



GENERALI
INSURANCE
ASSET MANAGEMENT

ENGAGEMENT & VOTING 2022 HIGHLIGHTS

Your Partner for Progress.

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ASSOCIATIONS AND MEMBERSHIPS



01

FOREWORD



GENERALI
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1. Foreword

1.1 Important information

This report aims to explain and illustrate all the activities performed by the Active Ownership team of Generali Insurance Asset Management SGR (GIAM) in its capacity as asset manager of individual portfolios or collective investment schemes (CIS) it manages as well as in its capacity as provider of active ownership activities on behalf of different asset managers by aggregating data and figures.

Therefore, this report does not include the information required by the EU Shareholder's Rights Directive II and the relevant Italian implementing provisions but aims at providing an overview of the engagements and voting activities carried out by GIAM*.

The voting behavior figures we share relate only to portfolio on which we have discretionary power to vote.

* The scope of this report is wider than the GIAM Active Ownership Report issued pursuant to EU Shareholders Right Directive II. It also includes the engagement activity performed for the Asset Managers who have outsourced this activity to GIAM in an aggregated form.

Please see [here](#) the GIAM Active Ownership Report according to EU Shareholder's Directive for specific information related to engagement activity performed by GIAM on behalf of the (i) Collective Investments Schemes (CIS) set up and managed by GIAM. (ii) CISs managed by GIAM for which there is a delegation agreement conferring the voting right to GIAM on a discretionary basis as well as, where applicable, (iii) the individual portfolios managed by GIAM for which the client conferred the voting right to GIAM on a discretionary basis.

1. Foreword

1.2 Introduction

2022 has seen a lot of economic turmoil, from the Russia-Ukraine conflict to growing uncertainty as inflation and interest rates rise across the world. This underlines the ever-growing relevance of corporate engagements, accelerating the initiatives on net-zero carbon emissions and stressing active participation in the AGMs of corporations, where it is crucial to emphasize responsible corporate governance, increasing board awareness of effective ESG risk oversight.

In particular, the last few years showed an unprecedented investor commitment to ESG concerns and one of the most significant engagement trends have been the “Say on Climate” resolutions which have pushed many stakeholders including associations, consultants, influencers, regulators to take a position. This report shares our figures and provides our view on the “Say on Climate” resolutions.

The climate strategies of companies presented for consultation to shareholders at AGMs have been analyzed to assess mainly their alignment with Paris Agreement goals and to encourage, through the exercise of voting rights, transitions towards more sustainable models, and to support their transformation. Companies which do not provide credible climate transition plans are likely to see increasing opposition to relevant resolutions at AGMs in the years to come, especially if investors are dissatisfied with a given company’s progress with regards to climate change or disclosures.

In this context, GIAM aims to provide a concrete contribution to responsible investments. With that in mind, we have developed, alongside a standard engagement approach, a specific “Impact Engagement” approach that we further explain in this report. As recognition of our work in this space, Francois Humbert, our Engagement Lead Manager, was appointed as a member of the Climate Action 100+ Steering Committee in April 2022.

I hope you find this report informative and useful.



Download the document “Generali Insurance Asset Management Engagement policy”

[generali-investments.com](https://www.generali-investments.com) > About us > Generali Insurance Asset Management

Livio Gentilucci

Head of Active Ownership

Generali Insurance Asset Management

1. Foreword

1.3 Executive Summary

The main objective of **GIAM's Active Ownership** approach is to contribute to ESG risk mitigation and creation of value for its clients and for the funds it manages, promoting and monitoring companies' sustainability and good governance.

We leverage two ways to influence our investee companies: the first way is through **direct dialogue with companies (engagement)**, seeking information, building a relationship, pointing out weaknesses and opportunities, and setting agreed targets. The second way is through **voting activities**, exercising voting rights at annual general shareholder meetings. By combining voting and engagement, we believe it is possible to achieve significant change at companies and maximize influence and value creation over the long term.

GIAM has developed an "**Impact engagement**" approach that aims to get the investee company to commit to specific changes in its behavior in relation to ESG issues and get their recognition of our impact. This approach has been applied to 17 engagements among 66 in 2022. In this report, we share 4 case studies and feedbacks we got on this specific approach. Most of our engagements are with companies based in Europe especially in Italy, France, Germany and Central Eastern Europe. Our environmental engagements (22 issuers) are mainly focused on climate, distributed across the main contributing sectors such as: electricity producers, oil & gas companies, cement and mining companies. Also, our social & human rights engagements (15 issuers) tackle relevant issues: diversity, labor controversies, corruption, turnover, employee management, cybersecurity. Finally, we engage issuers on governance topics (29 issuers), including support to minority lists in Italy, board independence, related party transactions and remuneration.

In 2022 we were involved in 1,173 shareholders meetings representing 16,309 proposed resolutions. 13% of our votes are against, two thirds of which relate to boards composition and one third on remuneration.

The "Say on Climate" initiative was launched in 2020 to promote board-sponsored resolutions aligned with supporting the transition to net zero. Here we explore our approach on voting on "Say on Climate" resolutions and our analysis on Say on Climate. Among the 73 resolutions we voted, almost two thirds of Say on Climate are shareholder proposals, most of which were filed in the USA.

This report is structured in the following chapters:

1. Foreword
2. Active Ownership figures
3. Engagement
4. Voting
5. Focus on Say on Climate
6. Associations and memberships
7. GIAM Active Ownership team



02

2022 ACTIVE OWNERSHIP FIGURES



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2. Active Ownership figures in 2022

2.1 Voting



Shareholders meetings



Countries covered

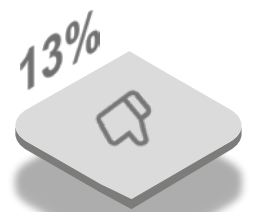


Bondholders meetings



Resolutions voted

Shareholders meeting

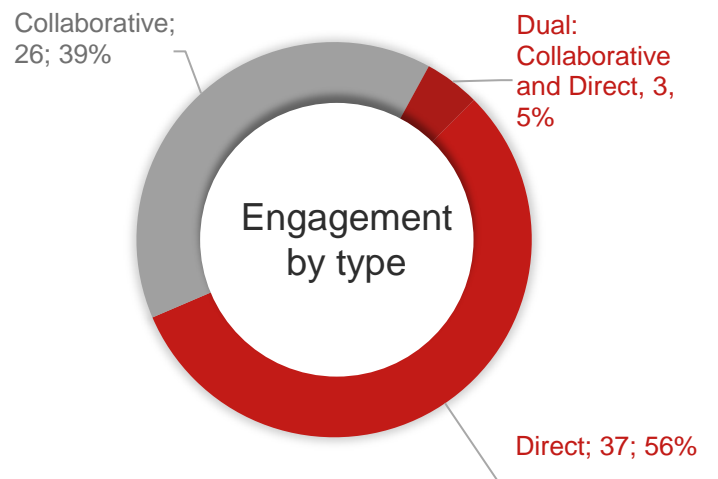
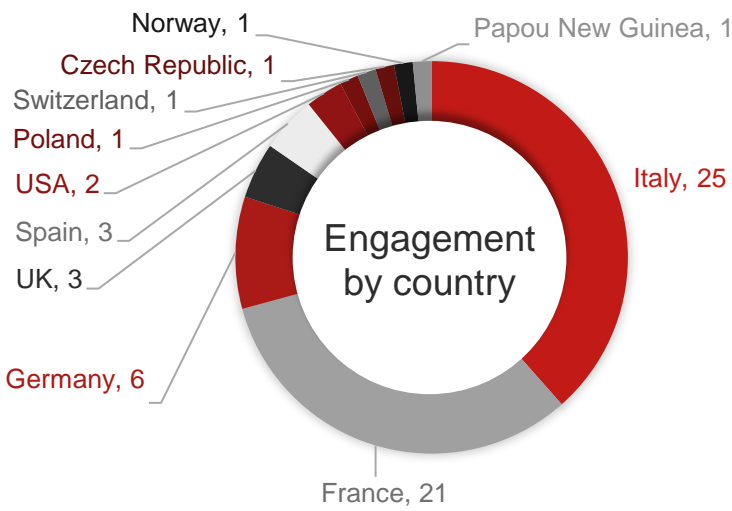
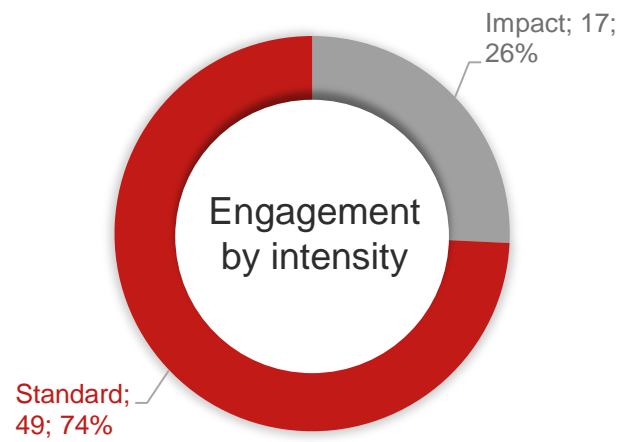
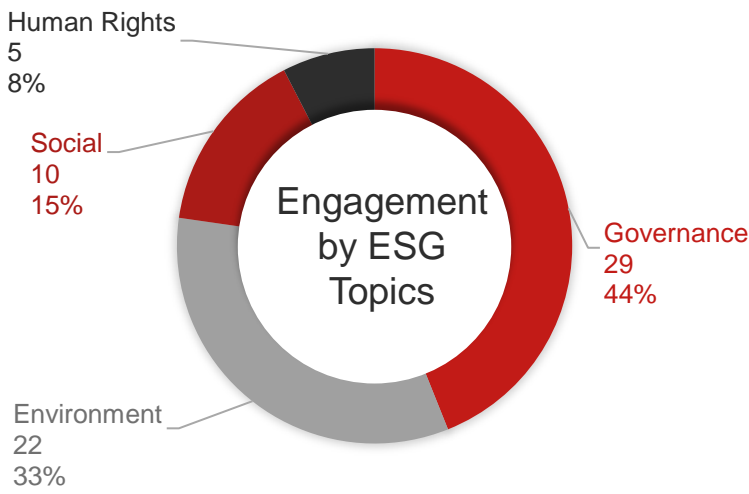


Negative opinions

2. Active Ownership figures in 2022

2.2 Engagement

66
Engagements



03

ENGAGEMENT



3. Engagement

Summary

We can see engagement activities as an active dialogue which offers the opportunity to discuss sustainability risks and opportunities with companies and provides them with insights into investors' expectations of corporate behavior.

In addition to the application of exclusion criteria or best in class approaches, GIAM strongly believes in the added value of engagement. That's why GIAM has developed an **"Impact engagement" approach** which intention is to get the investee company to commit to specific change and get their recognition of our impact. Our impact engagement approach can be summarized in three pillars: (1) focused preparation to create value-added, (2) building a partnership to create common added value via negotiation, (3) creating or joining coalition of investors when relevant. As a complementary "low touch" approach, we follow a **"Standard engagement" approach** which aims to raise awareness of an issuer on a specific topic.

In this report, we disclose 4 case studies with major listed companies where we applied our impact engagement approach such as: SAP on anti-corruption, CEZ on Science Based Target validation, Bayer on environmental damages of their crop science products and Séché Environnement on their climate strategy. Each of these issuers has authorized us to share publicly their recognition of our impact. We also disclose some external feedbacks we got on this approach.

In 2022, we performed 66 engagements, 17 impacts engagements and 49 standard engagements. 39 engagements have been closed in 2022. For the remaining 27 engagements, we share the results of the 25 ongoing engagements and 2 engagements had been approved but not started as of December 2022. Each result is evaluated by a qualitative assessment performed by the engagement specialists. Most of our engagements are with companies based in Europe, especially in France, Italy, Germany and Eastern Europe. The majority of our engagement activities are direct (58%) but we leverage on 4 key collaborative initiatives for the remaining share: Climate Action 100+, "Minority Lists" in Italy, 30% Club in France and IIGCC. The length of engagement varies; however, some impact engagements can be long standing.

Our environmental engagements (22) are mainly focused on climate, distributed across the main contributing sectors such as: electricity producers, oil & gas companies, cement and mining companies. Also, our social & human rights engagements (15) tackle relevant issues: diversity, labor controversies, corruption, turnover, employee management, cybersecurity. Finally, we engage issuers on governance topics (29), including: board independence, related party transactions and remuneration.

This chapter is structured in the following paragraphs:

- 3.1. Impact and Standard Engagement
- 3.2. Impact Engagement case studies and feedback
- 3.3. Overview of engagement activities
- 3.4. Details on Environmental engagement
- 3.5. Details on Governance engagement
- 3.6. Details on Social & human rights engagement



Engagement

3. Engagement

3.1 Impact and Standard Engagement

3.1.1. From ESG to Impact

The wave of impact in responsible finance is shifting practices from an exclusion and best in class approach towards engagement.

For several years, this wave has been growing:

- In 2018, a study on French savers¹ confirmed that 50% of French savers surveyed wish to obtain tangible proof from asset managers about the environmental and social impact of their investments.
- In 2019, UN PRI published Active Ownership 2.0² advocating for real world outcomes: “Active Ownership 2.0 prioritizes the pursuit of positive real-world goals.”
- In March 2020, a further study³ from 2 Degrees Investing confirmed the willingness of French and German savers to favor a “brown portfolio with proven impact” (34%) versus a “green portfolio with no proven impact” (29%) or “best in class strategy with no proven impact” (26%).
- In December 2020, the French SRI label changed its governance to integrate more impact (see report of the French Minister of Finance⁴).

In short, the question from end consumers has gone from "what do you do with our money?" to "how do you use the power of our money to influence the world?".

This clearly raises the question of financial institution impact which we will develop in the next pages.

¹<https://presse.axaim.fr/documents/24052/7805554/AXA+IM+Voices+Enqu%C3%AAt+epargnants+2018/0e2d3ab0-fbc3-a9fc-2fc3-75dc53bcd378> page 11 on PDF version and page 21 on paper version

² UN PRI Active Ownership 2.0 - <https://www.unpri.org/download?ac=9721>

³ A Large Majority of Retail Clients Want to Invest Sustainably, Survey of French and German retail investors' sustainability objectives - <https://2degrees-investing.org/resource/retail-clients-sustainable-investment/>

⁴ Bilan et perspectives du label « Investissement socialement responsable » (ISR) – Inspection Générale des Finances. <https://www.igf.finances.gouv.fr/files/live/sites/igf/files/contributed/IGF%20internet/2.RapportsPublics/2021/2020-M-038-03%20Rapport%20label%20ISR.pdf>

3. Engagement

3.1 Impact and Standard Engagement

3.1.2. How can we evaluate the impact of a financial institution?

Proving impact requires reference to 2 commonly used concepts of impact: intentionality and additionality.

Intentionality is demonstrated when a stakeholder can give an evidence that he had the intention to have an impact. This can be achieved via clear expectations shared with the issuer.

The most challenging concept for listed market is additionality: how can we evaluate to which extent the investee company has changed because of the financial institution which has engaged it. Said differently, if the investor hadn't been there, would the impact have happened?

It is very challenging to demonstrate that buying – or not buying – a security on a listed market (e.g. a stock) has generated an impact. On the contrary, engagement can influence an issuer's behavior, but investors usually struggle to demonstrate that the engagement result can be attributed to them.

In GIAM, we suggest an approach: we are able to evaluate the additionality of an individual or collective engagement with the acknowledgment of the engaged company which will explain how their change of behavior was linked to the engagement, in addition to any other useful relevant document published by the issuer (e.g. resolutions of board of directors and/or AGM, non-financial disclosures etc...).

This recognition enables to isolate the real added value that a financial institution can bring on the table in engagement discussions.

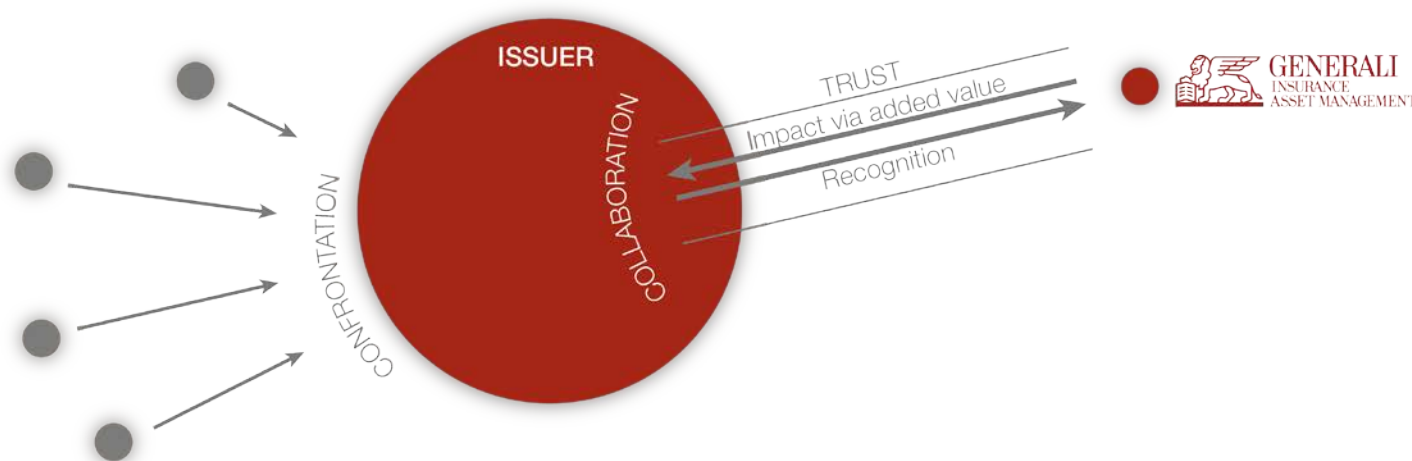
3. Engagement

3.1 Impact and Standard Engagement

3.1.3. Getting issuer's recognition of our impact

Achieving this recognition seems simple *a priori*, but is ultimately very difficult to achieve for at least 3 reasons:

1. It is necessary to be able to create enough added value for the investee company.
2. It is necessary to go beyond the spirit of historical confrontation between shareholder and company, to create a trust relationship with the issuer, so that the company and its representatives agree to use, adjust and recognize this added value.
3. It is sometimes needed to gather other investors around this added value, to multiply it, while recognizing the contribution of each of the investors.



For illustration: GIAM's approach to generate issuer's recognition. Source: GIAM

3.1.4 "Impact" and "Standard" engagement

That's why GIAM has developed an "**Impact engagement**" approach that aims to get the investee company to commit to specific change and get their recognition of our impact. This approach does not give any guarantee of achieving such a result but defines the intensity of the effort.

Impact engagement is a time-consuming approach, and it requires research, targets definition, internal coordination (with portfolio managers, financial and extra-financial analysts, ...) and external coordination (with other investors, investor associations, ...), meeting preparation, negotiations and in-depth reporting. This approach is developed in the next pages. The goal is to achieve "intentionality" and "additionality". In 2022, we performed 17 impacts engagements.

As a complementary "low touch" approach, "**Standard engagement**" aims to raise awareness on a specific topic. The goal is to achieve "intentionality" only. In 2022, we performed 49 standard engagements.

3. Engagement

3.1 Impact and Standard Engagement

3.1.5. Three pillars of GIAM's impact engagement approach

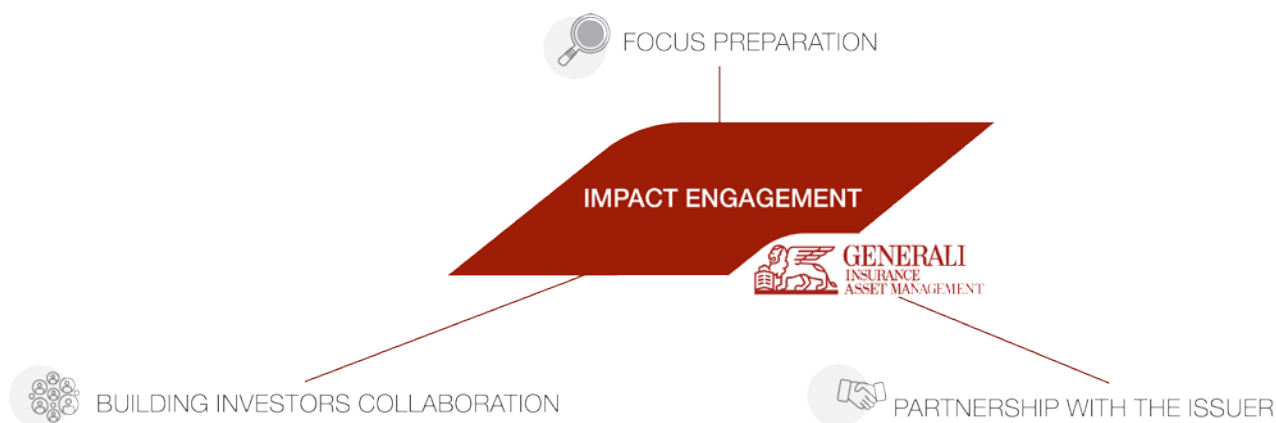
In order to influence an issuer and get its recognition of our impact, we developed the “impact engagement” approach which has three pillars.

First pillar: Focused preparation to create added value

The first pillar is preparation. To maximize "return on engagement", the focus is on the largest exposures and with the highest ESG risk. One or two topics are prioritized, aiming to avoid dispersion. We try to begin with a level of expertise that will allow us to create a relationship of trust with the investee company. We strive to involve all internal actors who interact with the company (financial analysts on credit, ESG analysts, portfolio managers) to be able to define an internal view and deliver a coherent message to each interaction. The result of this iterative process is the identification of elements which are potentially useful to the business of the investee company: tipping points which would enable the issuer to overcome some hurdles, methodologies recognized by the market (i.e. Science Based Target) and experts which could help the company accelerate their change.

Second pillar: Building a partnership to create common added value via negotiation

The second pillar is the creation of a partnership relationship with the company. We must first overcome the historical vicious circle that links company and investors: the investor judges, the company has a perfect façade and therefore the investor is suspicious. This goes through very human mechanisms where preparation creates a ground of trust, until the moment when the company agrees to work with us, and says "I don't know, let's work together", for example. The biggest added value comes from negotiating a *priori* irreconcilable point of view. This requires a lot of listening, creativity and a spirit of innovation, without giving up the initial requirement. The result of this step is the definition of a concerted plan with the company to address expectations.



The 3 pillars of Impact Engagement – Source: GIAM

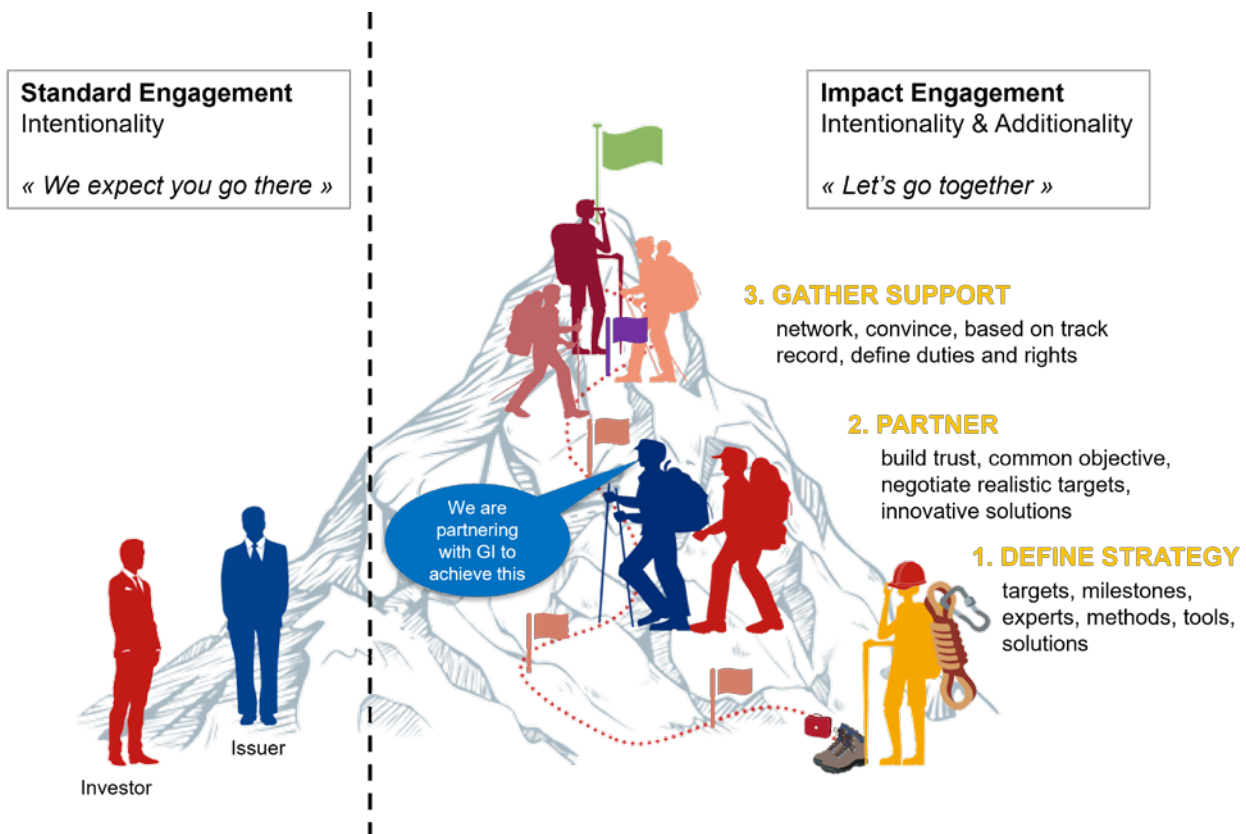
3. Engagement

3.1 Impact and Standard Engagement

3.1.5. Three pillars of GIAM's impact engagement approach (continued)

Third pillar: Creating or joining coalition of investors

The third pillar is the creation (when possible or relevant) of a coalition of investors. We only use this tool once we have defined a framework with the company. This avoids the pitfall of the “lowest common denominator” effect. Several times a company itself has offered to bring together other investors around the defined framework to accelerate the change that is taking place internally. This continues the dynamic of collaboration that facilitates the recognition of our impact. Finally, we ensure that the governance of this collaborative initiative is clear in terms of duties (efforts) and rights (recognition if successful).



The difference between Standard and Impact Engagement – Source: GIAM

3. Engagement

3.1 Impact and Standard Engagement

3.1.6 Approach to escalation

Escalation when added value from investors is not sufficient

When an engagement does not yield satisfying results, we initially think that we did not bring enough added value to the discussion. Therefore, we tend to activate one of the following levers of impact engagement:

- Better preparation
- Better interactions with issuers: change of tone, better explain our goals and expectations
- Involving other investors

Escalation when issuers is not responsive

Once we have increased the level of preparation, changed the interaction style and potentially gather other investors, we can suggest the following levers to our clients:

- Writing to the full board of the relevant issuer through the office of Company Secretary of the latter or equivalent communication
- Specific meetings with the management, CEO, CFO, other executives of the relevant issuer
- Specific meeting with the chairman, lead independent board members, other board members of the relevant issuer
- Public statement, speaking at AGM
- Voting against resolutions

3. Engagement

3.2 Impact engagement case studies and feedback

Disclaimer

The following engagement case studies are disclosed with the authorization of the issuers mentioned.

3.2.1 Engagement with SAP on anti-corruption

Context

In 2018, this software company was flagged for repeated violation of corruption laws in some countries. These cases broke through from individual whistleblowing to the US Department of Justice. The objective of this engagement was to improve the anti-corruption practices of this company and reduce the strategic risk linked to corruption. After 3 years of engagements, the flag on this issuer has been removed. In 2022, we finalized the monitoring phase of this engagement.

Self-improvements from the issuer

Since these corruptions cases seem to have been a true shock for this issuer, it has self-improved on many aspects identified by us as problematic: audit committee independence, major investment in human resources in compliance department, internalization of sales agents' due diligence, new organization in 3 teams focusing on due diligence, high risk markets and investigation.

Our engagement requests

Our engagement has focused on a key tool in anti-corruption practices which seemed underused by the issuer: the whistleblowing system. This tool is for example identified as the PRI as an indicator of "a healthy culture around the companies' response to corruption risks."

Engagement result - implementation of a whistleblowing tool

Following our suggestion and other inputs, the issuer launched a new whistleblowing system. The external solution is available 24 hours a day and 7 days a week, with live agents, local language, accessible to external stakeholders. The global roll-out plan is supported by strong messages from the Executive Committee.

Recognition of direct impact

According to our interlocutors, we can attribute the following specific developments and impact to the discussions we had with the company as a contributing factor:

- The issuer is now fully aware that corruption is important for investors and the compliance department frequently informs investor relations of ongoing developments.
- The issuer moved towards a new whistleblowing system. Our input was a contributing factor.
- The issuer added details to the whistleblowing paragraph in the annual report. Prior to this, the report had less details.
- We introduced the issuer to a compliance officer in an international company in order to exchange best practices.

3. Engagement

3.2 Impact engagement case studies and feedback

3.2.2 Engagement with CEZ - Science Based Target validation.

In June 2020, during the ČEZ General Assembly, we stressed to CEZ the importance of validating their strategy by the "Science Based Target Initiative" (SBTi). We held an introductory workshop between ČEZ and CDP (which coordinates the SBTi), suggesting that our fellow Climate Action 100+ investors join us as well. As part of our CA100+ discussions, as co-lead, we reiterated this expectation. Finally, in January 2022, we met Kateřina Bohuslavová, new Head of Sustainability at ČEZ to once again highlight the importance of SBTi.

On June 23rd, 2022, ČEZ publicly announced that it had obtained the "well below 2°C by 2030" validation from the Science Based Target initiative for its climate strategy until 2030 (carbon intensity reduction from 0.38tCO₂ per MWh in 2018 to 0.16 in 2030). While we would be in favor of an alignment at 1.5°C, such a result for a company with 4.8 GW of coal in 2020 (8.1 GW in 2015 and an exit now planned in 2038) and 37% of coal in the energy mix is an excellent example for all emitters in countries whose energy mix is heavily dependent on coal. Knowing the many geographical constraints in the Czech Republic and given the geopolitical situation, it is worth stressing the importance of this result.

“We particularly valued our discussions with Generali on the importance of setting emission reductions targets in-line with the SBTi guidelines.”

Testimony of CEZ Head of Investor Relations – March 2022

“The cooperation between ČEZ and Generali has been successfully continuing for the fifth year. Ongoing dialogue with Generali on one-on-one basis and also within CA100+ initiative helped us to further improve our communication on our coal exposure and emissions reduction. This feedback from investors and also from financing banks contributed significantly to ČEZ Group’s decision to modify its strategy and put more emphasis on ESG topics. As a result we published accelerated strategy of ČEZ Group under new name Clean Energy for Tomorrow in May 2021. This strategy includes more ambitious commitments on decarbonisation, which will be enabled by faster closure of our coal plants and 6000 MW of new renewables capacity by 2030. This strategy also increased our focus on ESG policies and set specific ESG KPIs.

We particularly valued our discussions with Generali on the importance of setting emission reductions targets in-line with the SBTi guidelines. Following the announcement of the accelerated strategy, we were able to send a commitment letter to SBTi, join their initiative Business Ambition for 1.5°C. 1 and submit our carbon reduction targets for validation. All these steps were taken in 2021 and our cooperation with Generali and CA100+ helped in onboarding relevant people within ČEZ Group.”

3. Engagement

3.2 Impact engagement case studies and feedback

3.2.3 Engagement with Bayer on environmental damages of their crop science products

We have been in contact with Bayer since 2018 regarding the environmental impact of Bayer's crop science range of products. Our relationship changed in 2020 with the arrival of a new Head of Public Affairs, Science & Sustainability at Bayer. We started to deep dive on the Environmental Impact Reduction target (-30% by 2030) which Bayer had set for themselves.

In March 2021, we finalized our expectations to Bayer:

- Expectations linked to the Impact of Crop Science: Methodology to measure impact, scope, consultation, link with remuneration, action plan, advocacy, pedagogy
- Expectations linked to financial and extra-financial communication related to that target

We have been happy to see a change in Bayer's positioning as reflected in the testimony below and the disclosure of more information on their environmental reduction approach on their website and sustainability report. We will continue to engage Bayer since all our expectations have not been met.

In addition, in 2022, we have extended our discussion with Bayer on lobbying and scientific affairs, product stewardship in Crop Science, integration of ESG in the M&A approach and the overall governance related aspects.

“It helps to facilitate internal discussions about an even stronger focus to invest in innovations that drive sustainability, for example by replacing old with new chemistry.”

Testimony of Head of Sustainability at Bayer – June 2021

“I would like to emphasize that we very much appreciate our ongoing and intensified exchange over the last year. You have been going way beyond what we normally see in helping us with a great mix of carrots and sticks to reflect on our efforts. Generali's engagement as a responsible investor corresponds to our aspiration to generate real impact and with that to become a leading company in the sustainability sphere. Moreover, it clearly confirms the increasing importance of ESG factors and considerations for investment decision. For us it is essential to get an outside-in perspective to ensure that our efforts are effective and constitute a difference also from the investor's side. The diligent discussion we had on the Environmental Impact Program also serves as an internal proof-point that Crop Science's activities go into the right direction. Additionally, it helps to facilitate internal discussions about an even stronger focus to invest in innovations that drive sustainability, for example by replacing old with new chemistry. Our conversations helped to accelerate shifts in our corporate positions on ESG-relevant matters. In short, our conversations have sharpened our strategy and will result in better impact.

We are looking forward to continue our collaboration that might even be developed in a more institutionalized setup, including other investors.”

3. Engagement

3.2 Impact engagement case studies and feedback

3.2.4 Engagement with Séché Environnement (Waste Management)

We started the relationship with Séché Environnement in May 2021 when Séché was thinking about developing the first version of their climate strategy.

We have been helping Séché Environnement to better understand the expectations of investors, sharing with them detailed expectations and suggestions to improve their climate strategy. As a result, Séché has disclosed more information on the actions undertaken, explained better some definitions and extended their climate strategy from 2025 to 2030.

The testimony below describes how Séché Environment has been receiving this partnership and changes it has implemented.

“We have enriched our strategy with more distant perspectives by drawing a trajectory for 2030”

Testimony of Head of Investor Relations at Séché Environnement – March 2022

“Pierre-Yves Burlot, Director of Sustainable Development, Romain Gerardi, Head of Climate Strategy and I would like to thank you warmly for your involvement in the development of our decarbonization strategy and more particularly in its external communication aspects. This approach is very valuable coming from a major shareholder of Séché Environnement, which thus contributes in a very direct way to the improvement of our performance; In addition, it deserves to be emphasized that this type of approach is still rare, and concerning us, a first of its kind.

Your contribution to our work has enabled us to validate the relevance of our decarbonisation objectives with regard to the expectations of the financial market and also to improve our pedagogy vis-à-vis interlocutors unfamiliar with the world of waste. Thus, through your advice, we have adjusted the presentation of our Climate strategy by enriching it with information relating to the nature and carbon impact of the waste received, as well as the carbon impact of the different treatment methods and the details of the concrete reduction actions undertaken on the main tools, by differentiating the notion of emitted GHGs from that of avoided GHGs. Finally, we have enriched our discourse with more distant perspectives than the commitments to 2025 made, among others, on the occasion of our ESG impact criteria bond issue carried out at the beginning of November, by drawing a trajectory for 2030.”

In addition, during the release of their strategy in February 2022, the Head of Sustainable Development has formally acknowledged our impact:

<https://www.youtube.com/watch?v=JIOAAiSGI0s#t=13m45s>



3. Engagement

3.2 Impact engagement case studies and feedback

3.2.5 Feedback from issuers

“[Your] approach of shareholder dialogue is different and proactive. You are trying to bring solutions to our Group, and we are exchanging/testing new ideas together. “

ESG Investor Relations Manager

“You have been going way beyond what we normally see in helping us with a great mix of carrots and sticks to reflect on our efforts. I can only imagine that this also means quite a considerable investment of time [...] For us it is essential to get an outside-in perspective, which is exceptional from you and your team.”

Head of Sustainability

“This approach is very appreciable and contributes very directly to improving our performance; it deserves all the more to be underlined as this type of approach is still rare, and concerning us, a first of its kind.”

Head of Investor Relations

3.2.6 Feedback from NGOs

“I am truly impressed by how you approach engagement. I have met activist and engaged asset managers for twenty years now, and have seen a variety of different approaches, from very confrontational to very friendly and a whole range of achievements in the middle. I haven't seen before an investor who takes engagement to a true partnership level. Most investors set goals to companies and expect them to come up with a way to meet those goals fast, otherwise they punish them by voting them down at AGMs or mounting campaigns against them.

With you I see that you have climate neutrality in mind as your ultimate goal (which is great), but instead of telling companies how insufficient and inadequate what they do is, you are actually trying to help them to find a solution to their problems, with creative solutions that go beyond 'just shut down that coal power plant'.”

Independent Advisor to NGO

3. Engagement

3.3 Overview of engagement activities

GIAM's Active Ownership team activities are governed by the periodic Engagement Committees of clients, which are the bodies which define engagement priorities. This page provides a description of the Engagement Committees. The next pages give an overview of these activities.

Engagement Committee

Engagement Committees of clients are usually (not always) composed of Heads of Functions which are involved in the Engagement process: Active Ownership, Research, Investments, Risk management, ESG. This may ensure the link with the function involved including the investment process when relevant.

The role of each Engagement Committee is to approve the list of issuers to be engaged (engagement list), monitor engagement execution, decide on possible escalations and close the case when relevant.

Engagement Case

Each engagement case presented to the respective Engagement Committee is composed of different elements (not exhaustive): risk identified, questions, suggestions, task force creation, strategy (impact or standard), status & results.

Engagement Execution

GIAM's Active Ownership team is in charge - where applicable - for the engagement execution activities, including internal working group briefing, investee issuer interaction, assessment of the information provided by the investee issuer, issuance of recommendation, reporting.

During the execution, GIAM's Active Ownership team reports to the respective Engagement Committee the ongoing actions and informs it about external elements that could impact the engagement cases.

Engagement Monitoring

Each Engagement Committee evaluates the status of each engagement case presented depending on the initial goals defined. Escalations might be decided. Escalation can be either internal (improve preparation or quality of relationship with issuer), or external (see list of possible actions on paragraph 3.1.6.).



3. Engagement

3.3 Overview of engagement activities

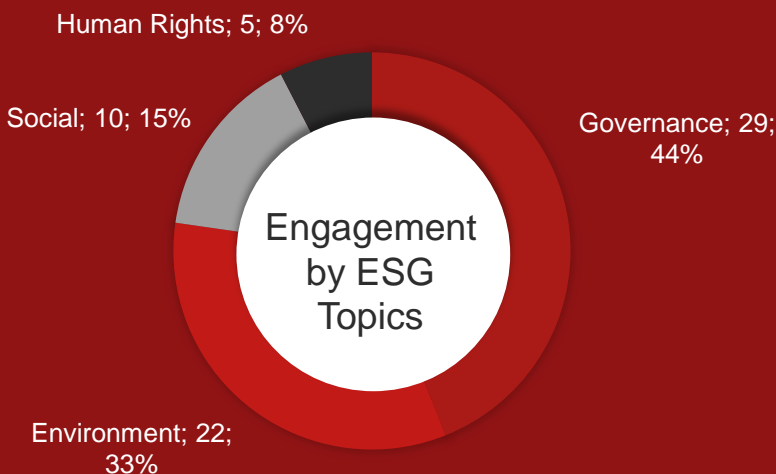
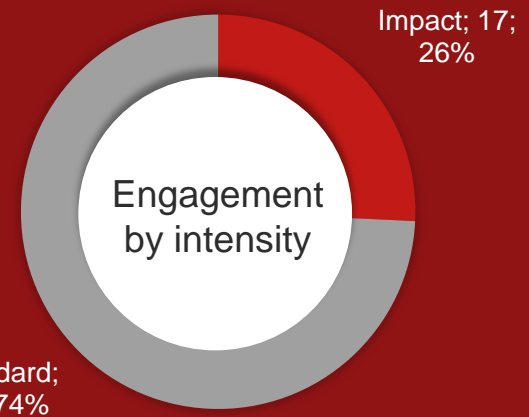
In 2022, we performed 66 engagements. The following graphs explain the types of engagements performed.

We define one engagement as a series of interactions with one issuer on one specific ESG topic. An engagement is recorded when it has been approved by an engagement committee.

Impact and standard engagements (intensity)

In terms of intensity, we differentiate standard and impact engagements. The goal of standard engagement is to raise awareness of an issuer on a specific topic and to demonstrate this intention (intentionality). The goal of impact engagement is to generate a change in issuer's behavior and demonstrate intentionality and the value-added of our engagement in that change (additionality).

The use of direct or collaborative engagement is independent of the intensity of the engagement (standard or impact). See definition on page 27.



Human Rights engagements are counted separately but fall into Social engagements

Breakdown by ESG Topic

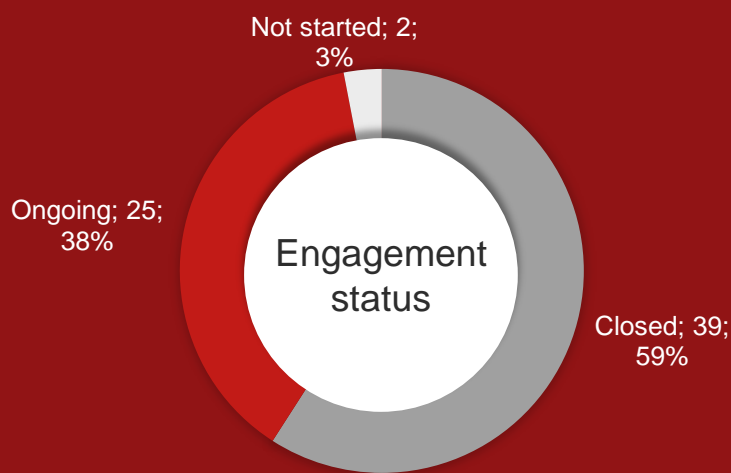
Historically, we have been engaging on governance topics leveraging in voting activities since 2016. Then, in 2018, we have been building on environmental topics and newly on social and human rights in 2021 and 2022. For further details on this, please go directly to each section.

3. Engagement

3.3 Overview of engagement activities

Engagement status (as of December 2022)

We monitor the status of each engagement

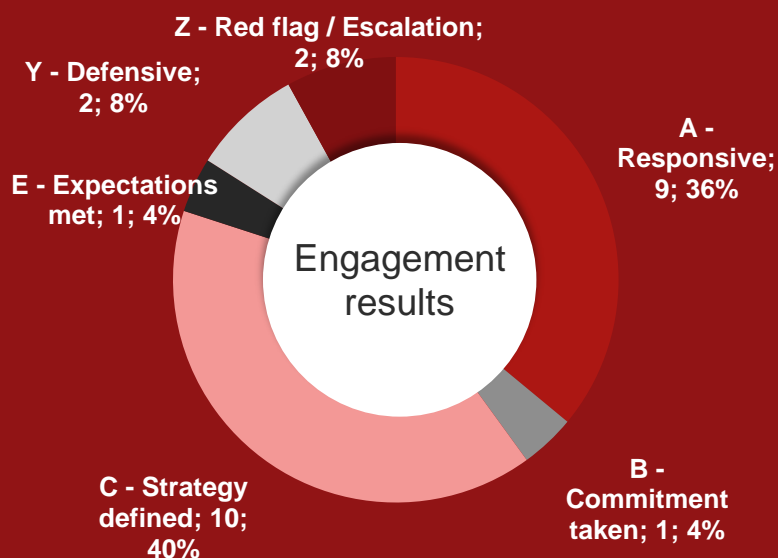


Status	Comments
Ongoing	Ongoing discussion with the issuer
Closed	Engagement closed: the issuer has reached expectations, or the exposure has been significantly reduced, or the position has been closed or the engagement perimeter has changed.
Not started	As of December 2022, the engagement had been approved by an Engagement Committee but not started at that time.

Engagement results (as of December 2022)

We monitored the results achieved by the ongoing engagements (29 in 2022). Each result is evaluated by a qualitative assessment performed by engagement specialists.

Engagement Result	Comments
Responsive	Issuer is open to the discussion on the issue raised
Commitment taken	Issuer has committed to solve the identified issue
Strategy defined	Issuer has defined a strategy to reach the commitment
Expectations met	Issuer has met all engagements expectations. Some engagements may need an external evaluation to be closed.
Defensive	Issuer is reluctant to discuss on the issue raised
Red flag / Escalation	Engagement is blocked or has raised a significant concern which is shared in the Engagement Committee in which relevant action is decided.

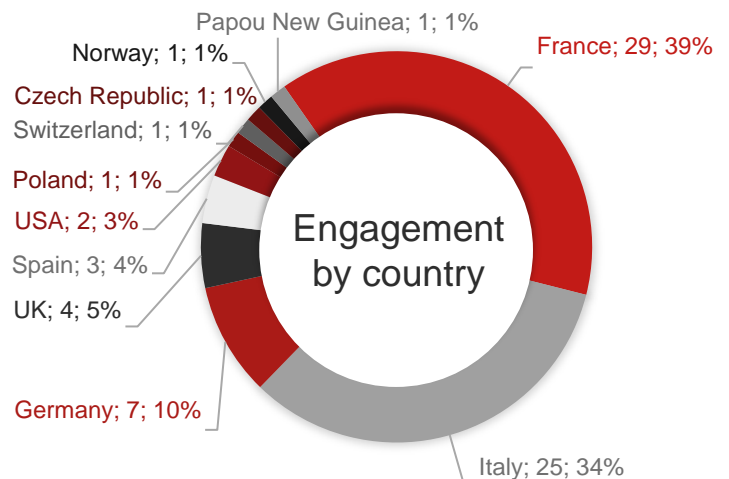


3. Engagement

3.3 Overview of engagement activities

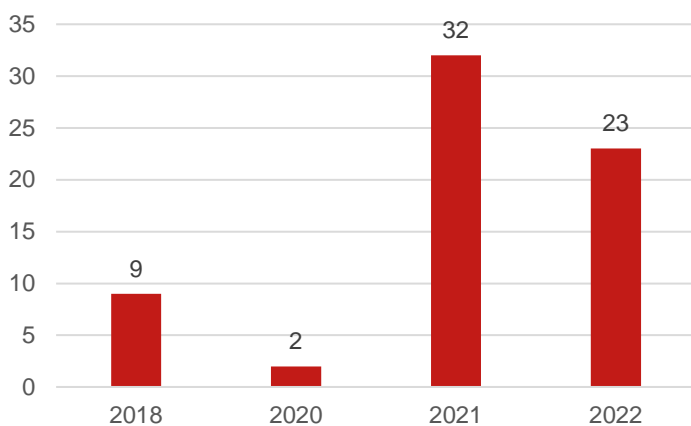
Most of our engagements are with companies based in Europe. The Italian representation is explained by the historical footprint, but also the number of “minority lists” engagements (19 in total) performed in 2022 (see paragraph 3.5).

The French representation is due to some funds having a French bias and pursuing the French SRI label (which includes engagement requirements).



Engagement history

Number of engagements broken down by starting year



The engagement activity in GIAM has started in 2018.

9 engagements are still ongoing since 2018. They are long standing engagements during which the issuers achieved several engagement milestones during past years, but engagement is still ongoing (e.g. climate) because they are linked to a fundamental change inside the company which required acknowledgement of an issue, recruitment of leaders to initiate change, validation of commitments, or implementation of changes worldwide.

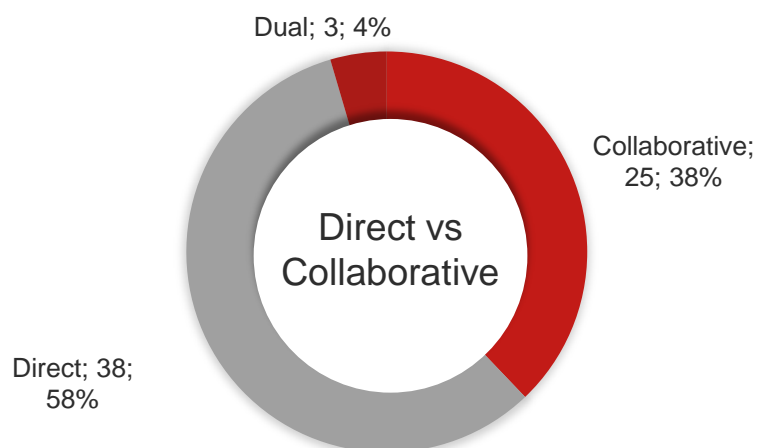
Few new engagements have been started in 2020, since the focus was on the ongoing engagements.

In 2021, some funds have been aiming for higher ESG integration, which has increased the number of engagements significantly.

In 2022, 23 new engagements have been launched.

3. Engagement

3.3 Overview of engagement activities



Direct & Collaborative engagements

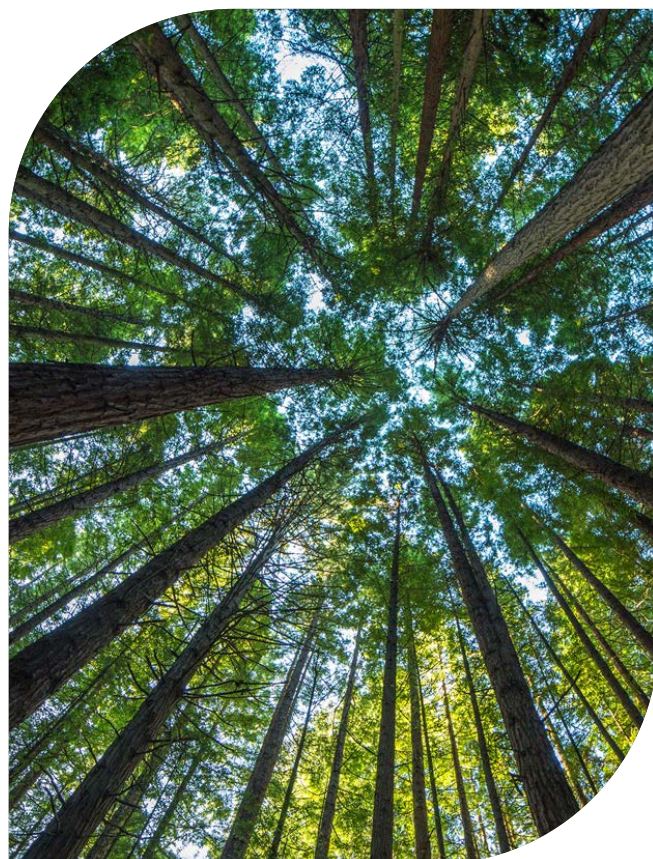
A direct engagement refers to an engagement performed directly with an issuer, with no other investors involved. When relevant, the cooperation with other investors who share the same concerns could take place in order to maximize the influence on the company engaged. This is what we call a collaborative engagement. A dual engagement is an engagement where we leverage on direct contacts with the issuer and collaborative engagement with the same issuer.

The use of direct or collaborative engagement is independent of the intensity of the engagement (standard or impact).

We are members of 4 key collaborative initiatives: Climate Action 100+, “Minority Lists” in Italy, 30% Club in France (focused on diversity - joined in September 2022) and IIGCC (focused on Climate – joined in December 2022)

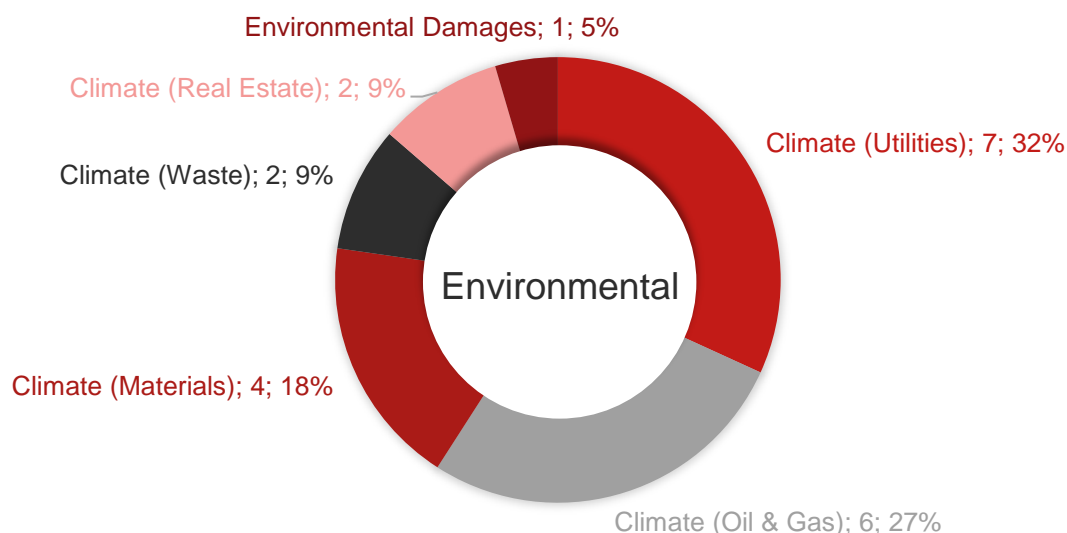
We use a “dual” approach (direct + collaborative) for advanced “impact engagements” when a framework has been defined with the issuer and we want to accelerate the ongoing changes with the weight of other investors.

We use the “dual” approach used for 2 Climate Action 100+ engagements and one engagement on environmental impact of agrochemical products.



3. Engagement

3.4 Details of Environmental engagement



3.4.1. Electricity producers: leveraging Science Based Target Initiative and Climate Action 100+

Cluster profile: 7 engagements, started in 2018 and 2021 including 2 impact engagements

Since 2018, we have been trying to define criteria that would enable us to confirm the alignment of Utilities to the Paris Agreement. The **Science Based Target initiative (“SBTi”)** provides an independent, recognized and comprehensive framework to confirm the alignment of an issuer’s trajectory with the Paris Agreement. Therefore, we are pushing Utilities to get a SBTi approved trajectory. We value the fact that SBTi has created several categories (2C, Well Below 2C and 1.5C), and several time horizons (near term, mid term and long term) to assess the commitments of Utilities to increase their ambition and extend the time horizon coverage.

The CEZ engagement case (see paragraph 3.2.1), is a good example of an engagement success linked to the Science Based Targets. Indeed, in 2022, CEZ recognized our inputs inside the CA100+ engagement group which led them to get this external validation.

We are also using Climate Action 100+ (“CA100+”) as a collaborative initiative to either engage a company or contribute to the direct engagement effort. GIAM is lead investor (i.e. coordinators of the collaboration) for two Central Eastern Europe utilities and collaborating investors for 2 US based utilities. We engage directly with three additional utilities.

3.4.2. Oil & Gas companies: what does 1.5C means?

Cluster profile: 6 engagements, started between 2018 and 2021, all being impact engagements

Impact engagement starts with preparation (see Pillar I in the description of Impact engagement). Since 2021, one of the main questions we have been asking ourselves on the energy transition in the Oil & Gas sector is the possible financial impact of a 1.5C alignment. We are working on a model to integrate carbon budget implication into financial modelling towards 2050. At the end of 2022, we have started to exchange with one issuer based on the initial outputs of this model to finetune its underlying assumptions. This work will enable us to potentially define realistic expectations towards issuers.

3. Engagement

3.4 Details of environmental engagement

3.4.3. Materials: cement and mining companies

Cluster profile: 4 engagements, started between 2018 and 2021, all being standard engagements

In the framework of Climate Action 100+ (CA100+ - see description page 50), we have been engaging with two European cement companies as collaborating investors, and one mining company.

For cement, we are engaging on fuel alternatives, carbon capture and alternatives to cement, given the fact that two-thirds of scope 1 & 2 emissions come from the production process of cement. We will continue to engage on that front in addition to follow the CA100+ benchmark.

We are engaging directly the third issuer, which has a more regional focus.

We have been starting to engage a mining company in 2021. This is an integrated and complex business model and we agreed in 2022 with the company to work jointly on the best way to represent their climate strategy.

3.4.4. Waste: Discovering the sector

Cluster profile: 2 engagements, started in 2021 and 2022, all being impact engagements

In 2021, we started engagement in Waste Management. We helped one mid-cap company (Séché Environment) to define and set targets for its first climate strategy. The engagement case is described in paragraph 3.2.4.

In 2022, we started the second engagement with a larger entity, in the middle of a major transformation. We agreed to support them in the definition of their climate plan sharing with them detailed investors expectations.

3.4.6 Real Estate: Setting Science Based Targets (SBTi)

Cluster profile: 2 engagements, started in 2021, all being standard engagements

Since this sector is covered by the Science Based Target Initiative, we have been mainly engaging since 2021, via standard engagements, to set SBTi validation as a target (see details on SBTi on page 28). In 2022, we have suggested issuers to enter in a more integrated phase of their climate strategy, to link all elements together: targets, strategy, investments.

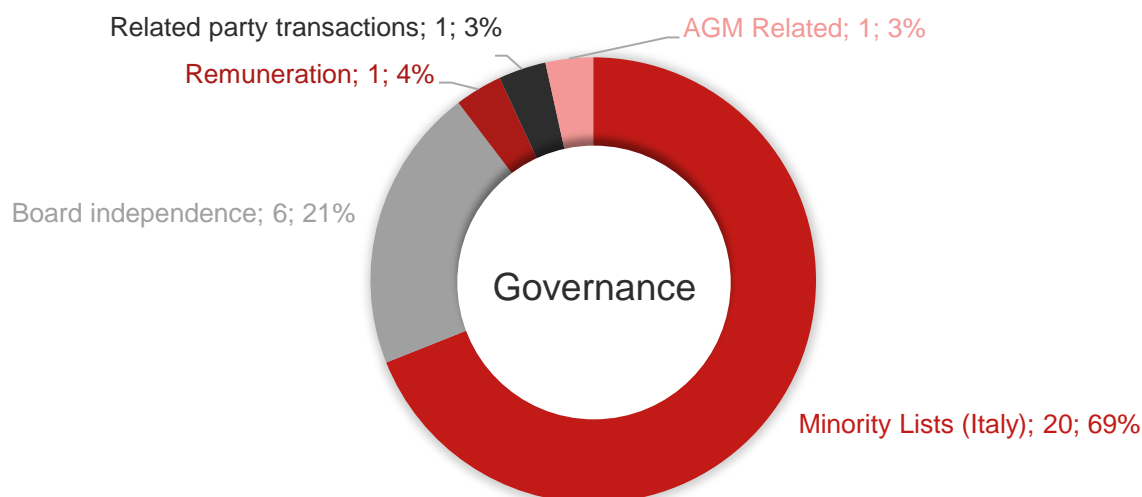
3.4.7. Environmental damages: working with Bayer on Crop Protection impact

Cluster profile: 1 impact engagement, started in 2018

We publish our engagement case with Bayer in paragraph 3.2.3 on the environmental impact of their crop science products and the 2022 developments.

3. Engagement

3.5 Details of governance engagement



3.5.1 Election of independent board member – Support to “Minority Lists”

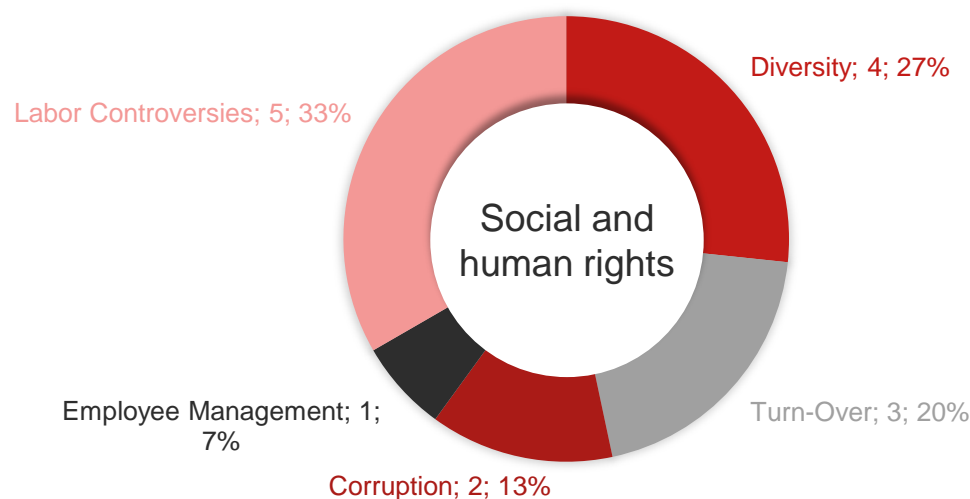
Italian corporate law framework foresees a specific mechanism to protect minority shareholders of listed companies, called “voto di lista”, ensuring the election of listed company board members are chosen from a list of candidates proposed by shareholders. This mechanism allows minority shareholders 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 interests, avoiding and protecting the abuse of power from a board, and having a more transparent relationship with shareholders.

In 2022, 20 engagements had been performed in the “voto di lista” framework specific to the Italian market, supporting minority shareholders to submit a list of independent board directors and independent statutory auditors board members. We contribute to the selection committee of directors and, as a shareholder, contributes to the presentation of the lists in the AGM.

3. Engagement

3.6 Details of social & human rights engagement



3.6.1. Diversity

Cluster profile: 4 standard engagements, started in 2021

We have been engaging 4 issuers on diversity at the request of fund managers. Instead of monitoring the usual percentage of women in the leadership, we decided to monitor and prioritize issuers with disproportionate gender ratios: women in top management / women in workforce. We feel this might reveal inequality of chance. In 2022, we started discussing the measurement of efficiency and impacts of initiatives taken to reach the diversity targets (all engaged issuers have a strategy defined to meet their targets). However, one engagement will close because the issuer is no longer in our engagement perimeter.

3.6.2. Labor controversies

Cluster profile: 5 standard engagements, started in 2021

We have been engaging 5 issuers flagged because of labor controversies at the request of some funds. In 2022, 2 engagements will close: one because the engagement perimeter has changed (portfolio composition), the second because the issuer has met the expectations and it has been recognized by a third party. The 3 other ones are ongoing, with one issuer's behavior being red-flagged because it does not acknowledge the controversy.

3.6.3. Corruption

Cluster profile: 2 impact engagements, started in 2018 and 2020

The first engagement has been with the investee company SAP (software company), initiated in 2018, has enabled SAP to implement an independent global whistleblowing system. SAP has recognized the impact of our engagement on this change. This engagement has been closed in 2022. We describe in detail the engagement case in paragraph 3.2.1.

Initiated in 2021, the second engagement it made possible to identify some relevant points with the issuer and to initiate the definition of a common plan for 2022 which was implemented. This engagement has been closed as well in 2022.

3. Engagement

3.6 Details of social & human rights engagement

3.6.4 Turnover

Cluster profile: 1 standard and 2 impact engagements, started in 2021

For the first one, a biotech company, the risk of increased turnover could be associated with costs of rehiring, loss of intellectual and human capital. Detailed remedial actions were announced in October 2021, but remuneration is still not linked with this key metric. We will continue to engage the issuer.

The remaining two engagements belong to the same sector, which we targeted because of high turnover figures. We found that even if the first seemed to be better positioned in terms of disclosures, analysis of root cause, target setting, action plan and link to remuneration, it turned out to have the lowest real-life practices.

In 2022, we joined a collaborative initiative to address these findings. At the same time, there has been a major controversy in the sector linked to the release of a journalist investigation leading to major destruction of shareholder value. This led us to extend the discussion we are having with the two issuers: balance between financial returns and extra-financial returns, identification of key KPIs, transformation into mission led company, adjustment of remuneration schemes. One of this engagement has been closed because the engagement perimeter has changed (portfolio composition).

3.6.5. Employee management

Cluster profile: 1 standard engagement started in 2021

We have been engaging an issuer that seemed to be penalized by bad employee training, especially on ethical standards. We worked with the issuer to improve disclosures and practices on these topic.

In 2022, we saw our suggestions implemented and these changes being recognized by an independent third party.

3.6.6. Cybersecurity

Cluster profile: 1 standard engagement started in 2021

Cybersecurity is an emerging topic in the engagement space and requires highly technical skills. In 2022, we have closed this engagement because the engagement priorities changed.



04

VOTING



4. Voting

Summary

Proxy Voting refers to the exercise of voting rights at shareholder meetings to formally express approval (or disapproval) on relevant matters. Voted items are not only closely related to sustainability issues, but cover financial performance, risk management, strategy and corporate governance matters.

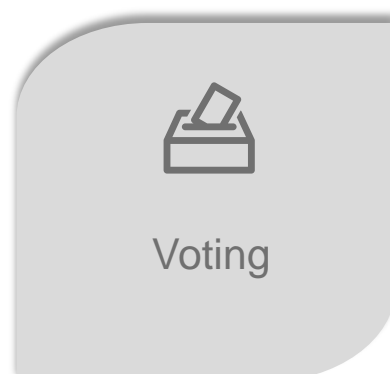
About our main voting principles:

- Financial statement and audit related resolutions: the main principle is transparency and is based on true and complete information. Our voting orientation is AGAINST if there are severe concerns highlighted in our research process.
- Corporate governance: we believe that boards with high standards of corporate governance will be better able to make robust strategic decisions and to oversee the approach to risk management. The main criteria are segregation of duties, director independence, time commitment, diversity, board committee independence.
- Remuneration policy: companies should adopt a remuneration policy for board members and key executives consistent with market best practices.
- Shareholder proposals: as a general principle, we consider shareholder proposals an effective instrument to demand a change in policies, increased transparency and improved disclosure on material aspects of a company's business. We would not support shareholder resolutions that are not in the best interest of the shareholders. For example, usually our voting orientation is to vote FOR shareholder proposals linked to ESG issues if in the best interest of shareholders.

In 2022, we voted at 1,173 shareholders meetings, on 16,309 proposed resolutions and we exercised 28,953 votes. Overall, 95% of votable meetings were voted, which is mostly due to the fact that we do not vote in some European markets where we face administrative constraints.

This chapter is structured in the following paragraphs:

- 4.1. Overview of services provided**
- 4.2. Voting policy**
- 4.3. Overview on the 2022 proxy season**
- 4.4. Details of voting behavior**
- 4.5. Breakdown of “Against” votes by region**
- 4.6. Coverage**



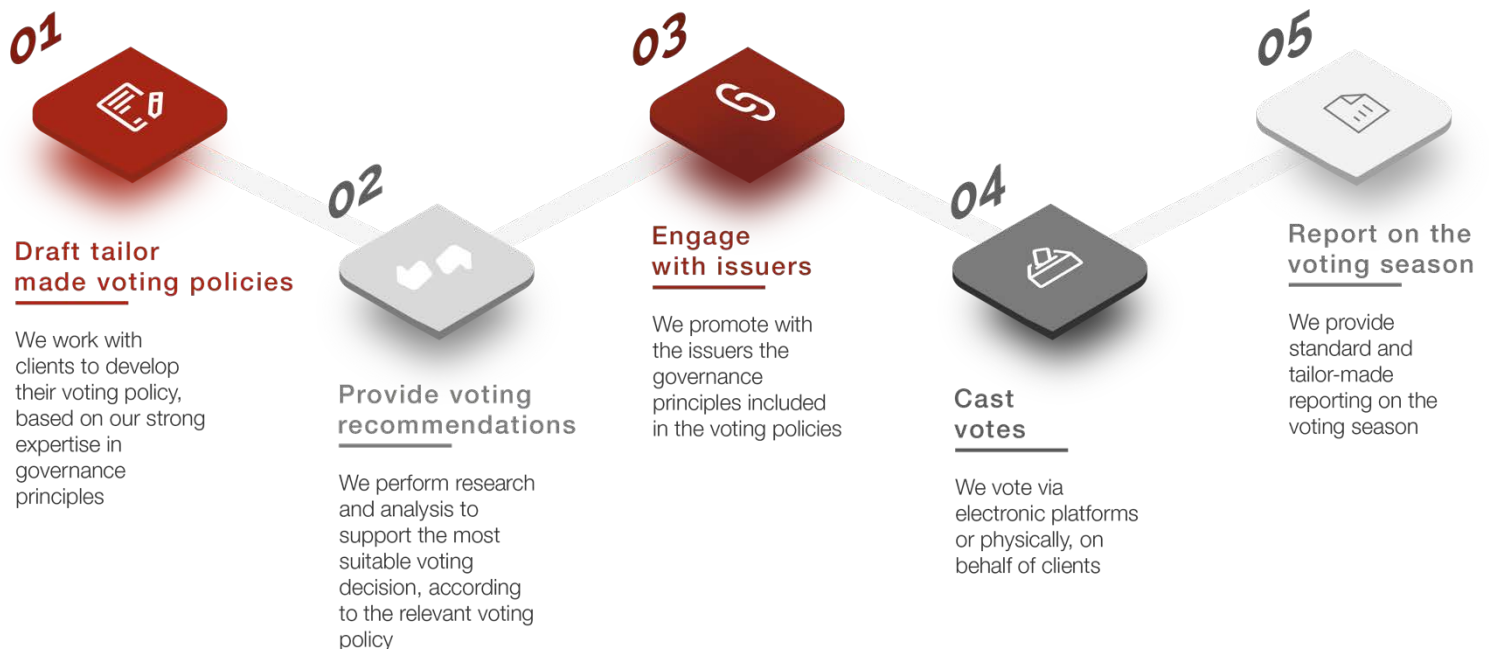
4. Voting

4.1 Overview of services provided

Our support on resolution analysis is based on the relevant clients' voting policies and guidelines provided by our clients, analyzed by a dedicated internal voting specialists team in charge of analyzing each proposal at the AGM we attend.

GIAM's Active Ownership team is in charge of supporting clients on resolution analysis, as well as of the performance of instrumental activities related to the exercise of voting rights.

The proxy voting advisor is Glass Lewis, who provides research and advice related to the exercise of voting rights and the electronic proxy voting platform. In addition, we integrate the research with inputs from portfolio managers, ESG analysts and engagement specialists that supports the assessment.



4. Voting

4.2 Voting behavior

The following description is not exhaustive, but it highlights the most prominent principles we followed during the 2022 voting season.

Financial statement and audit related resolutions

The main principle is transparency and is based on true and complete information. Companies should highlight the main risks to which they are exposed.

Our voting orientation is to vote **AGAINST** if there are concerns highlighted in our research process, for example in case of material breaches or when relevant reservations are expressed by the independent auditors.

Corporate governance

We believe that boards with high standards of corporate governance will be better able to make robust strategic decisions, to challenge and promote the effectiveness of management's operational oversight, and to oversee the approach to risk management. This process enhances investor returns over time. The main criteria are:

- **Segregation of duties:** We are in favor of the separation of the roles between chairman and CEO.

For example, our voting orientation is to vote **AGAINST** if the nominee has the role both of CEO and chair and there isn't a lead independent director, or if there is a lead independent director, but it cannot be considered independent.
- **Director independence:** We are in favor of the independence of the board. We do not consider independent directors that have been elected for more than 10 years.

For example, our voting orientation is to vote **AGAINST** the nominee if the level of minimum board independency is less than 50% for a public company, and 33% for a controlled or Japanese company.
- **Time commitment:** As a general principle, a director is deemed to have insufficient time when they fail to attend at least 75% of their scheduled board/committee meeting, without adequate justification or if they have a high number of external directorships that can limit the ability to fulfill their duty.

For example, our voting orientation is to vote **AGAINST** if a director holds an executive directorship outside the Group or if he holds more than 4 non-executive directorships outside the Group.
- **Diversity:** As a general principle, wider gender diversity is encouraged and the less represented gender should be at least 1/3 of the board, although there are exceptions such as in Asian markets.
- **Board committee independence:** Specialized committees such as: audit committee, remuneration committee and nominee committee should be composed for the majority by independent directors.

For example, our voting orientation is to vote **AGAINST** if the rate of independency of such committees is less than 50%.

4. Voting

4.2 Voting behavior (continued)

Ratification / discharge votes of management board acts

As a general principle we are not in favor of discharging the board in jurisdictions where it is not a usual practice, and it could limit any possible legal action from shareholders.

For example, our voting orientation is to vote **AGAINST** if:

- it is a waiver of legal claims, for some markets in Europe
- it is not legal waiver only if there are severe concerns highlighted in our research process.

Remuneration policy

Companies should adopt a remuneration policy for board members and key executives consistent with market best practices.

Variable remunerations should be linked to long-term financial and ESG performance, as well as to trends in the company's intrinsic value. Quantitative criteria (growth, profitability, risk profile, etc.) and qualitative criteria (job creations, compliance, etc.) for awarding variable remuneration must be explicit.

For example, our voting orientation is to vote **AGAINST** if there are patterns of poor pay for performance (recursively assessed) or significant salary increases without an appropriate rationale or a lack of Long-Term Incentive plan.

Anti-takeover mechanisms

Our voting orientation is to vote **AGAINST** every time the authority to repurchase and reissue shares might be used as anti-takeover mechanism (not for controlled companies) since in principle this can be detrimental to shareholders' interests.

Shareholder proposals

As a general principle we consider shareholder proposals an effective instrument to demand a change in policies, increased transparency and improved disclosure on material aspects of a company's business.

In the evaluating process we consider the existing circumstances, the rationale provided by the relevant company or shareholders, the possible risks and opportunities, the governance framework of the investee issuer, the availability of sufficient information, and the alignment with long-term investor interests.

We would not support shareholder resolutions that are not in the best interest of the shareholders.

For example, our voting orientation is to vote **FOR** shareholder proposals linked to ESG issues, such as climate change, human rights, human capital management, governance proposal in favor of board independence, if in the best interest of shareholders.

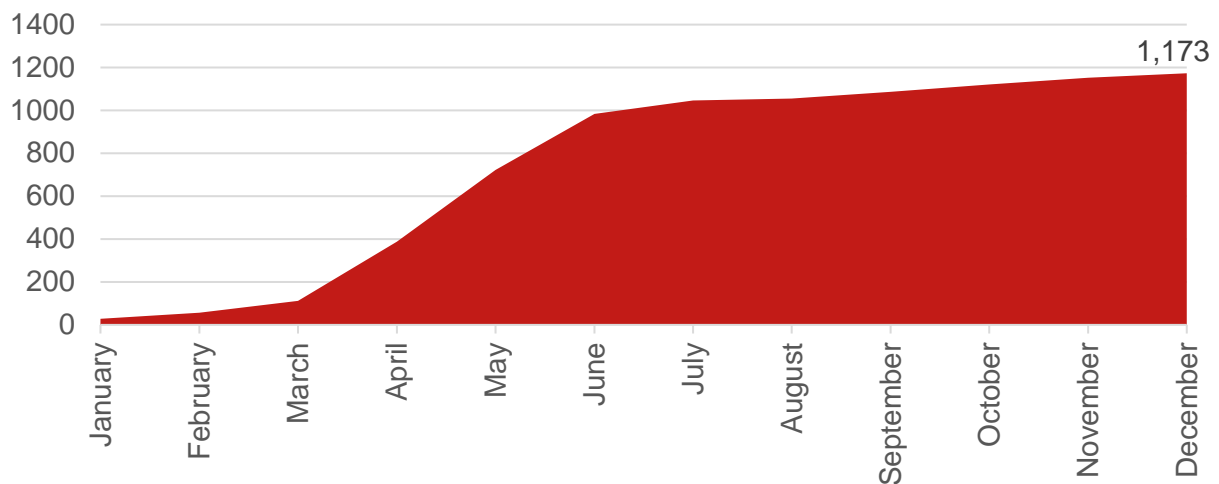
4. Voting

4.3 Overview on the 2022 proxy season

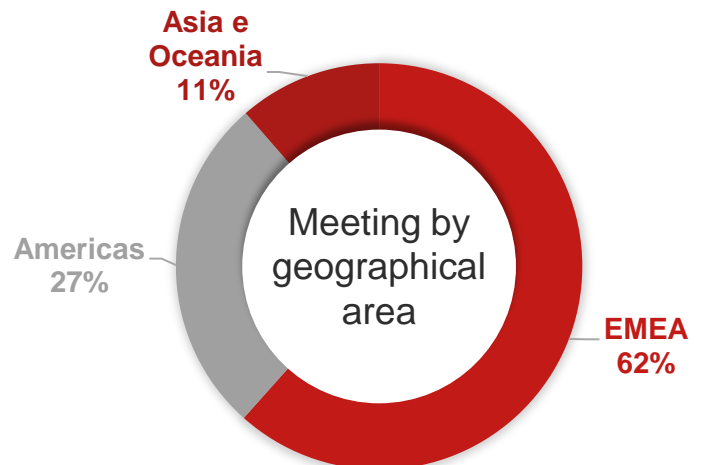
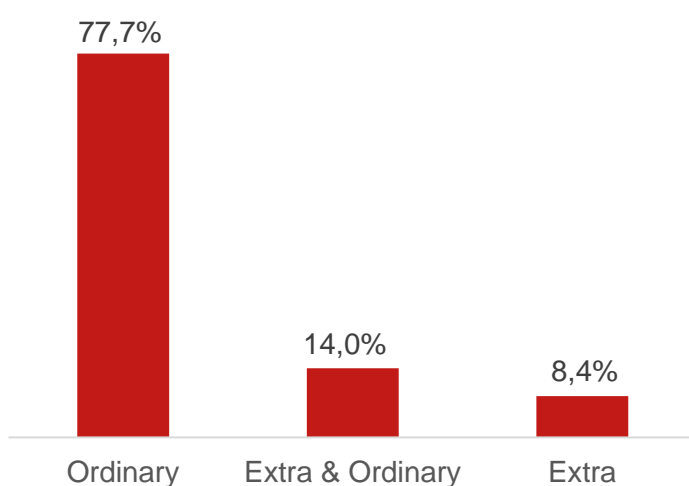
This section focuses on shareholders meetings only. Bond meetings are excluded from the total meetings attended. The voting figures we describe relate to portfolios on which we have discretionary power to vote.

We voted at **1,173** shareholders meetings in 2022.

Cumulative votes per month



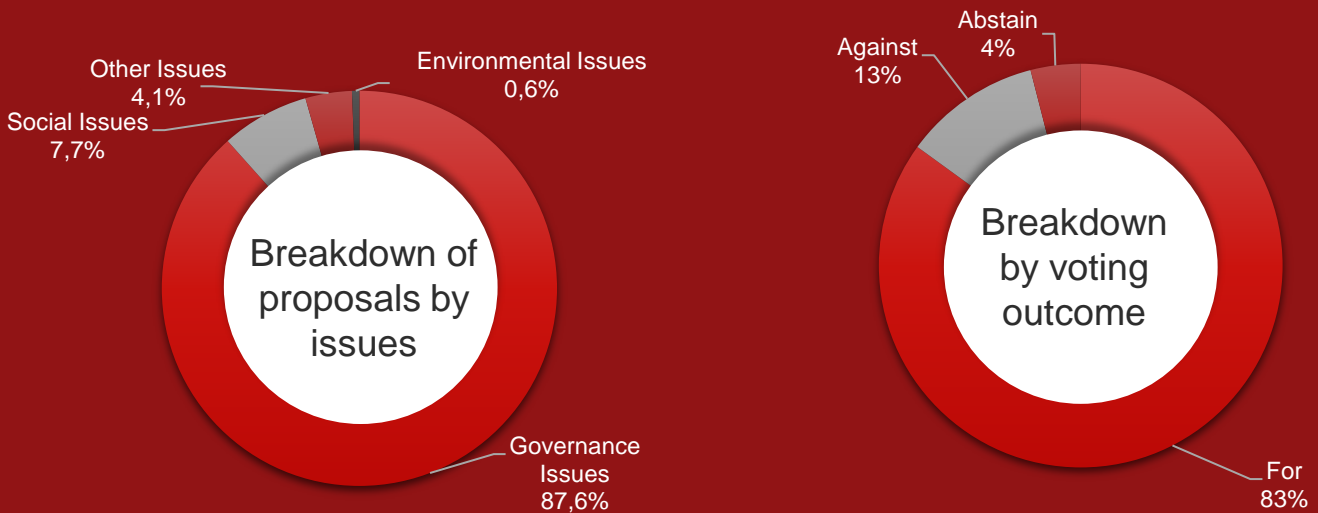
Meeting types



4. Voting

4.4 Details of voting behavior

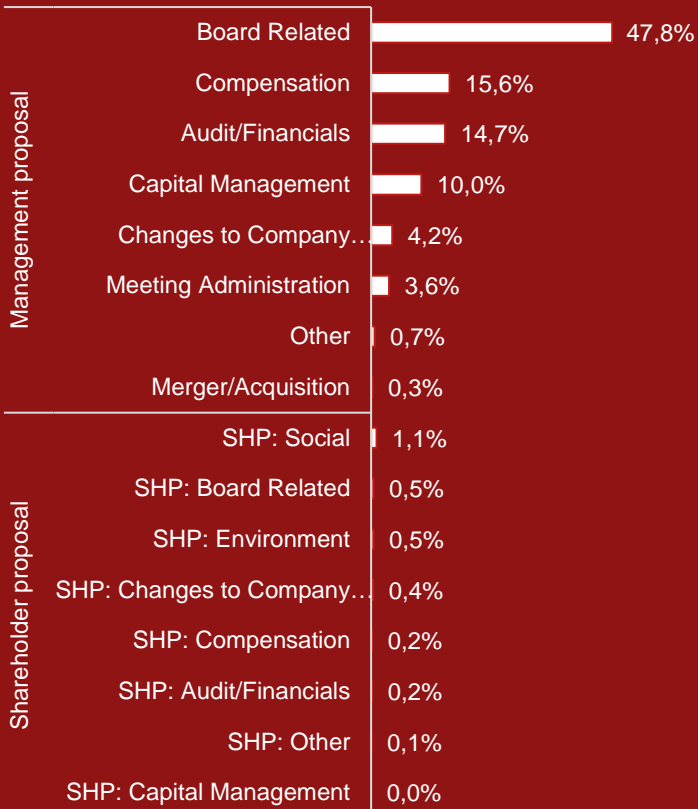
In 2022, we voted **16,309** proposed shareholders' resolutions and we exercised **28,953** votes.



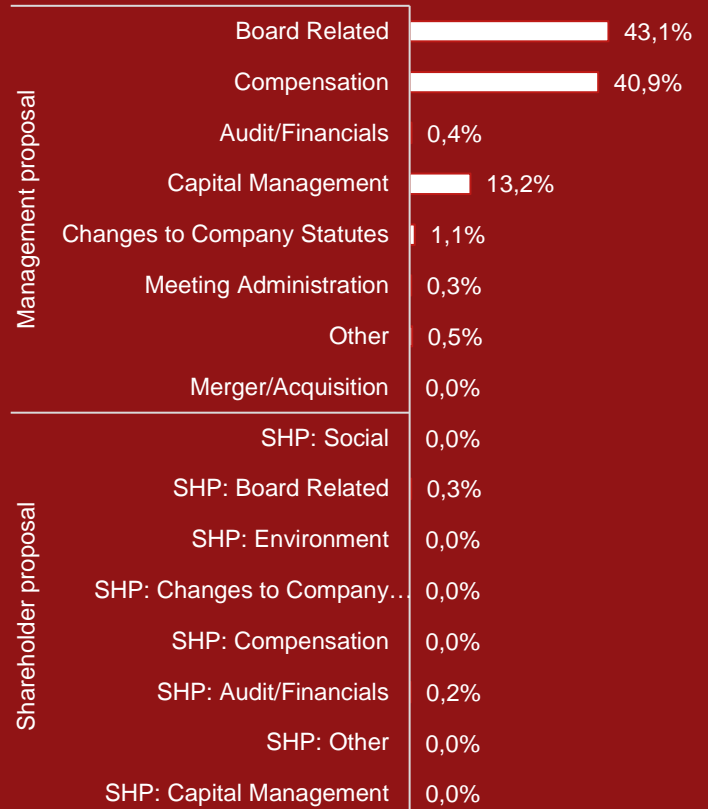
*Social issues include compensation proposals

** Other issues include meeting administration proposal

Proposal type distribution

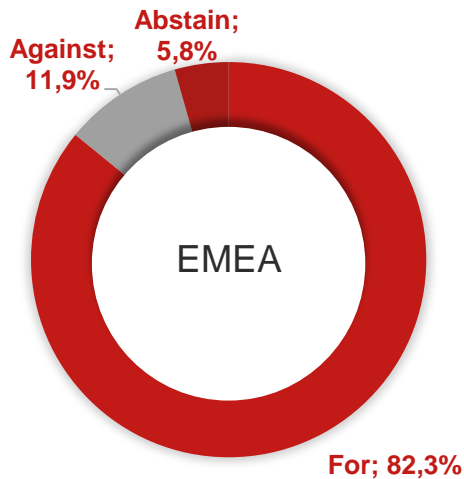


Distribution of against votes



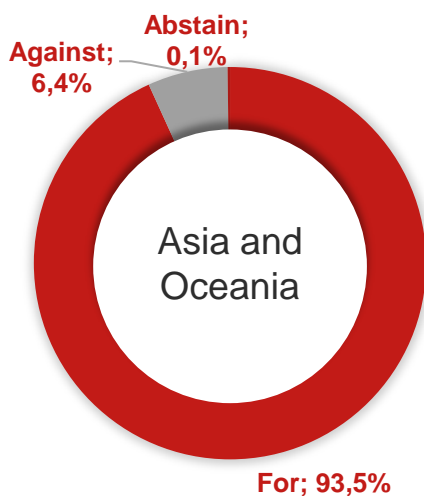
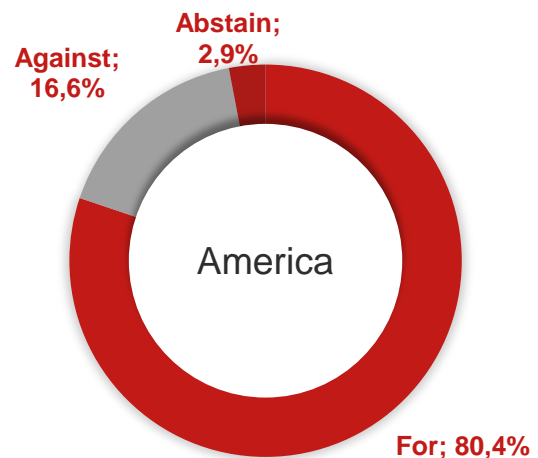
4. Voting

4.5 “Against” votes by region



Since a significant part of our votes are cast in EMEA (62%), this breakdown reflects all our votes (against rate = 12%). This breakdown on European markets should be taken as a reference to be compared with Americas and Asia & Oceania below.

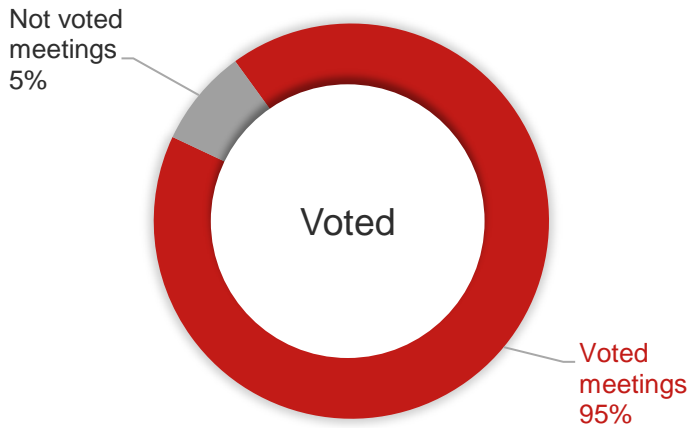
In the United States, we have the biggest proportion of “Against” votes mostly due to different remuneration market practices, directors' time commitments and levels of board's independence, which require, according to our voting policy, a negative vote.



In Asia and Oceania, we observe the lowest percentage of “Against” votes due to the prevalence of routine issues on the agenda and the fact that the best practices in place in the region provide for a lower required rate of independence of board members than in the United States and Europe. For example, in Japan the required independence rate is 33% which doesn't require, according to our voting policy, a negative vote.

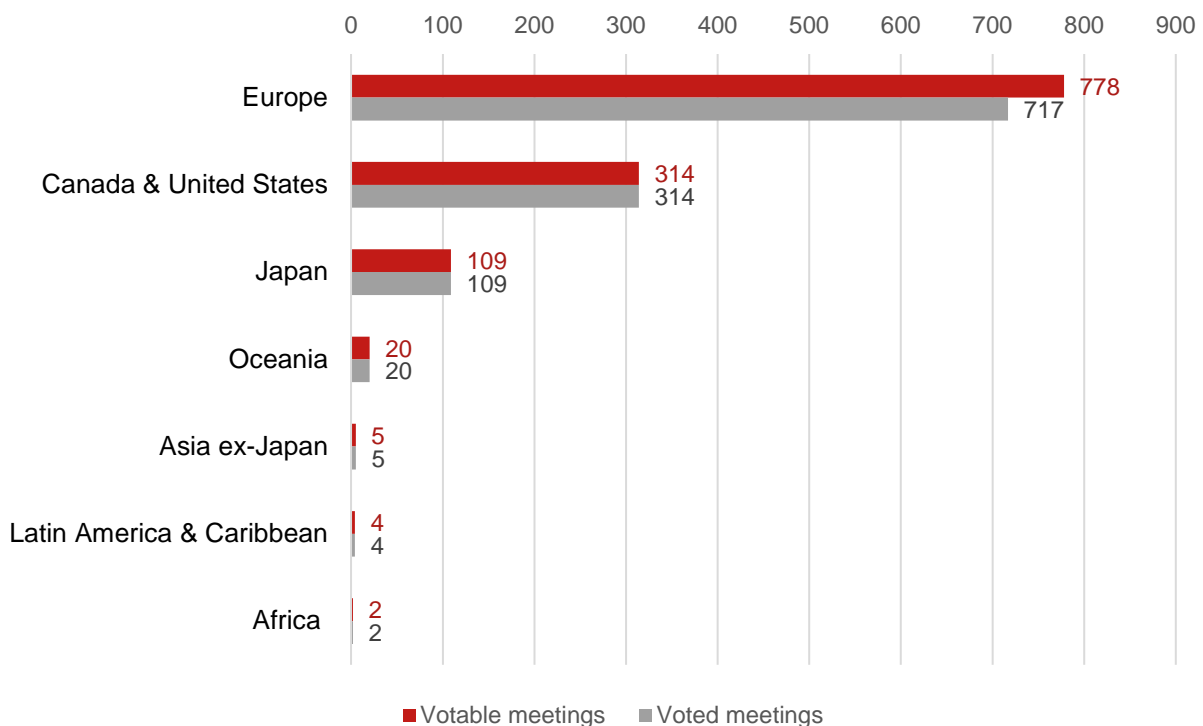
4. Voting

4.6 Coverage



Overall, 95% of votable meetings were voted at, which is mostly due to the fact that we do not vote in some European markets where we face administrative constraints.

Breakdown of coverage by region



Region	Coverage Percentage
Europe	92,2%
Canada & United States	100%
Japan	100%
Oceania	100%
Latin America & Caribbean	100%
Asia ex-Japan	100%
Africa	100%



05

**FOCUS ON SAY
ON CLIMATE
2022**



GENERALI
INSURANCE
ASSET MANAGEMENT

5. Say on Climate

Summary

The “Say on Climate” initiative was launched in 2020 to promote board-sponsored resolutions aligned with supporting the transition to net zero. The initiative sought improved climate transition disclosures and associated action plans from companies, to be voted on at annual general meetings (AGM). Here we explore our voting behavior in 2022, our approach on voting in “Say on Climate” resolutions and our analysis on Say on Climate.

In 2022, we have voted on 73 climate related proposals. Almost two thirds of Say on Climate are shareholder proposals, most of which are filed in the USA.

Regarding our voting behavior, for management or shareholder proposals on climate strategy we rely on the Science Based Target evaluation. For reporting and lobbying resolutions, we usually vote FOR to favor transparency on climate related issues.

Globally, since the launch of this initiative, we appreciated the signal which such an initiative from the issuers sends, the debates its has launched and the global perspective it gives on how investors view the climate strategy of a company. However, we remain committed to improving the quality of the debate, to contribute to avoid the simplification of the message and to suggest and efficient use of such tools over time. We believe that board members have a great role to play in these complex discussions on climate and that we should think about a way to involve shareholders more in the definition of board candidate profiles and selection.

This chapter is structured in the following paragraphs

1. **Facts and Figures**
2. **GIAM behavior and voting approach in 2022**
3. **Prospective view on Say on Climate**



5. Say on Climate

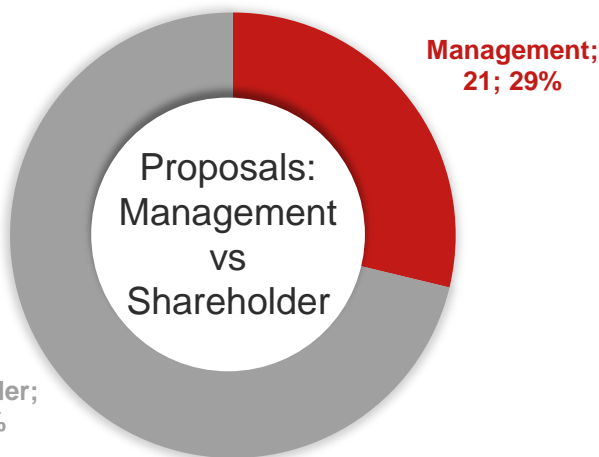
5.1 Facts and Figures

The voting figures we describe relate to portfolios on which we have discretionary power to vote.

73

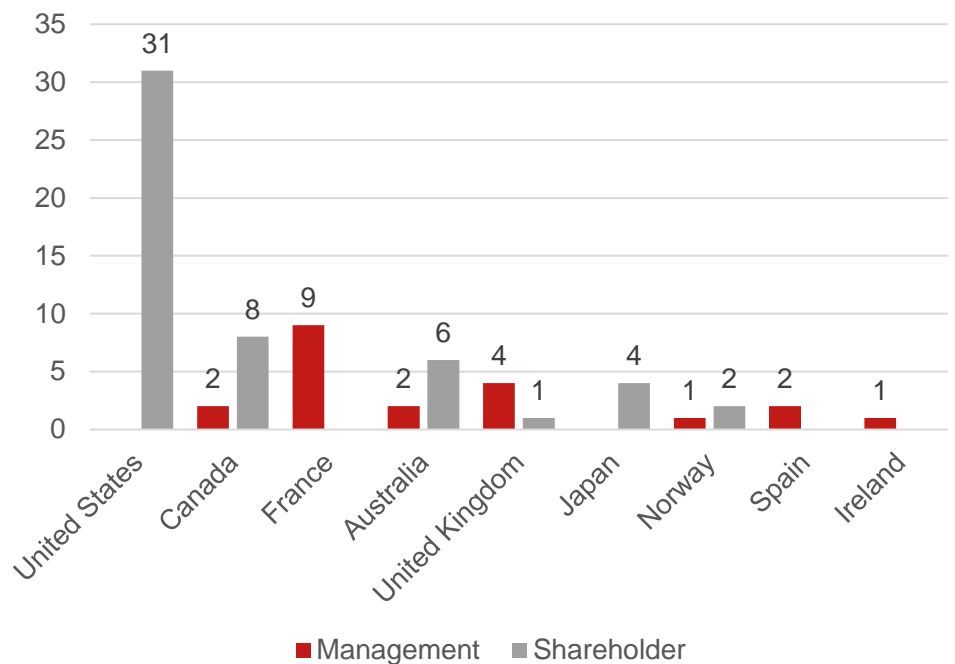
Climate related resolutions

Breakdown of proposals by source



In 2022, we voted 73 climate related resolutions, 71% being shareholders resolutions, mainly located in the US (31 in 2022). The 21 management proposals are evenly distributed around the world, ranging from Canada, to France or Norway.

Breakdown of proposals by country



5. Say on Climate

5.2 GIAM behavior and voting approach in 2022

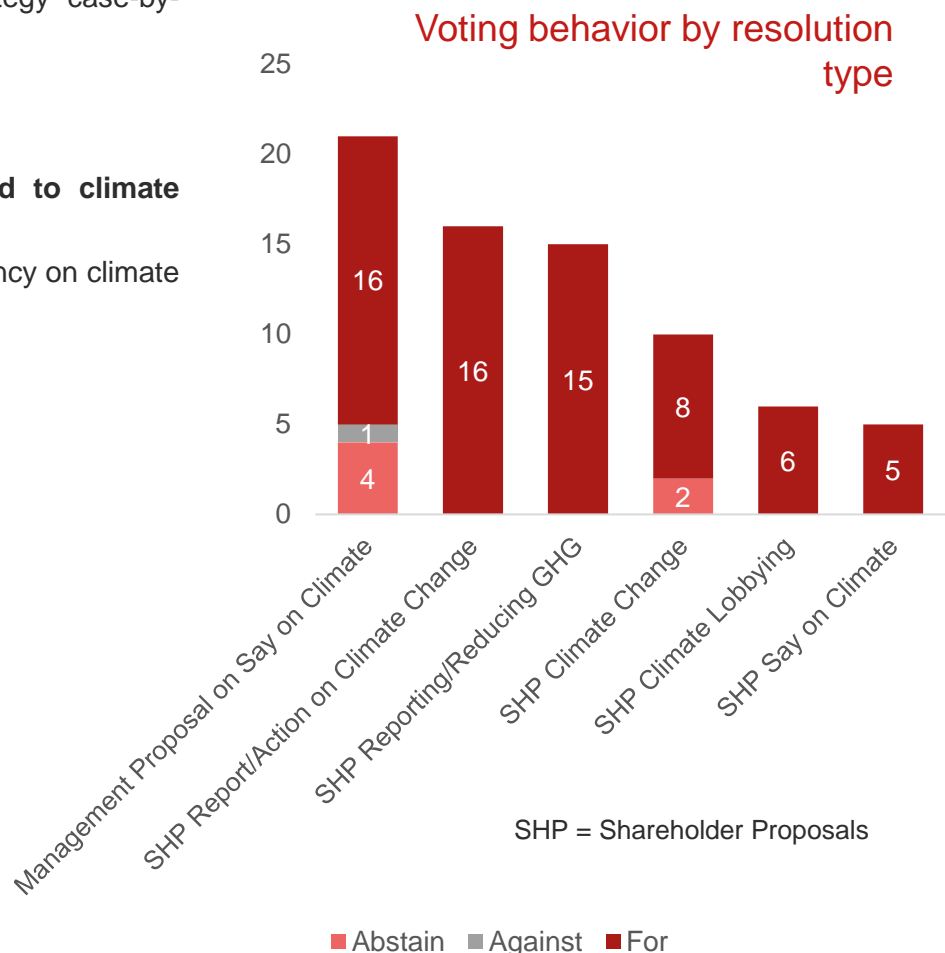
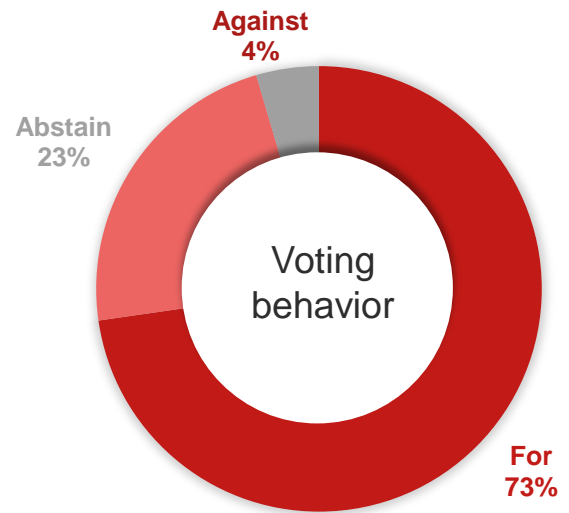
In 2022, we defined the following approach to vote :

Management or Shareholder proposals on Say on Climate:

- If an engagement activity is in place, we vote coherently with such engagement activity
- If the issuer has a “well below 2°C” validation according to Science Based Target initiative (see page 28), we vote FOR.
- If there is no Science Based Target methodology and if the issuer’s trajectory is above 2°C, we assess the company’s climate strategy case-by-case.

Shareholder proposals (SHP) related to climate reporting and climate lobbying:

We usually vote FOR to favor transparency on climate related issues.



5. Say on Climate

5.3 Prospective view on Say on Climate

In this section, we highlight the pros and cons of a systematic use of Say on Climate and we suggest a prospective orientation answering to the underlying need of investors to have a say on climate related issues.

Pros of “Say on Climate”

We see three advantages to having management propose a Say on Climate resolution:

- **Signal:** Say on Climate sends a signal to the market that the issuer confirms climate is important.
- **Debate:** It creates a debate, as we have seen with some recent cases. However, one can question the quality of the debate.
- **Global view:** This allows issuer and investors to have a global vision of where the investor base stands. This is the most important benefit. In the 2022 voting season, we have an example of one Say on Climate resolution which sparked a great debate but there was an approval rate of approximatively 90%. There is thus a form of disproportion which is interesting to note.

Cons of “Say on Climate”

We see at least five reasons why Say on Climate could pose some issues. The reasons are more important in terms of number but also quality:

- **Quality of debate:** We are witnessing a great crystallization of positions, rather than enabling a debate that could be more qualitative. We can see a sort of halo effect and disproportion. This could eventually prevent the silent majority speaking up, who may not have the space or feel welcomed to do so. It also facilitates the expression of simplified points of view and creates hurdles for the expression of more complex points of view. Substantive discussion is not facilitated. If we wanted to generalize the “Say on Climate” every year, it would create a form of background noise that would not leave room for discussion. The board room seems a better place to have a high quality of debate provided the governance of issuers is adequate.
- **Simplification of messages:** The 3 voting outcomes (For, Against, Abstain) do not seem the best communication channel in a complex situation, and may lead to an oversimplification of messages. If we take the example of energy companies, there is clearly an environmental issue but there is also an economic issue related to the financial robustness of these companies when transitioning. There is also a social issue: the price of energy is becoming a major concern worldwide. An “unjust transition” could jeopardize the whole transition.

5. Say on Climate

5.3 Prospective view on Say on Climate (continued)

- **Interpretation of results:** A negative vote may mean that the strategy is too ambitious but also, on the contrary, that it does not go far enough. The same problem arises for a positive vote: it may mean that the shareholders want to reward the efforts made even if the strategy is not sufficient or, on the contrary, that they approve the strategy but do not want the issuer to go further.
- **Time:** We need to think about the frequency of Say on Climate votes and the time horizon implied by these resolutions. It makes little sense to approve a climate strategy every year that has a 10 to 30-year horizon. There is a form of temporal inconsistency, be it through the validation of a strategy or through the validation of a report. We have recently seen that climate strategies can be modified several times a year. Therefore, a validated strategy could soon become obsolete. This is why Say on Climate cannot be fully compared to “Say on Pay” on that front. Generally, when it comes to “Say on Pay”, there is a clear logic and time horizon: one-year for short term incentive and three-year remuneration horizon for long term.
- **The ability of investors to analyze:** If Say on Climate becomes a standard, it is not certain that investors will have the ability to evaluate in depth the climate strategies of all companies they hold. The risk is even higher for small asset managers. We know how much ESG consumes resources today, especially human resources, so that even for medium-sized asset managers a capacity issue can arise.



5. Say on Climate

5.3 Prospective view on Say on Climate (continued)

The role of the shareholders of the general meeting and the board of directors

One of the major roles of the Annual General Meeting is to elect the members of a supervisory body (the board of directors). This body will generally appoint and challenge a managing director/CEO who will be responsible for presenting and implementing a strategy. Interestingly, the climate strategies of the largest emitters increasingly have a significant (if not total) overlap with the strategy itself. Many CEOs say: "I don't have a climate strategy; I have a strategy". It is also interesting to note that, until now, there is not recurrent consultation of shareholders on the strategy, there is no "Say on Strategy". The role of the board is to have a "Say on Strategy" on behalf of the investors.

We are witnessing a sort of transfer of competence from the board to the general assembly. First, there has been the "Say on Pay" and then the "Say on Climate". Will we see the further development of a range of "Say on ..." or is there a better way forward?

We should ask where this trend originates. We observe that a growing number of shareholders feel somewhat dispossessed, that they want to "have a say", and that there is a growing sentiment that boards of directors are less representative of the interests of minority shareholders.

The case of ExxonMobil AGM in 2021 is a good example. Engine No. 1, a shareholder representing a small share of the share capital, presented four directors to the general meeting and three were elected. This event was a significant change in the governance of the issuer. It illustrates the willingness of investors to be more involved in governance, and climate is the trigger. However, if they do so in a confrontational approach it can be disruptive for companies. Today, other companies may think the same situation could occur at their AGM. We could therefore propose to think upstream with the issuers in a collaborative approach to avoid this situation.

Conclusion

To conclude, in some countries there is a requirement for companies that significantly change their strategy through an acquisition or sale to seek the approval of the general meeting. Thus, for example, if an oil company now decides to produce renewable energy, it is a significant change and it is therefore perceived well to consult the general meeting. On the other hand, in the case of incremental strategy adjustments, an annual or regular frequency may not be necessary.

In addition, we believe that board members have a great role to play in these complex discussions on climate and sustainability risks, and the definition of board candidate profiles and selection is becoming increasingly important.

06

**ASSOCIATIONS
AND
MEMBERSHIPS**

6. Associations and Memberships

Principles for Responsible Investment (PRI)

The Group has been a member of the UN PRI since 2011 as an asset owner and GIAM became a member to further demonstrate its commitment to sustainable finance as an asset manager, and particularly to the 6 Principles for Responsible Investing-

Since 2020, we have actively contributed to the PRI work as a member of the PRI Stewardship Advisory Committee.

<https://www.unpri.org/signatory-resources/advisory-committees-and-working-groups/320.article>

Climate Action 100+

Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. 700 investors, responsible for over \$68 trillion in assets under management, are engaging companies on improving climate change governance, cutting emissions and strengthening climate-related financial disclosures.

Generali Insurance Asset Management, joined Climate Action 100+ in 2021, leading, co-leading, and collaborating on the different engagements followed inside Climate Action 100+.

Climate Action 100+ is overseen by a global steering committee that establishes initiative strategic priorities, governance and infrastructure. The committee also reviews companies that have been subject to a corporate action and decides on a case-by-case basis if they should be removed from the focus list.

In April 2022, Francois Humbert, Engagement Lead Manager at GIAM was appointed as member of the Climate Action 100+ steering committee.

The appointment marks a clear recognition of Generali Insurance Asset Management's responsible investment efforts in Europe.

<https://www.climateaction100.org/about/>

“Forum per la Finanza Sostenibile”

Generali Insurance Asset Management joined the “Forum per la Finanza Sostenibile” in Italy in 2021, participating in a working group on engagement.

<https://finanzasostenibile.it/>

6. Associations and Memberships

30% Club France Investor Group

The 30% Club is a global campaign taking action to increase gender diversity at board and senior management levels. In 2010, the campaign was launched in the UK and it now has chapters around the world, with some backed by dedicated investor groups. In November 2020, six investment institutions decided to create an investor group in France. The 30% Club France Investor Group now includes 16 members representing around €6 trillion AUM. Its focus is to engage with the investee companies and push for at least 30% of executive committee seats to be filled with women by 2025. It also aims to increase disclosure expectations around the topic of gender diversity. The Club believes gender balance on boards and senior management encourages better leadership and governance, diversity and inclusion contribute to all-round board performance and, ultimately, increase corporate performance for companies and their shareholders.

GIAM Active Ownership team is representing one of its client at the 30% Club France since September 2022.

The Institutional Investor Group on Climate Change (IIGCC)

The Institutional Investors Group on Climate Change (IIGCC) is the European membership body for investor collaboration on climate change and the voice of investors taking action for a prosperous, low carbon future. IIGCC has more than 350 members, mainly pension funds and asset managers, across 23 countries, with over €51 trillion in assets under management.

IIGCC's mission is to support and enable the investment community in driving significant and real progress by 2030 towards a net zero and resilient future. This will be achieved through capital allocation decisions, stewardship and successful engagement with companies, policy makers and fellow investors. IIGCC works to support and help define the public policies, investment practices and corporate behaviors that address the long-term risks and opportunities associated with climate change.

GIAM joined IIGCC in December 2022.

<https://www.iigcc.org/about-us/>



07

GIAM ACTIVE OWNERSHIP TEAM



GENERALI
INSURANCE
ASSET MANAGEMENT

7. GIAM Active Ownership Team



Livio Gentilucci
Head of Active Ownership
+30y in Generali Asset Management
Industrial Engineering Degree



Francois Humbert
Engagement Lead Manager
+14y in Asset Management.
Master in General Engineering



Roberta Cortesi
Proxy Voting Specialist
+29y in Generali Asset Management,
Law Degree



Laura Coppola
Proxy Voting Specialist
+13y in IT industry, Consultancy
and Generali Group,
Digital Communications Degree

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