



GENERALI
INVESTMENTS

Annual report on voting activities and active ownership

Activities carried out in 2016



Content

Introduction	p. 3
About this report	p. 4
Participation in shareholders meetings at a glance	p. 5
Generali Group material issues	p. 6
Proxy Voting on Generali Group material issues	p. 7
Distribution of issuers per industry sector	p. 8
Percentage of quoted issuers	p. 9
Distribution of meetings per Country	p. 10
Distribution of resolutions on the meetings agenda	p. 11
2016 Engagement activities: numbers and breakdowns	p. 16
Collective Engagement	p. 17
Imprint	p. 18

Introduction

Our voice in the general meetings

Proxy voting is increasingly considered a standard practice among institutional investors. Generali Investments is fully committed to its role as active asset manager in enhancing its stewardship activities to protect shareholder by contributing to the dissemination of corporate governance practices. We believe that management of extra-financial issues can give a contribution to the achievement of long term financial performance and to the accomplishment of our fiduciary duty in the best interest of the clients.

The participation at general meeting of our investees' issuers enables us to support proposals for the enhancement of practices in the area of governance, business ethics, social cohesion and environmental protection. By implementing our voting policy, we aim to encourage companies management to act in the long-term interest of stakeholders and to comply with high corporate governance standards. **We consider it as one of the main pillars of active ownership.**

With the aim to efficiently fulfil its role, Generali Investments set up a dedicated proxy voting team able to offer an end to end basket of services related to the management of the voting process ensuring that the entire requirements belonging to different parties in the voting chain, such as acting as power of attorney in specific markets, are efficiently met. We provide our clients with a timely and accurate reporting inclusive of a compelling and exhaustive disclosure of all the votes that have been casted for the issuers included in their portfolio.

To foster corporate governance best practices, we complement our proxy voting activities by engaging, collectively or independently, with companies included in managed portfolios to make our client's voice heard.

As shown in details in the following pages, in 2016 we voted approximately 700 meetings per year, expressing our negative opinion when we were not completely satisfied with regards the management of the company in terms, for instance, of fair treatment of shareholders' rights, anti-takeover mechanisms, composition of the board, transparency and quality of financial disclosures, guaranteeing that the resolutions proposed are in the best interest of our clients.

Considering the general meetings attended by the Generali Group in 2016, it emerged that 13% of the resolutions voted on regarded issues are included in Generali Group materiality matrix published in the 2015 Sustainability Report.

Source: Generali Sustainability Report 2016, p. 38

Our voting policy is based on the widely-accepted principles of the *International Corporate Governance Network (ICGN)*, which provide a broad framework for assessing companies corporate governance practices. Furthermore, we adhere to the *Italian Stewardship principles for the exercise of administrative and voting rights in listed companies of Assogestioni*.

In this framework, we have strengthened our participation in the initiatives for the presentation of shareholders resolutions aimed at proposing candidates for the election as independent minority members of the corporate bodies in the main Italian listed issuers.



[Download the 'Generali Investments strategy for the exercise of rights linked to financial instruments within managed UCIs'](#)

By Livio Gentilucci
Head of Governance
Proxy Voting
Generali Investments



[Download the 'Generali Sustainability Report 2016'](#)

About this report

This report is meant to highlight data about voting activity and the active stewardship actions performed by Generali Investments during 2016.

The first part of the report concerns the exercise of participation and voting rights by Generali Investments during 2016.

Generali Investments' approach is to participate in general meetings of the investee companies, taking into account the influence of its holdings and the benefits for the managed assets resulting from such participation. The number of meetings in which Generali Investments has participated and voted represents 65% of the perimeter of vote, and does not include bond meetings.

The second part of the report is about the engagement activities conducted by Generali Investments during the same timeframe.

The fiduciary duty of Generali Investments to clients and investors comprises the engagement of the investees companies on environmental, social and governance (ESG) topics. As part of this mutually rewarding relationship, during 2016 investees have been regularly monitored by a team of analysts in order to assess potentially critical aspects in their corporate governance model, where they have been encouraged to improve. In the past year, Generali Investments, in coalition with other institutional investors, in several occasions has submitted resolutions at general meetings to support the election of independent directors. Furthermore, Generali Investments has promoted a structured individual engagement (through formal letters and conference calls) focused on remuneration practices.

The active ownership philosophy of Generali Investments may be extracted from the Responsible Investment Guideline document of the Generali Group (<http://www.generali.com/our-responsibilities/ethics-in-our-investments>).

As a long-term investor with a duty to act in the best interests of its policyholders, shareholders and other stakeholders the Group believes that the proactive integration of relevant ESG factors into the investment process will enhance both financial returns and social good.

Since 2011, the Generali Group is also committed in the fulfillment of the United Nations Principles for Responsible Investment (PRI) and actively promoting ESG principles by:

- encouraging high standards of corporate governance as well as good management of environmental and social risks;
- ensuring the application of responsible investments principles within the Generali Group investment management;
- promoting the acceptance and implementation of the Principles within the Generali Group;
- reducing the risk of involvement in activities not compliant with the Principles,

and by implementing the following actions:

- exercise the vote as a means of engagement
- engagement with investee companies
- support of independent members representing minority shareholders

Participation in shareholders meetings at a glance



698 meetings in which
Generali Investments voted

23 countries covered



9,352 resolutions voted on

19% negative opinions expressed

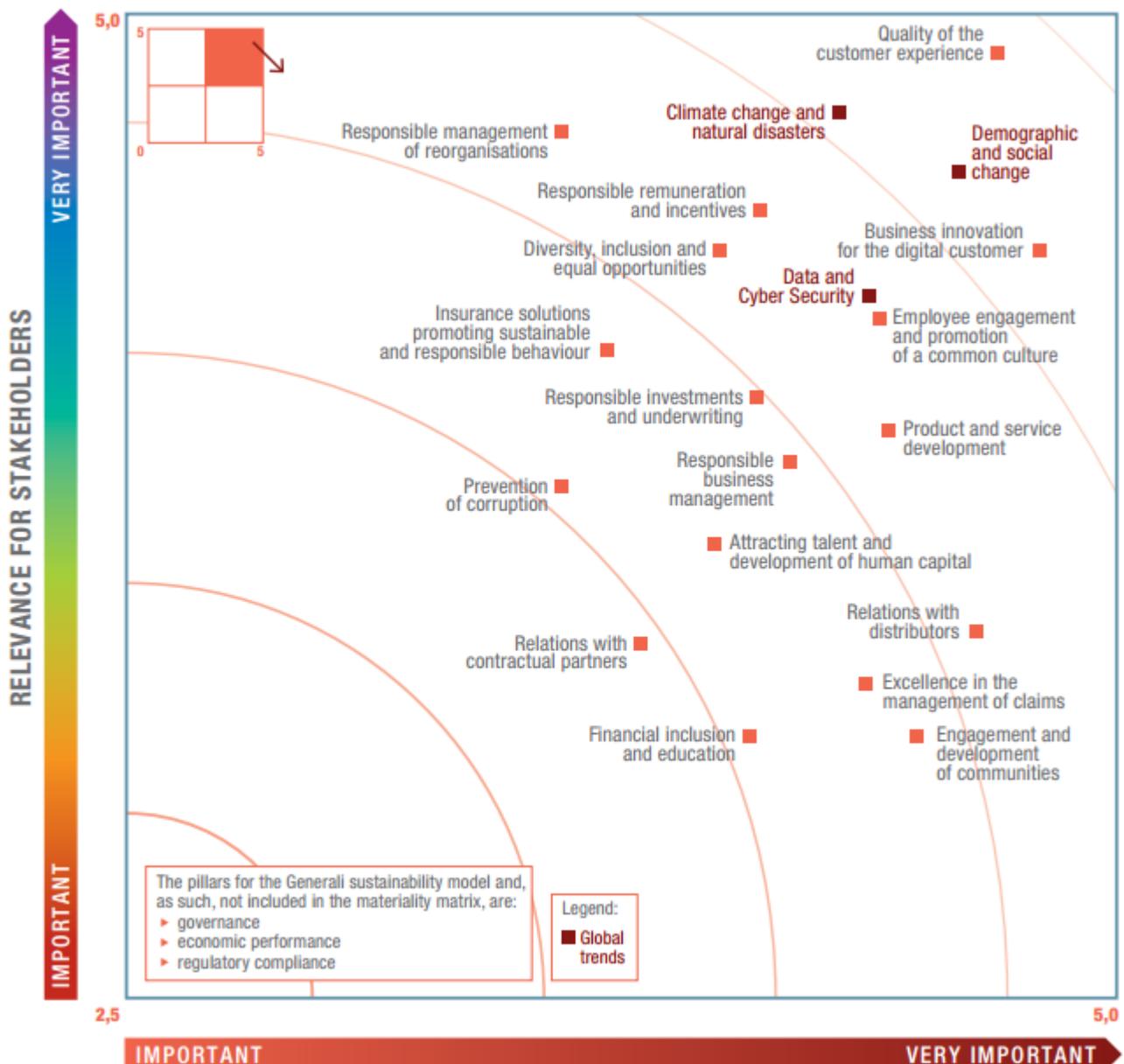


€10 bln value of our investments
in the companies in which we voted

Generali Group material issues

In 2014 Generali Group launched a process to identify the megatrends and material issues - i.e. the topics of genuine importance - for Generali and its stakeholders, embarking on a dialogue with its top management and with external stakeholders, chosen for their authority and knowledge of the insurance sector or for their ability to provide original and innovative perspectives.

(<http://www.generali.com/our-responsibilities/responsible-business/Materiality-Matrix>)



Proxy Voting on Generali Group material issues

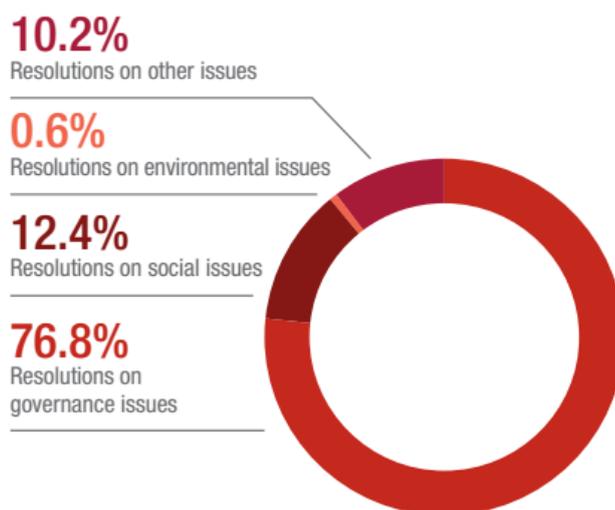
Considering the general meetings attended by the Generali Group in 2016, it emerged that 13% of the resolutions voted on were related to issues included in our materiality matrix.

As far as the other resolutions are concerned, 76.8% concern governance issues, and 10.2% other matters.

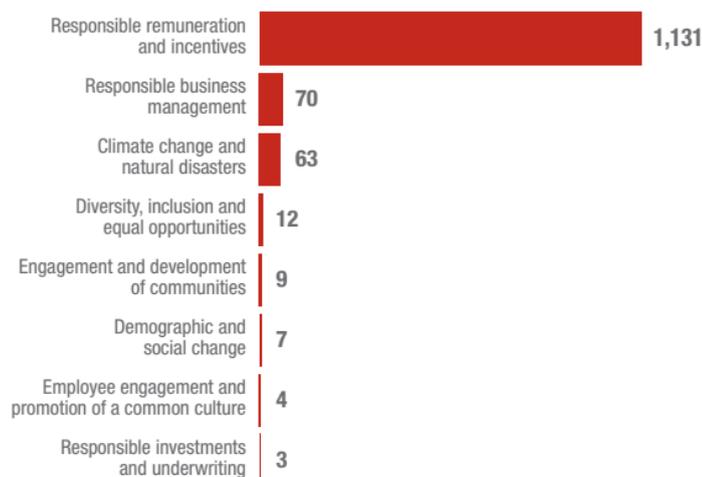
We voted on resolutions on the following materiality matrix issues:

- **responsible remuneration and incentives** to express our dissatisfaction over a misalignment with best practices, a lack of correspondence between variable remuneration and long-term economic and financial performances, non-explicit and non quantifiable quantitative goals, and a lack of social and environmental performance objectives
- **responsible business management** to encourage businesses to report their donations to political parties, European funds and lobbying activities
- **climate change and natural disasters** to promote the drafting of reports on climate change, the inclusion of candidates with experience in the environmental sphere among the company management, and the denuclearization of specific areas
- **diversity, inclusion and equal opportunities** to promote the drafting of a report on equal opportunities, transparency regarding the protection of human rights and the salary gap between men and women, and the election of women to managerial roles in the company
- **engagement and development of communities** to support proposals regarding respect for local communities and indigenous population
- **demographic and social change** to guarantee the broad protection of human rights and promote transparency in the use of antibiotics along the food supply chain
- **employee engagement and promotion of a common culture** to promote company training plans
- **responsible investments and underwriting** to introduce responsible screening criteria when selecting countries in which to operate and invest.

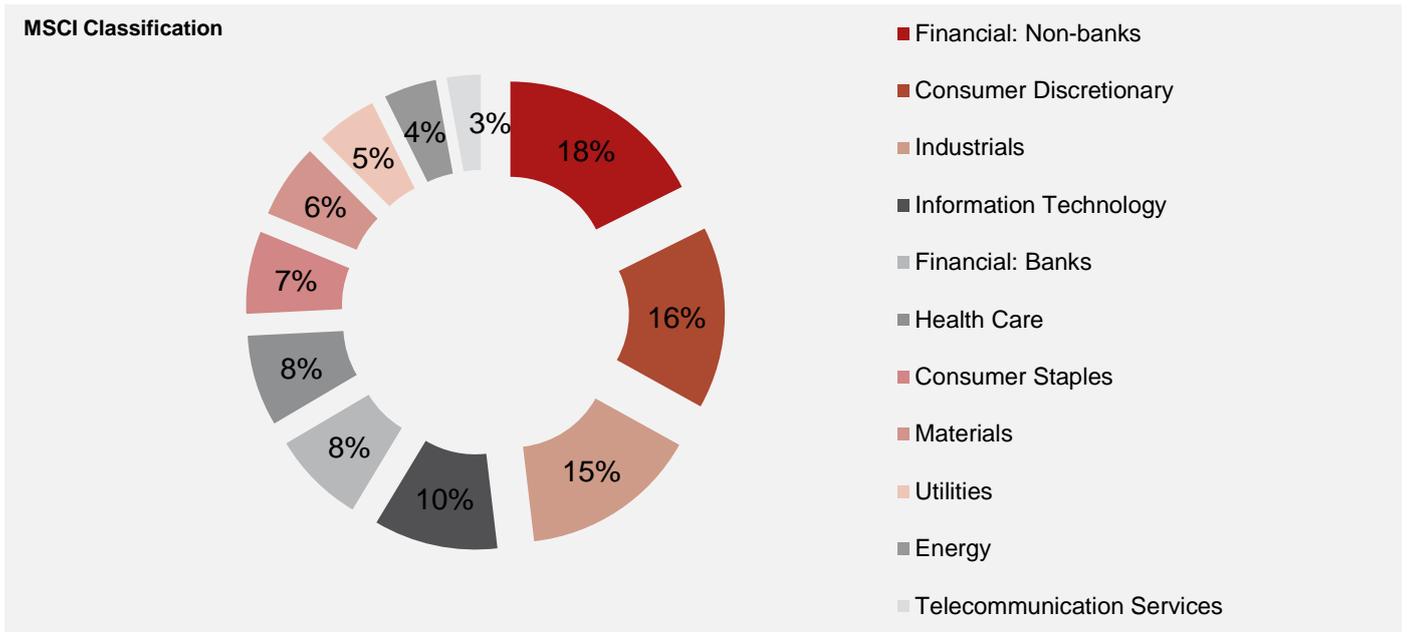
Social, environmental and corporate governance aspects



Resolutions voted on issues included in the materiality matrix



Distribution of issuers per industry sector



Voting recommendations by sector

Generali Investments manages to have a more accurate benchmark of evaluation thanks to the help of proxy advisors, who use to make available to investors a comparative analysis of peers gathered by industry.

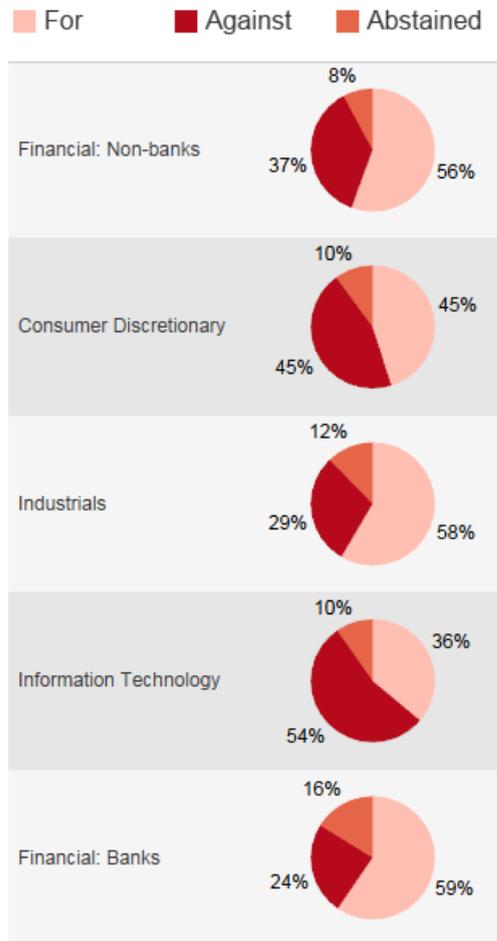
Moreover, the regulation framework, together with the peculiarities of each sector, are taken into consideration by our analysts to issue a more suitable and independent voting recommendation.

Remuneration Policy by sector

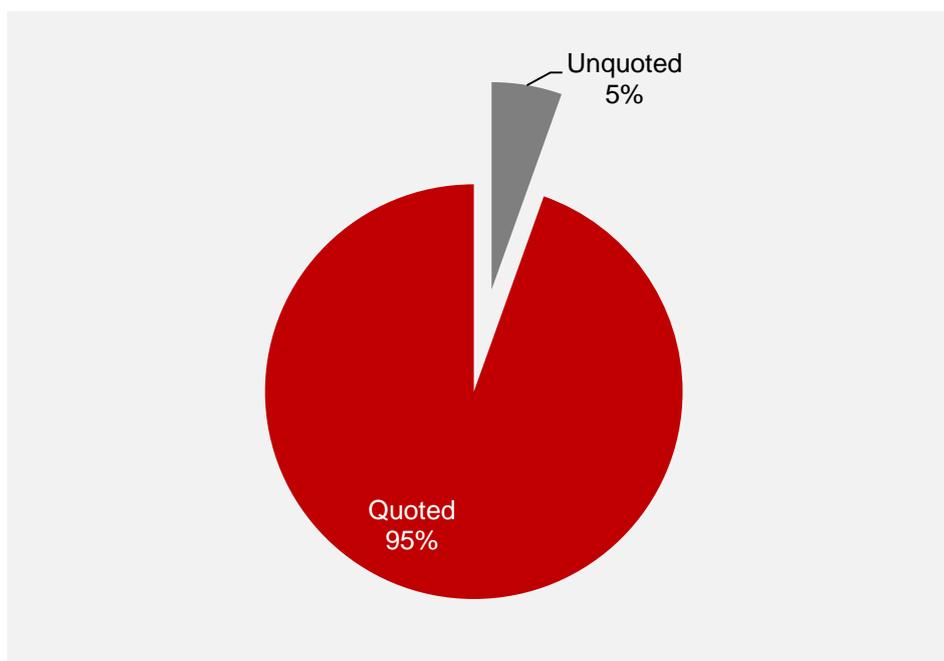
Remuneration was one of the main topics during the 2016 proxy season. Generali Investments voted against the approval of Remuneration Policy of a company for a variety of the aforementioned reasons, including lack of ESG performance targets in incentives plans, misalignment with best practices and lack of correspondence between the variable remuneration and the economic/long-term financial performance. A breakdown of the votes on this topic are represented in the figure on the right.

Sector-specific measurable financial and extra-financial aspects are adapted to meet the needs of specific industries.

Top 5 sectors: breakdown of votes on Remuneration Policy



Percentage of quoted issuers



Participation in unquoted companies' general meetings

ITALY	82%
LUXEMBOURG	5%
IRELAND	3%
POLAND	3%
FRANCE	3%
SWITZERLAND	3%
UNITED KINGDOM	3%

Unquoted companies: a tailored voting service

The range of services to shareholders comprises the full handling of proxy voting activity in relation to unquoted companies (i.e. companies not traded).

When voting for unquoted companies, a certain degree of research care, as well as administrative agility, is required.

In making voting recommendations, Generali Investments avails itself of research providers specialized in the local market, and takes care of the full voting process, which may vary on a case-by-case basis.

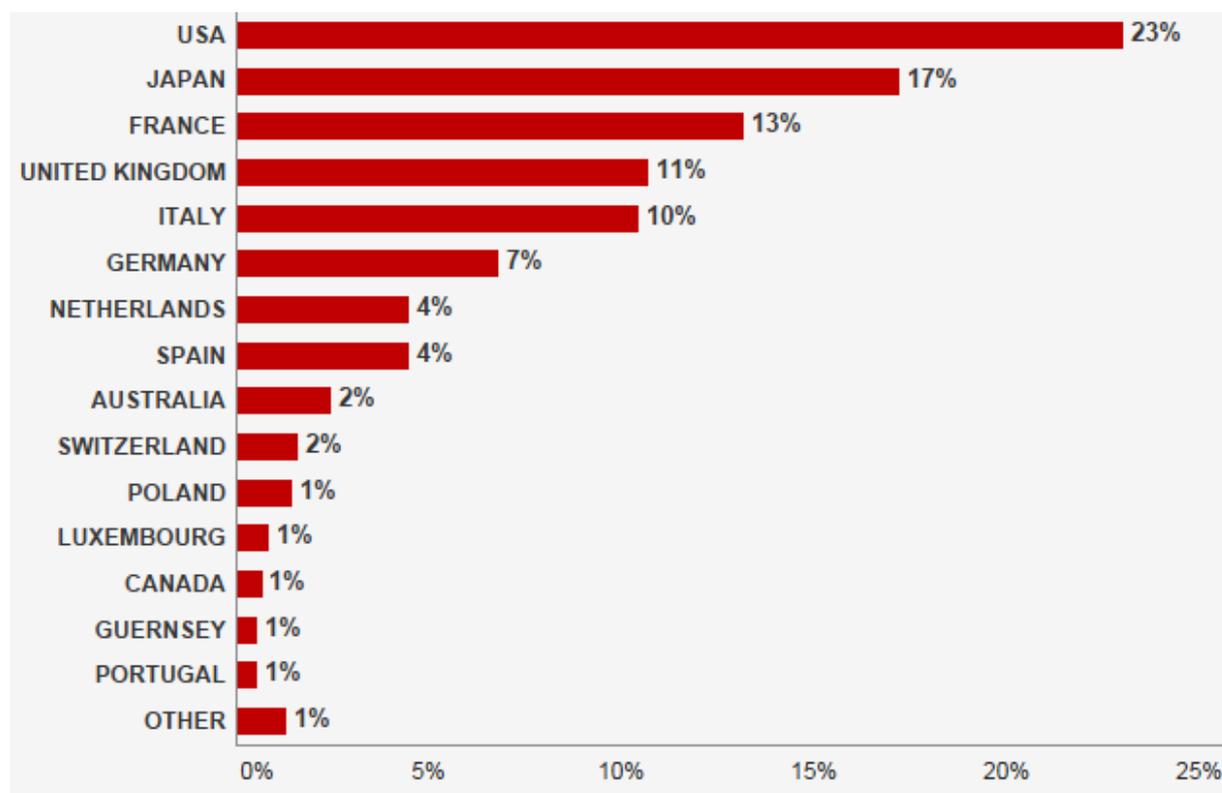
During 2016 voting campaign, over 40 meetings of unquoted companies have been processed, mostly in Italy.

Behind the vote: provision of administrative services

The typical services of Generali Investments include not only the provision of voting recommendations, but also the handling of all the administrative paperwork, as well as the practical aspects of the voting process.

During 2016 voting campaign, over 1600 written proxies have been processed with clients and 77 physical meetings attended, with the involvement of Generali Group colleagues as delegates.

Distribution of meetings per Country



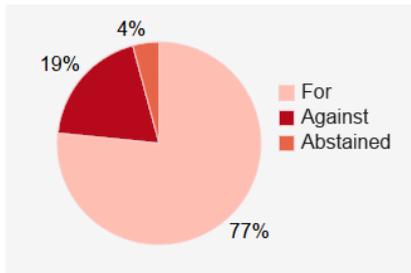
Spreading Generali Investments voice towards the markets

With a voting coverage of 10 billion of investee companies in more than 20 countries, Generali Investments ensures that the voice and interests of the Clients are heard in the decision-making forums, and that voting decisions are taken according to the ESG standards that the applicable voting policy promotes.

During 2016, attendance at general meetings has more than doubled compared to 2015, as a clear indication that Generali Investments wants to play an active investor role, and be present where it matters. Such a steady development is undoubtedly an unmatched best practice at international level.

Distribution of resolutions on the meetings agenda

9,352
proposed
resolutions
voted



Out of 20,286 votes casted on behalf of our clients, a negative opinion on management proposals has been given 4,746 times, either by voting against or abstaining from voting, representing an overall percentage of dissent equal to about 23%.

Taking into account exclusively the votes expressed against the management, our rate of dissent amounts to 19%.

In 2016, Generali Investments casted **20,286 votes** on behalf of its clients, in relation to a total of **9,352 proposed resolutions** pertaining traditional corporate governance topics, such as the appointment of the board of directors, the approval of financial statements, income allocation and remuneration schemes, but also ESG ones as, for instance, climate change, diversity and pay equity.

Through Proxy voting activities, Generali Investments can contribute to the encouragement of many progressive corporate practices, such as independent and diversified boards, non-discrimination in employment, linkage between pay and long term performance, sustainable income allocation, fair equity transactions, reduction of greenhouse gas emissions and enhancement of corporate public disclosure.

In line with the best practices in terms of corporate governance, Generali Investments favoured the establishment of mostly independent Boards and welcomed the separation of the powers of the Chairman of the Board from those of the Chief Executive Officer.

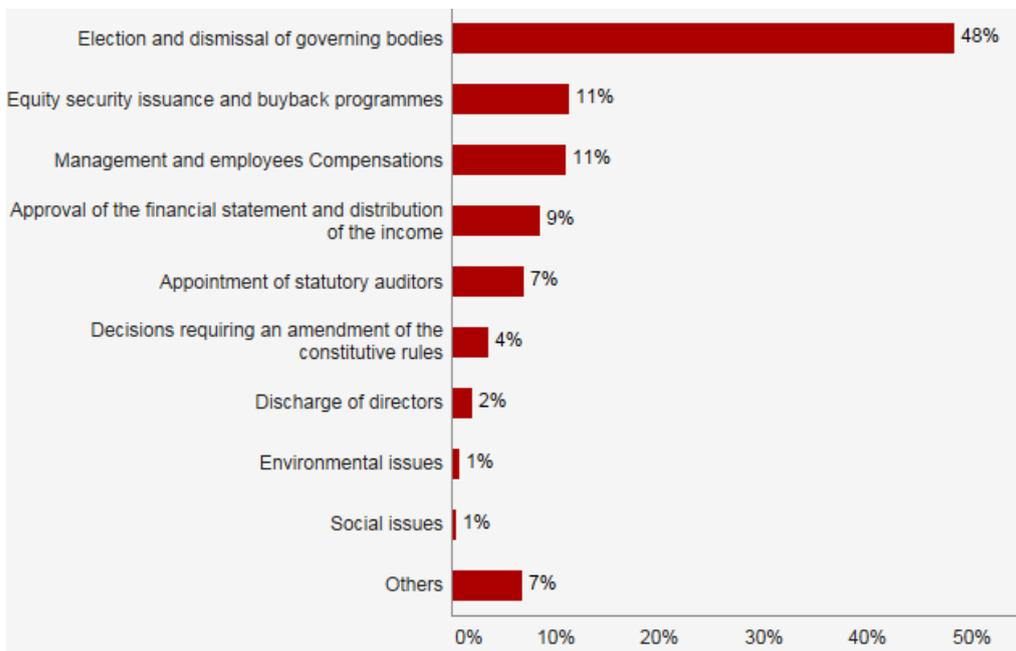
When evaluating the election of Board members, it is essential for Generali Investments to favour those resolutions that provide for establishing a majority of independent Board Directors. The Board evaluation framework posed by the voting policy comprises criteria as multiple directorships, board candidates' professional skills, diversity and independency of the Boards

committees.

Special attention is also paid to the Board candidates' professional skills, which should be adequate to cover peculiarities of the business managed by the relevant company. For example, expertise in environmental matters is considered a positive attribute of an effective Board of Directors in an international oil and gas company.

Chevron Corporation, through its subsidiaries, engages in the petroleum, chemicals, and power and energy operations worldwide and operates in the oil and gas industry. In the occasion of the participation in the annual general meeting of Chevron Corporation, Generali Investments decided to vote in favor of shareholders proposal about electing, upon the Board renewal, at least one Director who had a high level of expertise and experience in environmental matters and that would qualify as an independent Director.

As an example of positive impact of proxy voting activities handled by Generali Investments, **Exxon Mobil Corporation** decided in January to add one climate scientist to its Board. This followed a proposal by shareholders, supported by Generali Investments, requesting that the Corporation's Board Nominating Committee shall indicate for the Board election at least one independent candidate with high level of environmental and climate change expertise, as soon as the current Board Directors' mandate expires.



Election and dismissal of governing bodies

During Generali Investments 2016 voting season, the election and dismissal of governing bodies has been the most discussed topic in the occasion of general meetings, representing 48,37% of the total resolutions included in the agenda of the investee issuers.

Generali Investments rate of dissent when evaluating board related resolutions was equal to **19%**.

- **Proxy access**

Proxy access has been one of the most debated topic in 2016 voting season. Its aim is to give investors greater powers to influence corporate strategy by proposing director nominees on the company's proxy statement with the goal to make the board of directors more accountable and to ensure that shareholder's interests are being properly represented.

Proxy access provides investors with an important tool to make boards more diverse, climate-competent, independent and accountable.

- **Voto di lista**

The Italian "*voto di lista*" mechanism for the election of the board of directors can be a good example of shareholders inclusiveness. The Italian system gives a single shareholder, or a group of shareholders, the possibility to present a list of candidates for the board if holding a minimum stake of capital that usually varies between 0.5 percent and 4.5 percent.

This is meant to protect minority shareholders, allowing them to have at least one member nominated in the board.

Equity security issuance and buyback programmes

Equity security issuance could lead to a considerable dilution in equity ownership.

Generali Investments is committed to evaluate if requests made to shareholders are strategically justified and financially balanced, and has established specific thresholds to protect shareholders rights in the occasion of proposed capital increases resolutions. Generali Investments rate of dissent when evaluating equity transactions is **24%**.

Management and employees compensations

Generali Investments believes that management and employees compensations should be the expression of the willingness of a company to adopt long term strategies and achieve long term objectives.

For this reason, Generali Investments favours variable remunerations schemes linked to long-term financial and ESG performance, as well as to trends in the company's intrinsic value. As stated in the voting policy adopted, it is essential to give the right to shareholders to evaluate the link between pay and performance, and therefore to disclose explicit quantitative and qualitative criteria that should be respectively quantifiable, precise, sustainable and verifiable. Severance indemnities and supplemental retirement plans are also taken into account and subject to an internal evaluation consistent with the adopted voting policy. Generali Investments rate of dissent when evaluating compensation schemes is **37%**.

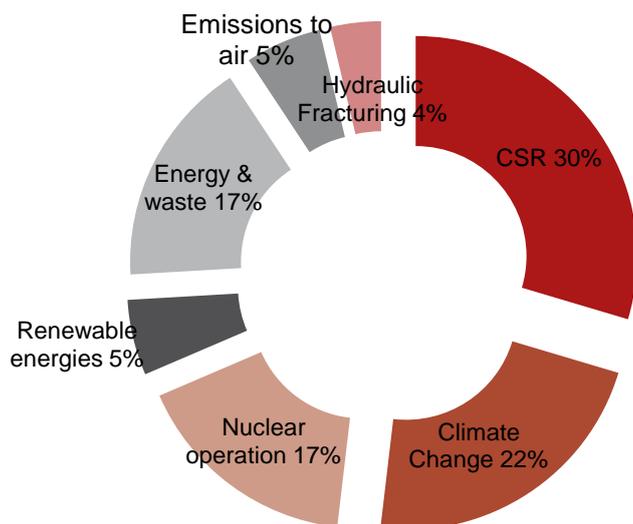
In the occasion of the annual general meeting of **Devon Energy**, to help ensuring that the Company responds appropriately to climate-change induced market changes, Generali Investments has voted in favor of a shareholders resolution requesting the Compensation Committee to adopt a policy to not use "oil and gas reserve addition" metrics to determine the amount of senior executives' incentives. A similar resolution was supported at **ConocoPhillips'** annual general meeting, requesting that falling oil prices and their impact on reserves accounting should be considered in executive pay calculations.

A lack of transparency about the link between executive pay and the performance of the business was one of the reasons of expressing dissent at **Smith & Nephew** resolution on their remuneration report. Generali Investments believes that alignment between key performance indicators (KPIs) and incentive pay, along with the disclosure of quantitative and qualitative criteria included into the long term incentive plan is the key driver to guarantee the long term value creation of the company and the protection of shareholders' best interest.

In 2016, for the third "Say On Pay" season and for the first time in France, the shareholders of a listed company, the car manufacturer **Renault**, rejected the remuneration of the chairman-CEO, whose "Say On Pay" has indeed obtained only 46% of votes in favor. Generali Investments supported the disfavor to management proposal regarding management compensation due to lack of transparency and excessive remuneration compared with market standards.

Approval of the financial statement and distribution of the income

Approval of the financial statement and distribution of the income category has a low rate of dissent equal to **6%**. Issuers' income allocation proposals are assessed on the basis of multi-criteria and should be consistent with long-term development, shareholders expectations and company's financial needs.



Topic	N° of proposals
Corporate Social Responsibility (CSR)	16
Climate Change	12
Nuclear operation	9
Renewable energies	3
Energy & waste	9
Emissions to air	3
Hydraulic Fracturing	2
Total	54

Environmental and Corporate Social Responsibility issues

Corporate Social Responsibility disclosure and climate change management are the primary focus of all environmental shareholder proposals assessed during 2016 Generali Investments voting season.

Climate change proposals focused on understanding how companies will adapt to physical changes, new regulations and new technologies. In 2016 we perceived emphasis on encouraging greater use of renewable energy at utilities, carbon tracking and goal-setting in line with December 2015 Paris climate treaty pledges to keep fossil fuel assets in the ground to prevent damaging temperature increases.

During the 2016 proxy season, Generali Investments voted in favor of 6 resolutions pertaining the enhancement of the level of disclosure about climate change impact, capital expenditure strategies with respect to climate change and climate change risks. Generali Investments voted in favor of the shareholders' proposal filed at **Anglo American** annual general meeting requesting to publish a routinely annual report disclosing information about ongoing operational emissions management, asset portfolio resilience to the

International Energy Agency's (IEA's) scenarios, low-carbon energy research and development (R&D) and investment strategies, relevant strategic KPIs and executive incentives and public policy positions relating to climate change.

Support was given to shareowners requesting to **Mondelez International Inc.** Board, to issue a report assessing the environmental impacts of continuing to use non-recyclable brand packaging.

The Corporate Social Responsibility voted resolutions were aimed at promoting the companies' commitment on:

- sustainability reports accuracy
- safety management during environmental disasters
- deployment of distributed low-carbon electricity generation resources to reduce societal greenhouse gas emissions, and
- labeling of products involving genetically modified organisms.

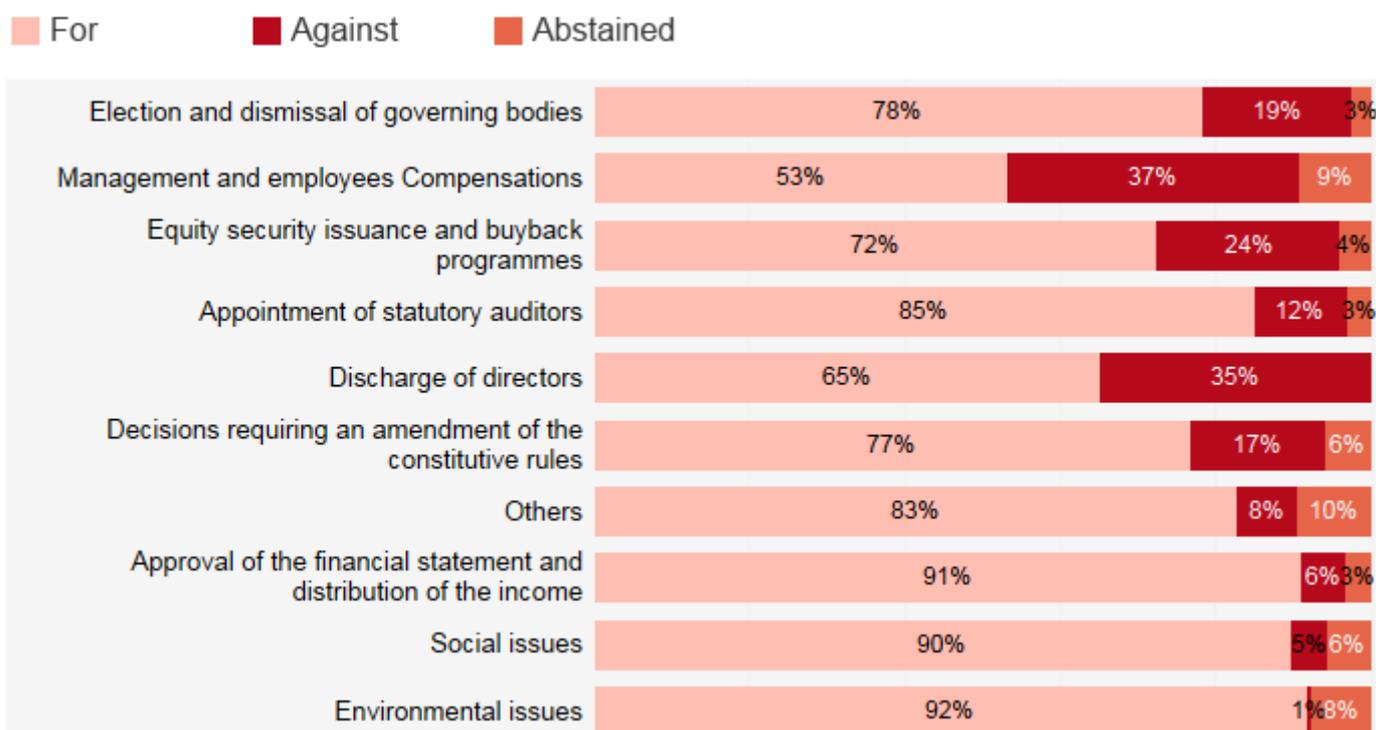
Social issues

- Diversity and Pay Equity

Generali Investments had the chance to express its opinion on resolutions related to diversity on the workplace as, for examples resolutions pertaining disclosure on pay equity for women and minorities or workforce breakdowns by race and gender.

A favorable vote to Shareholder Proposal Regarding Employment Diversity has been expressed in occasion of **Home Depot** and **Omnicom Group Inc.** annual general meetings believing that their adoption would have benefit the company and its shareholders. Shareholders requested Home Depot and Omnicom Group Inc. to prepare a detailed diversity report inclusive of information regarding employee breakdown according to gender and race and policies and programs oriented toward increasing diversity in the workplace.

Generali Investments supported the resolutions filed at **Facebook** annual general meeting, asking for a report on the Company's policies and goals to reduce the gender pay gap, defined as the difference between male and female earnings expressed as a percentage of male earnings according to the Organization for Economic Cooperation and Development.



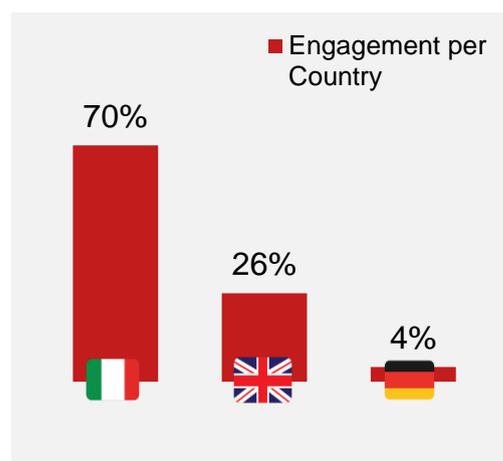
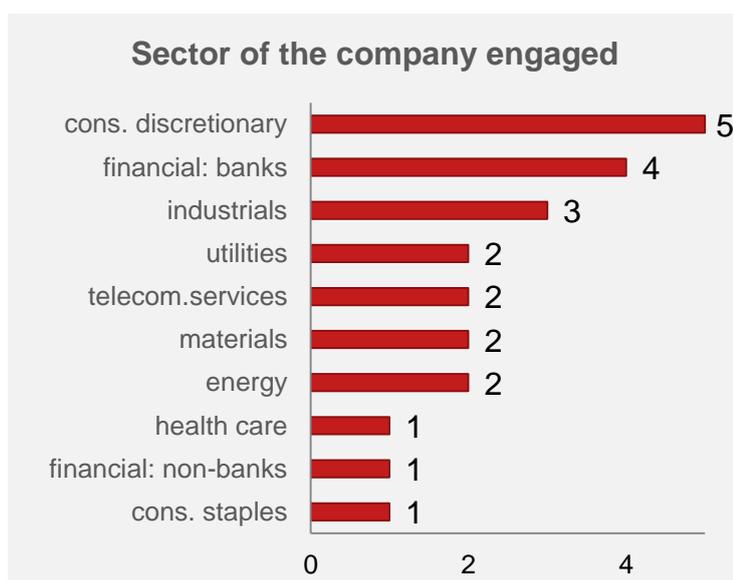
2016 Engagements: numbers and breakdowns

ENGAGEMENT ACTIVITIES	
Individual dialogues with issuers	12
Collective initiatives	11

“Engagement(s) are all interactions between an investor and investees or policy makers to address ESG issues or business strategy. The objective of engagement can be to monitor performance or to exercise influence over a company’s practice and performance on ESG issues.” (source: UN PRI)

In 2016, Generali Investments directly contacted the issuers to have a substantive individual dialogue, mainly on the topic of Remuneration Policy. At the same time, engagement activities within Assogestioni were collectively performed with other Institutional Investors.

ENGAGEMENT TOPIC		
Election of Statutory Auditors	3	13%
Election of the Board and the Auditors	3	13%
Election of the Board of Directors	3	13%
Election of the Saving shares Representative	1	4%
Election of the Supervisory Board	1	4%
Board of Directors Integration	1	4%
Remuneration Policy	11	48%



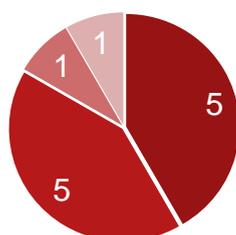
Collective Engagement

"The presentation of candidates for election as independent minority members of the corporate bodies of investee listed issuers, also through the Investment Managers' Committee, represents a continuous and constructive method of engaging with investee issuers."

(Principle 3 of the Italian Stewardship Principles)

2016 Support to Elections

- Board of Directors
- Board of Statutory Auditors
- Supervisory Board
- Representative of Saving Shareholders



The Italian Civil Code foresees that at least one third of companies' Directors are independent (art. 2409 septies-decies), and it establishes specific requirements of independence for the Auditors (art. 2399).

Art. 147 of the Italian Consolidated Law on Finance (TUF) leaves companies free to introduce in their bylaws the possibility to elect the candidates on the basis of slates presented by shareholders holding in aggregate a minimum pre-defined amount of shares.

During 2016 Proxy Season, Generali Investments collectively supported the submission to the voting agenda of 11 slates of candidates (so called "Minority Lists") presented by the Institutional Investors members of Assogestioni. Every supported slate succeeded to elect at least one of its candidate.

The renewals affected the appointment of a new Board of Directors as well as the election of the Statutory Board. In one case the minority list was targeted to the election of Supervisory Board.

The proposal of a list of candidates materially adds a resolution to the agenda of the related AGM, contributing to improve the corporate governance best practice of a company by supporting the entrance of independent professional into the Board.

Company	Meeting date	Resolution	No. of candidates	% of votes received	No. of elected candidates
Atlantia	21/04/2016	Election of Board of Directors	3	38%	3/15
Banca Carige	31/03/2016	Election of Board of Directors	3	9%	1/14
Enel	29/05/2016	Election of Board of Statutory Auditors	4	14.5%	2/6
Intesa Sanpaolo	27/04/2016	Election of Board of Directors	5	38%	5/19
Moncler	20/04/2016	Election of Board of Directors	2	21%	1/11
Poste Italiane	24/05/2016	Election of Board of Statutory Auditors	4	13.6%	2/6
Prysmian Group	13/04/2016	Election of Board of Statutory Auditors	2	14.6%	2/5
Snam	27/04/2016	Election of Board of Directors	3	49.6%	3/9
Snam	27/04/2016	Election of Board of Statutory Auditors	2	49.7%	2/5
Ubi Banca	2/04/2016	Election of Supervisory Board	3	51.1%	3/14
Unicredit	14/04/2016	Election of Board of Statutory Auditors	5	10.4%	4/9

Imprint

Head of Governance Proxy Voting

Livio Gentilucci (livio.gentilucci@generali-invest.com)

Team

Francesco Drigo (francesco.drigo@generali-invest.com), Head of Proxy Voting
Sonia Magnani (sonia.magnani@generali-invest.com)
Francesca Livoti (francesca.livoti@generali-invest.com)
Marta Pievani (marta.pievani@generali-invest.com)
Roberta Cortesi (roberta.cortesi@generali-invest.com)

Luigi Cardinali (luigi.cardinali@generali-invest.com), PMO and support
Natasa Ralevic (natasa.ralevic@generali-invest.com)

Report issued

April 2017

Source for charts and tables:

Generali Investments Europe S.p.A. Società di gestione del risparmio, own calculations

In Italy:

Generali Investments Europe
S.p.A. Società di gestione del
risparmio

Corso Italia, 6
20122 Milano, Italy

In France:

Generali Investments Europe
S.p.A. Società di gestione del
risparmio

2, Rue Pillet-Will
75009 Paris Cedex 09, France

In Germany:

Generali Investments Europe
S.p.A. Società di gestione del risparmio

Tunisstraße 19-23
50667 Cologne, Germany

www.generali-invest.com

This document is based on information and opinions which Generali Investments Europe S.p.A. Società di gestione del risparmio considers as reliable. However, no representation or warranty, expressed or implied, is made that such information or opinions are accurate or complete. Opinions expressed in this document represent only the judgment of Generali Investments Europe S.p.A. Società di gestione del risparmio and may be subject to any change without notification. They do not constitute an evaluation of any strategy or any investment in financial instruments. This document does not constitute an offer, solicitation or recommendation to buy or to sell financial instruments. Generali Investments Europe S.p.A. Società di gestione del risparmio is not liable for any investment decision based on this document. Generali Investments Europe S.p.A. Società di gestione del risparmio may have taken, and may in the future take, investment decisions for the portfolios it manages which are contrary to the views expressed herein. Any reproduction, total or partial, of this document is prohibited without prior consent of Generali Investments Europe S.p.A. Società di gestione del risparmio. Generali Investments is part of the Generali Group which was established in 1831 in Trieste as Assicurazioni Generali Austro-Italiene. Generali Investments is a commercial brand of Generali Investments Europe S.p.A. Società di gestione del risparmio.

Working with you since 1831

