



GENERALI
INVESTMENTS

ACTIVE OWNERSHIP REPORT

2019

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Introduction from Group Parent Company Assicurazioni Generali S.p.A.

Inspired by our purpose to enable people to shape a safer future by caring for their lives and dreams, we view Sustainability as a long-term journey to fulfil our ambition of being a good corporate citizen and creating long-term value for our stakeholders. We are committed to integrating Environmental, Social and Governance (ESG) considerations in all our activities focusing on two pillars: our core business and the community in which we operate.

As part of its responsible investment strategy, Generali Group seeks to establish the degree to which companies are integrating relevant sustainability practices, to achieve both financial returns and social good. As investor and asset owner, Generali Group is committed to influencing issuers in enhancing their ESG practices for reducing risk and improving long-term performances.



Download the
document “Active
Ownership Group
Guidelines – Asset
Owner”

Generali.com > Our
Responsibilities > Responsible
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Investment Stewardship is an essential component of our role as a responsible investor. We have a responsibility to engage with companies to understand if they are adequately disclosing and managing ESG risks, and to hold them to account through proxy voting if they are not.

We have been engaging with companies based on our Group Active Ownership Guideline, setting priorities and KPIs on specific ESG topics. We also incorporate ESG into our Group voting principles, reflecting Generali's convictions and expectations as shareholders.

Our objective is to leverage our role as an institutional investor to foster change and encourage companies to raise their ambitions on integrating ESG in their business. In particular, as an asset owner, we expect our current and prospective investee companies to take into account ESG factors, sustainability criteria and principles above referenced, which Generali Group will continue to monitor with ever increasing attention and eventually take into account in its investment decisions.

Francesco Sola

*Head of Group Investments Governance and Stewardship
Generali Group*



Introduction from Generali Insurance Asset Manager S.p.A. Società di gestione del risparmio as asset manager in charge of voting & engagement

In 2019, Generali Insurance Asset Management S.p.A. Società di gestione del risparmio (GIAM) has leveraged on its capacities built over the years aiming at increasing shareholders' value through Active Ownership and the support of positive changes for the companies the asset manager invested in.

The global environment has created a favorable context for Environmental, Social and Governance themes to gain awareness and traction, mainly around environmental issues and more specifically focusing on climate concerns.

The European election has generated a "green wave" enabling the EU to be even more ambitious in its targets, proposing the green deal, aiming, among other goals to reach carbon neutrality by 2050. Citizens have gathered to file legal actions against Governments which failed to act against climate change. Young people have made their voice heard, to push for Climate Action. The new IPCC report has shifted attention from 2°C alignment to 1.5°C, explaining how each 0.5°C counts.

All these changes have contributed to generate a greater awareness in companies. Some issuers we started talking with last year, acknowledged a significant change in stakeholders concerns this year. In addition, we have seen a significant increase of companies integrating ESG considerations in remuneration.

GIAM wants to build a constructive dialogue with the issuers, highlighting any concerns it may have and thus stimulating changes. Regarding the approach on voting, for our voting recommendations. GIAM does not rely on external parties, but on a dedicated internal team in charge of analyzing and rating companies based on their Governance practices. External proxy research and a dedicated platform is used to support the entire voting process.



Download the document "Active Ownership Group Guidelines – Asset Owner"

Generali.com > Our Responsibilities > Responsible Investments > Active Ownership

Livio Gentilucci

*Head of Investment Stewardship
Generali Insurance Asset Management*



About this report

The 2019 Active Ownership Report reflects the effort during the 2019 calendar year on strengthening our approach to Stewardship. It provides information and performance data on the proxy voting and engagement activities performed during the year 2019.

The report focuses on actions that both as Asset Owner and Asset manager the Group has taken on the Governance issues that are most material to our business and our stakeholders and, in addition, it describes the way we interact with companies to understand how they addressed ESG issues over time.

The document comprises two sections:

- Section one gives a brief presentation of our proxy voting data with a description of the reason behind the most significant votes expressed.
- Section two covers engagement, exploring the different engagement strategies put into action in 2019.



Abbreviations and Acronyms

AGM	Annual General Meeting
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
EMEA	Europe, Middle East and Africa
ESG	Environmental, Social and Governance
KPI	Key Performance Indicator
LTIP	Long-term Incentive Plan
SDG	Sustainable Development Goals
TCFD	Task force on Climate-related Financial Disclosure

Section One - Voting



1.1 Main Highlights



1,414 meetings* in which Generali voted



36 Countries covered



18,472 Resolutions voted



13% Negative opinions

*The aggregated data refer to the assets owned by the Generali Group and managed by Generali Insurance Asset Management (GIAM) and Generali Investments Partners (GIP). It includes shareholders meeting and bond meetings. Assets managed on behalf third party clients are excluded.

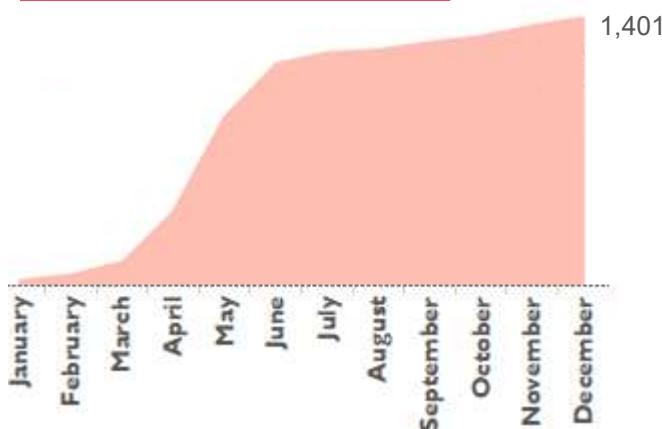


1.2 Overall proxy season (shareholders meetings)

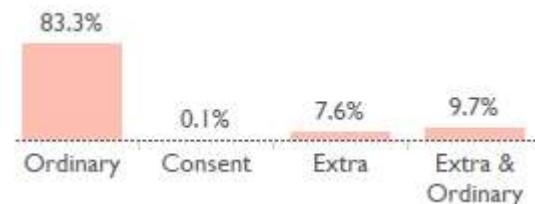
This section focuses on shareholders meetings (excluding bond meetings from the 1,414 total meetings attended).

We voted at **1,401** Meetings in 2019

Cumulative votes per month



Meeting Types



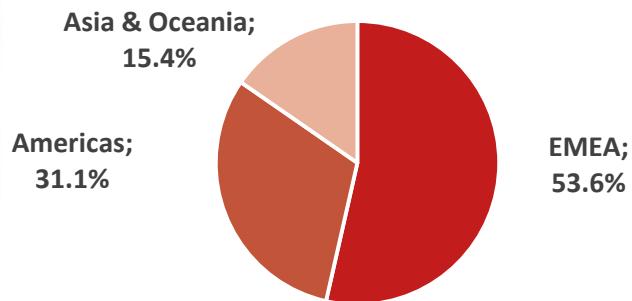


1.3 Meeting per country

Meetings per country

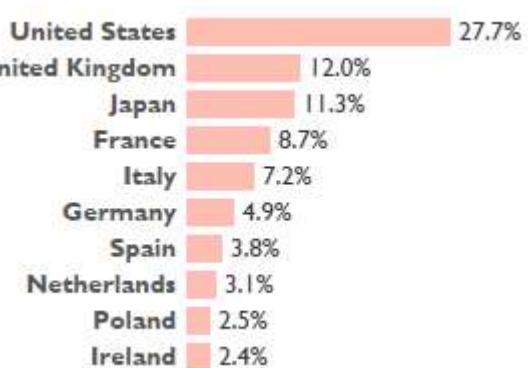


Meetings by geographical area



Country breakdown

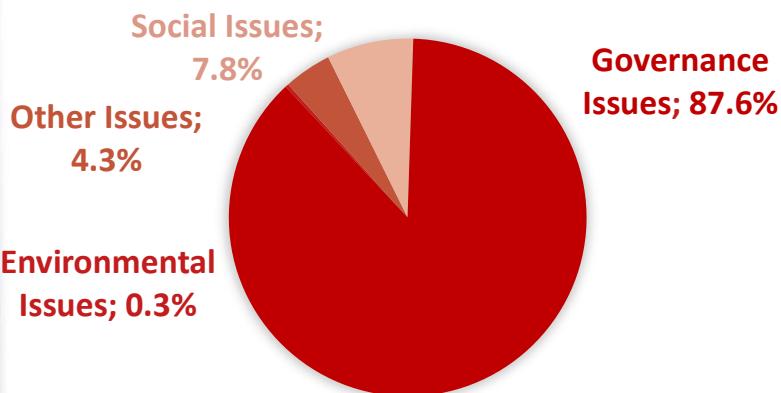
10 countries with the highest number of meetings



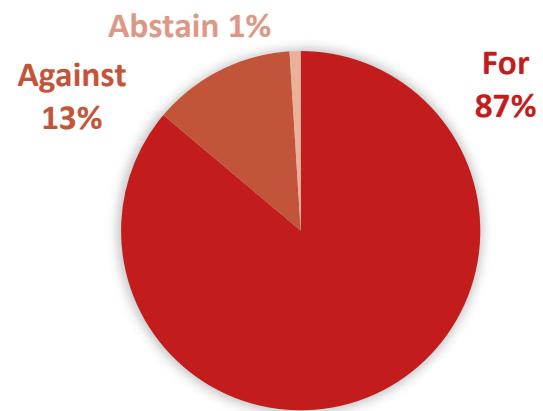


1.4 Voting at a glance

We voted **18,453** proposed resolutions and we exercised **64,280** votes



Breakdown of proposals by issues



Breakdown by voting outcome

Proposal type distribution

Management proposal	Proposed	Voted
Board Related	53.6	14.8% proposals voted
Audit/Financials	11.8%	11.8% proposals voted
Compensation	9.7%	9.7% proposals voted
Capital Management	3.5%	3.5% proposals voted
Meeting Administration	2.7%	2.7% proposals voted
Changes to Company Statutes	0.8%	0.8% proposals voted
Other	0.5%	0.5% proposals voted
Merger/Acquisition	0.7%	0.7% proposals voted
SHP: Board Related	0.6%	0.6% proposals voted
SHP: Social	0.4%	0.4% proposals voted
SHP: Compensation	0.4%	0.4% proposals voted
SHP: Changes to Company Statutes	0.3%	0.3% proposals voted
SHP: Environment	0.1%	0.1% proposals voted
SHP: Audit/Financials	0.1%	0.1% proposals voted
SHP: Other	0.0%	0.1% proposals voted
SHP: Capital Management	0.0%	0.0% proposals voted
SHP: Governance	0.0%	0.0% proposals voted

Distribution of against votes

Management proposal	Proposed	Voted
Board Related	55.2% of all	55.2% of all Against
Compensation	24.3% of all	24.3% of all Against
Capital Management	9.4% of all	9.4% of all Against
Changes to Company Statut..	1.3% of all	1.3% of all Against
Audit/Financials	0.5% of all	0.5% of all Against
Meeting Administration	0.2% of all	0.2% of all Against
Mergers & Acquisitions	0.2% of all	0.2% of all Against
Other	0.1% of all	0.1% of all Against
SHP: Governance	4.2% of all	4.2% of all Against
SHP: Compensation	1.9% of all	1.9% of all Against
SHP: Social	1.6% of all	1.6% of all Against
SHP: Environment	1.0% of all	1.0% of all Against
SHP: Other	0.2% of all	0.2% of all Against



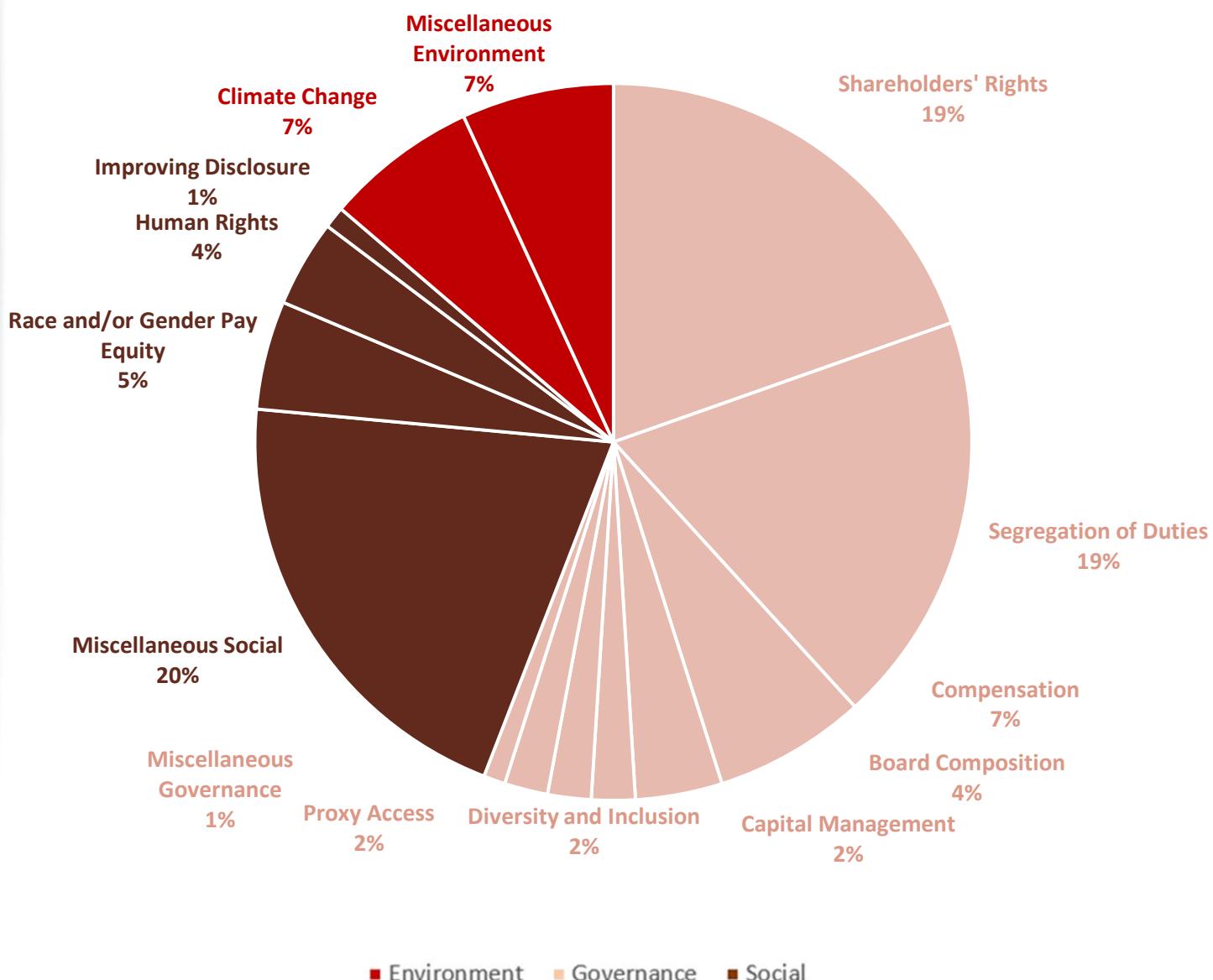
1.5 Focus on ESG shareholder's resolutions

The integration of ESG topics into issuer's practice is something that is continuing to evolve 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 environmental impact of their activities and how to address them.

In this context we consider votes on shareholders' proposals as 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 are presented data related to key shareholders' proposals on ESG issues supported (197 in total).





1.6 Case Studies

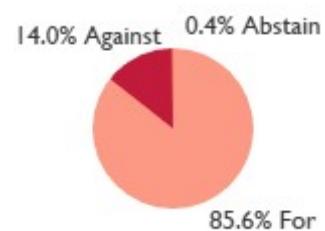
Board Related

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

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

Example of Issuers:

- A large European manufacturer in the aerospace industry
- A large South American conglomerate
- A large American company in the healthcare sector



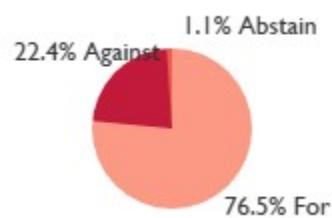
Votes on Board Resolutions (All)

Compensation

To ensure that remuneration plans are able to reflect Company's overall health, avoiding to remunerate executives for temporary spikes in performances and in order to align the executives' remuneration with the shareholders long-term interest, we oppose to remuneration resolution not having a performance period of at least three years.

Example of Issuers:

- A large French retail distributor
- A large American software company



Votes on Compensation Resolutions (All)



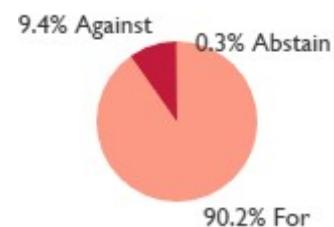
1.6 Case Studies

Capital management

We opposed to the issuance of shares without preemptive rights and repurchased ones, proposed by companies in which no issuance discount price had been submitted to the attention of the shareholders. Only having a clear and detailed disclosure of proposal's items (e.g. maximum issuance, discount price, etc.), we could preserve the principle of shareholders' informed vote. Furthermore, in proposal concerning capital management and convertible debt or shares issuance, the lack of a clear and complete disclosure could expose shareholders to dilution risk and not protect shareholders' interest.

Example of Issuers:

- A Hong Kong based real estate company



Votes on Capital Management Resolutions (All)

Shareholders' Rights and Changes to Company Statutes

We supported resolutions which provided access to a company's proxy by giving shareholders the ability to nominate directors to the board, as it could improve shareholders' rights and add a further oversight layer at board level representing, protecting and enhancing shareholders' interest.

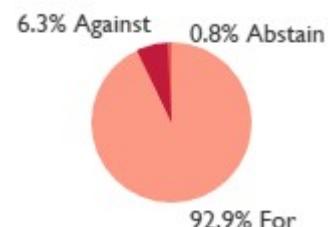
Example of Issuers:

- A large American manufacturer in the aerospace industry
- A large American bank

In addition, Supermajority vote requirements are generally detrimental for shareholders rights since, they may impede shareholders' ability to approve ballot items being in their interests and act as impediments to takeover proposals. For these reasons, we supported resolutions, proposing to eliminate Company's supermajority requirement.

Example of Issuers:

- An American company in the pharmaceutical sector



Votes on Shareholders' Rights Resolutions (All)



1.7 Voting advisory services

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

To integrate the process, GIAM consults 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.



Section Two - Engagement



2.1 Approach

The engagement approach of the Generali Group is based on the definition of a priority engagement list (list of issuers), which is defined within the Group Engagement Committee and driven by an evaluation of the ESG risks of our holdings. It aims to understand how companies have transformed their operating model to embed ESG principles across their organization.

In general, Engagement is considered as a constructive dialogue with different goals: to reinforce the understanding of the investee companies, to share the Group concerns on ESG and finally making actionable suggestions aimed to resolve potential ESG issues.

The goal of the meetings with the company executives and directors is to share a long-term orientation, with a constructive and results-oriented approach.

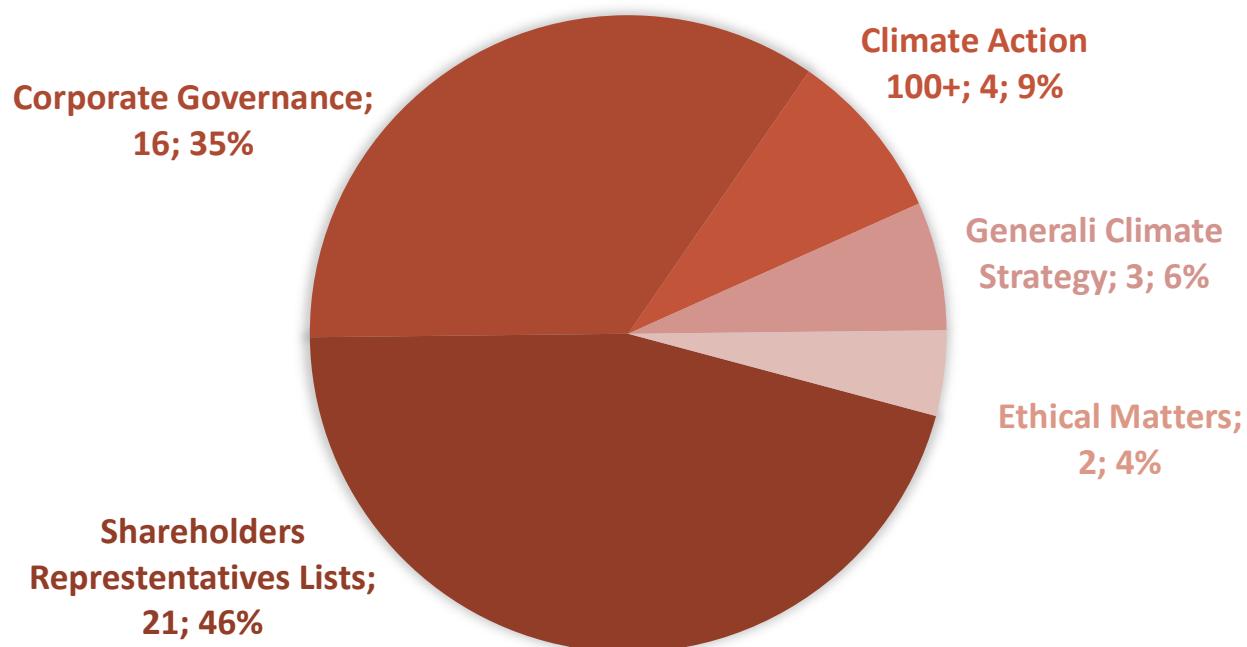
In addition, when relevant, the cooperation with other investors who share the same concerns could take place in order to maximize the impact on the company engaged.

2.2 Engagement in 2019

GIAM has performed **46** engagements activities in 2019.

The following graphs show the trigger of our engagements, their type, and countries breakdown.

Trigger of Engagement:





2.3 Corporate Governance Engagements

During the 2019 proxy voting season, and in preparation of the 2020 proxy voting season, GIAM had the opportunity to conduct engagements in which we raised mainly governance issues: board composition, board skills, board independency, CEO/Chairman segregation, remuneration, and discuss about ballot items or contentious votes.

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

In addition, GIAM gave a specific focus on climate expertise of the board where this topic is considered strategic, like in the oil and gas industry and automobile industry, and on the presence of CSR reference board members or committee.

2.4 Collaborative Engagements

GIAM believes that collaborative action by asset owners/asset managers with mutual interests will enhance our engagement effort.

Shareholder's representative lists

Italian corporate law framework foresees 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. This mechanism allows minority shareholders to present a list of candidates in competition with the list of candidates presented by majority shareholders.

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 2019, we submitted - jointly with other asset managers/institutional investors - lists of candidates for the election of minority directors (lists of candidates for the Board of Directors and lists of candidates for the Board of Statutory Auditors) at general meetings of **21** listed companies, resulting in the successful election of all foreseen candidates.

Climate Action 100+

Furthermore, in 2019, we pursued our cooperation with the global collaborative engagement initiative Climate Action 100+ (coalition targeting the 100+ biggest greenhouse emitters), focusing (on three main topics: governance of climate challenges at board level, plans to reduce GHG emissions and reporting according to TCFD framework. In 2019, we continued to focus on **4** issuers who represent the highest emitters of one our local portfolios. They belong to the cement and to the power sectors.



2.5 Generali Climate Strategy Engagements

In countries heavily dependent on coal and where the Group is present as an investor and / or insurer, engagement activities have been undertaken to involve the counterparties associated with the coal sector, applying the principles of a Just Transition approach.

According to the UNFCCC - United Nations Framework Convention on Climate Change - data, the transition to a low-carbon economy will affect nearly 1.5 billion workers across the world. For this reason, Generali supports the idea of a "Just Transition" even for workers and communities contributing to a healthy, resilient, and sustainable society, where no one is left behind.

The engagement process has started in July 2018.

The first results with the involvement of 4 issuers led to take, in 2019, some important decisions consistent with the sustainability commitment undertaken at Group level.

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

2.6 Engagements on Ethical matters

For companies in our portfolio which are severely breaching the UN Global Compact, we have started an engagement to monitor these breaches and influence the behavior of these companies. The engagement topics cover corruption and environmental damages.



Imprint

Source for charts

and tables:

Generali Insurance Asset Management S.p.A. Società di gestione del risparmio
own calculations, 31st December 2019

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