contractual mechanisms which provide for the adjustment or recovery of compensation in case of evidence that an executive has materially contributed to, or been materially responsible for the restating of financial results. Based on our principles, the presence of such clauses is required, among other elements, and this was one of the positive elements we took into account when evaluating these Companies' remuneration policies and reports, which actually included those clauses.

#### US multinational investment bank and financial services corporation

Due to the high level of discretion attributed to the compensation committee in determining final incentive, we voted against the remuneration report of the executive directors during the AGM. Moreover, the company was deficient in linking executive pay with performance and in disclosing the performance goal of short-term incentives.

# Resolutions and Casted Votes



## Capital management

### Most significant votes

#### **One of largest mining Companies based in London.**

At the Company's 2018 annual general meeting, we did not support general authorization to issue shares limited to 66% of the Company's issued ordinary share capital, since it exceeded the limits set by Generali's Voting Guidelines and simultaneously it exceeded the traditional 33% cap set by the Investment Association's Share Capital Management Guidelines.

## Changes to Company Articles of Association

### Most significant votes

#### **Leading US Company providing Internet-based entertainment services.**

Proxy access was supported at the last two annual meetings. We are generally in favour of making the process for shareholders to nominate directors easier and more practical. In particular, support was granted to a resolution requesting the company to remove the supermajority requirements in its articles of association and to adopt a majority vote standard, as well as to the resolution providing the Company to amend its articles of association to allow for directors to be elected by a majority voting system rather than the current plurality support.

#### **US e-commerce Company.**

We did not support the proposal submitted to shareholders to ratify special meeting provisions in the Company's articles of association, given concerns that it might be used to exclude a shareholder's proposal, which would have sought a lower ownership threshold facilitating the exercise such right by groups of institutional shareholders.

# Voting Advisory Services



Voting decisions are taken based on the Group Voting Guidelines, integrating Generali Group's ESG principles while, for voting recommendations, we do not rely on external parties but on a dedicated internal team in charge of analysing and rating companies through Governance' indicators.

To integrate the process, we consult a range of research from recognized advisory organizations that provide - both at global and country level - research, analysis and voting advice on the resolutions proposed at general meetings.



# Engagement Approach



In 2018, Active Ownership was reinforced with the addition of a dedicated engagement team within the “Governance Proxy Voting” framework, creating the newly “Governance Proxy Voting and Engagement” structure.

Our engagement approach is based on the definition of a priority engagement list (list of issuers), outlined within an Engagement Committee and driven by an assessment of ESG risks for our holdings. It is aimed at understanding how companies have transformed their operating model to embed ESG principles across their organization.

In general, we tend to see engagement as a constructive dialogue, enabling us to better understand the issuers we invest in, which, in turn, can better understand our concerns. Finally, we make actionable suggestions that could be raised to their board.

At least on an annual basis, we assess whether the engagement has reached its goal, and therefore we decide to close the case or, alternatively, to continue with engaging with the specific issuer.

In addition, when relevant, we cooperate with other investors who share the same concerns in order to maximize the impact on the company we engage with.



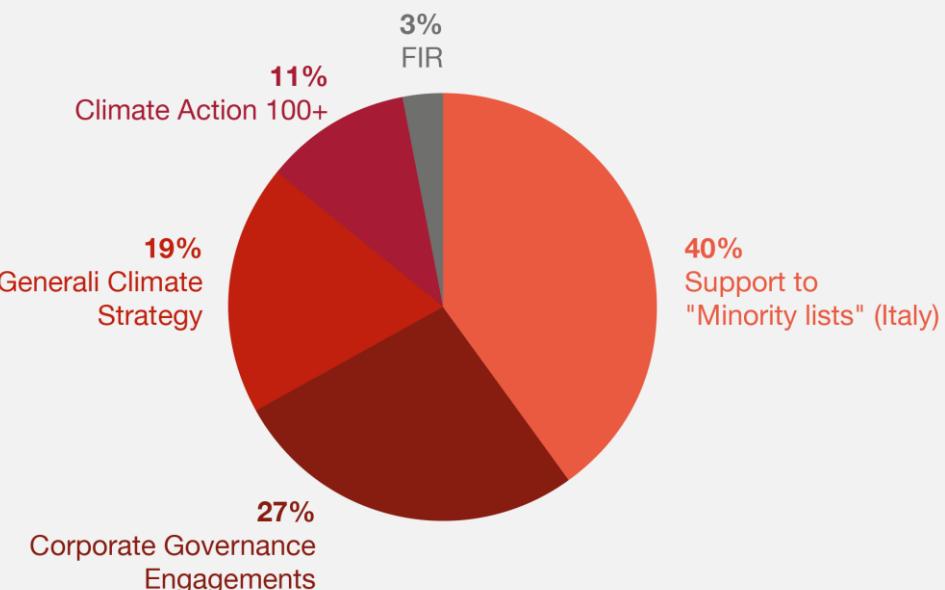
# Engagement in 2018



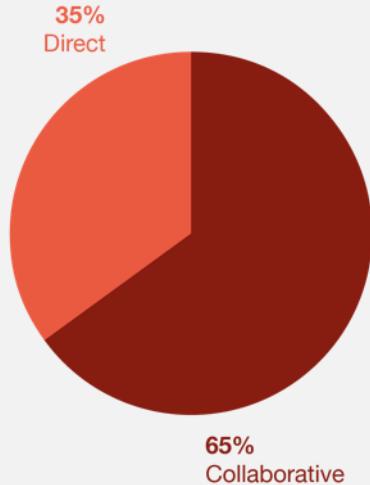
We performed 37 engagements in 2018.

The following graphs show the “triggers” of our engagements, their type and country breakdown.

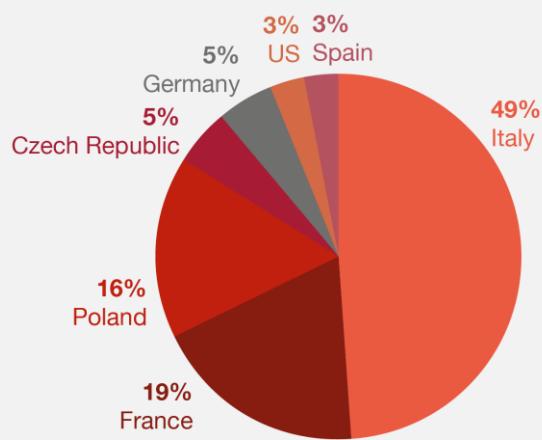
## Triggers



## Type of engagement



## Countries



# Corporate Governance Engagements



During the 2018 proxy voting season, we had the opportunity to conduct engagements mainly raising governance issues: board composition, board skills, board independency, CEO/chairman segregation, and remuneration.

We have been particularly looking at the integration of ESG criteria in remuneration schemes, annual variable and long-term incentives plans. Globally, we welcomed the disclosure of CSR indicators, and the integration of such criteria in remuneration, when available, and we pointed out the lack of disclosures of quantitative targets in some cases.

In addition, we focused specifically on climate change expertise within the board, where the topic is considered strategic, such as in the oil & gas and automobile industries. We checked that the expertise was properly used and, if not present, we raised the issue to our contacts.

We also focused on the presence of a CSR reference board member, and the existence of CSR committees in companies where CSR issues are strategic, such as in the health and insurance industries. We believe that, even if each member of the board is aware of CSR subjects, the board needs to refer to specific expertise on the panel when making strategic decisions.



<b>CEO</b>	Chief Executive Officer
<b>CSR</b>	Corporate Social Responsibility
<b>ESG</b>	Environmental, Social and Governance

## GLOSSARY

# Collaborative Engagements



We believe that collaborative initiatives led by asset owners/asset managers with mutual interests will enhance our engagement effort.

The Italian corporate law framework provides a specific mechanism to protect minority shareholders of listed companies, called “*voto di lista*”, ensuring the election within the corporate bodies of the listed company of at least one board member chosen among a list of candidates proposed by the minority shareholders.

The mechanism allows minority shareholders to submit a list of candidates in competition with the list of candidates presented by majority shareholders. The candidates are selected on a proportional basis from the most voted list, as well as from the less voted list, thus ensuring the election of both majority and minority candidates.

This mechanism has several benefits: protecting minority shareholder's interests, avoiding and protecting from the abuse of power from a board, increasing the transparency and the relationship with shareholders.

During 2018, we submitted - jointly with other asset managers/institutional investors – a list of candidates for the election of minority directors (10 lists of candidates for the Board of Directors and 10 lists of candidates for the Board of Statutory Auditors) at the general meeting of 15 listed companies, resulting in the successful election of all proposed candidates.



## GLOSSARY

<b>CAC 40</b>	French main index with 40 constituents (Cotation Assistée Continue)
<b>ESG</b>	Environmental, Social and Governance
<b>FIR</b>	French Responsible Investment Association
<b>SBF 120</b>	French index with 120 constituents (Société des Bourses Françaises)
<b>TCFD</b>	Task force on Climate-related Financial Disclosure

# Collaborative Engagements



Furthermore, in 2018 we joined the global collaborative engagement initiative Climate Action 100+ that now gathers more than 300 investors, representing more than 30 tn€ and targets the 100+ biggest greenhouse gases emitters. We focus on three main topics: governance of climate challenges at board level, plans to reduce GHG emissions, and reporting according to TCFD framework. We started to focus on 4 issuers who are the highest emitters of one of our local portfolios. They belong to the cement and to the power sectors.

In addition, we are a member of the Dialogue and Engagement Commission of the French Responsible Investment association (FIR), gathering 30 members among the biggest actors from the asset management industry operating on the French market and among the biggest French asset owners, gathering more than 3 tn€ in asset under management. Several topics were discussed in 2018: fiscal optimization practices in the main French index constituents (CAC 40 to SBF 120), small and mid-caps awareness on ESG topics, and low-carbon index.



## GLOSSARY

<b>CAC 40</b>	French main index with 40 constituents (Cotation Assistée Continue)
<b>ESG</b>	Environmental, Social and Governance
<b>FIR</b>	French Responsible Investment Association
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# Generali Group Climate Strategy Engagements



In countries heavily dependent on coal, and where Generali is present as an investor and / or insurer, engagement activities were undertaken to involve the counterparties associated with the coal sector. In this engagement activity, Generali applies the principles of a *Just Transition*, which integrates the social impact of any decisions on local employment and energy supply to citizens into its climate strategy.

The engagement process started in July 2018. The first assessment stage ended in March 2019.

The first results, with the involvement of the 4 issuers to which the Group has financial exposure, led to some important decisions in line with the sustainability commitment undertaken at Group level.

In relation to the issuers with whom the Group will go on working, the Group has defined a plan for periodic monitoring of industrial policies and compliance with the announced deadlines, in order to assess consistency of their plans towards an economy with lower environmental impact.



# Abbreviations and Acronyms

<b>AGM</b>	Annual General Meeting
<b>CAC 40</b>	French main index with 40 constituents (“Cotation Assistée Continue”)
<b>CEO</b>	Chief Executive Officer
<b>CSR</b>	Corporate Social Responsibility
<b>ESG</b>	Environmental, Social and Governance
<b>FIR</b>	French Responsible Investment Association
<b>ICGN</b>	International Corporate Governance Network
<b>MW</b>	Mega Watts – unit of power in the energy sector
<b>SDG</b>	Sustainable Development Goals
<b>SBF 120</b>	French index with 120 constituents (« Société des Bourses Françaises »)
<b>TCFD</b>	Task force on Climate-related Financial Disclosure

# Imprint

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## [www.generali-investments.com](http://www.generali-investments.com)

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