

# *Implementation Statement, covering the Fund Year from 1 January 2022 to 31 December 2022*

The Trustees of the Assicurazioni Generali SpA (UK Branch) Pension Fund (the “Fund”) are required to produce a yearly statement to set out how, and the extent to which, the Trustees have followed the voting and engagement policies in its Statement of Investment Principles (“SIP”) during the Fund Year. This is provided in Section 1 below.

The Statement is also required to include a description of the voting behaviour during the Fund Year by, and on behalf of, Trustees (including the most significant votes cast by Trustees or on their behalf) and state any use of the services of a proxy voter during that year. This is provided in Section 3.

In preparing the Statement, the Trustees have had regard to the guidance on Reporting on Stewardship and Other Topics through the Statement of Investment Principles and the Implementation Statement, issued by the Department for Work and Pensions (“[DWP’s guidance](#)”) in June 2022.

## **1. Introduction**

No changes were made to the voting and engagement policies in the SIP during the Fund Year. The last time these policies were formally reviewed was 30 September 2020.

The Trustees have, in their opinion, followed the Fund’s voting and engagement policies during the Fund Year.

## **2. Voting and engagement**

The Trustees have followed the Fund’s voting and engagement policies during the Fund Year by continuing to delegate to their investment managers the exercise of rights and engagement activities in relation to investments and by seeking to appoint managers that have good stewardship policies and processes. The Trustees are not able to direct how votes are exercised and the Trustee itself has not used proxy voting services over the Fund Year. However, the Trustee takes ownership of the Fund’s stewardship by monitoring and engaging with managers (and escalating as necessary) as detailed below.

As part of its advice on the selection and ongoing review of the investment managers, the Fund’s investment adviser, LCP, incorporates its assessment of the nature and effectiveness of managers’ approaches to voting and engagement and financially material considerations (including climate change and other ESG considerations).

In March 2022, the Trustees reviewed LCP’s responsible investment (RI) scores for the Fund’s existing managers and funds, along with LCP’s qualitative RI assessments for each fund and red flags for any managers of concern. These scores cover the manager’s approach to ESG factors, voting and engagement. The fund scores and assessments are based on LCP’s ongoing manager research programme, and it is these that directly affect LCP’s manager and fund recommendations. The manager scores and red flags are based on LCP’s Responsible Investment Survey 2022. The survey highlighted the strong performance of Baillie Gifford and LGIM in the ESG space. BlackRock overall also scored well, but it was noted that BlackRock had responded to LCP’s survey stating that they do not collaborate with other investors on a routine basis. In response, LCP engaged with BlackRock directly, on behalf of the Trustees. BlackRock responded with examples of various initiatives that they are involved in (including Climate Action 100+ and the UN Global Compact), which did provide some comfort that they do collaborate with industry partners in some instances. Overall, the Trustees were satisfied with the results of the review and no additional actions were taken.

Following the introduction of DWP’s guidance, the Trustees agreed to set stewardship priorities to focus monitoring and engagement with their investment managers on specific ESG factors. At the November 2022 meeting, the Trustees discussed and agreed stewardship priorities for the Fund which were: climate change and human rights. The Trustees selected these priorities as market-wide risks and areas where it believes that good stewardship and engagement can improve long-term financial outcomes for the Fund’s members, as well as being areas that they thought members might consider most important, and also had some alignment with the Employer’s priorities.

In April 2023, the Trustees’ investment adviser, LCP, communicated the stewardship priorities (chosen by the Trustees) to the Fund’s managers on their behalf. In the correspondence, LCP made it clear what the Trustees’ stewardship priorities are, as well as what the expectations of the investment managers are. All of the Fund’s investment managers acknowledged receipt of the correspondence and confirmed that these priorities are taken into account in their ongoing stewardship and engagement activities with investee companies.

The Trustee is conscious that responsible investment, including voting and engagement, is rapidly evolving and therefore expects most managers will have areas where they could improve. Therefore, the Trustee aims to have an ongoing dialogue with managers to clarify expectations and encourage improvements.

### 3. Description of voting behaviour during the Scheme Year

All of the Trustee's holdings in listed equities are within pooled funds and the Trustees have delegated to its investment managers the exercise of voting rights. Therefore, the Trustees are not able to direct how votes are exercised and the Trustees themselves have not used proxy voting services over the Fund Year.

In this section we have sought to include voting data in line with the Pensions and Lifetime Savings Association (PLSA) guidance, PLSA Vote Reporting template and DWP's guidance, on the Fund's funds that hold equities as follows:

- Baillie Gifford Multi Asset Growth Fund
- LGIM North America Equity Index Fund
- LGIM Europe (ex UK) Equity Index Fund
- LGIM Japan Equity Index Fund
- LGIM Asia Pacific (ex Japan) Developed Equity Index Fund
- LGIM World Emerging Markets Equity Index Fund
- BlackRock Aquila Life UK Equity Index Fund

In addition to the above, the Trustee contacted the Fund's other asset managers that do not hold listed equities, to ask if any of the assets held by the Fund had voting opportunities over the Fund Year. Commentary provided from these managers is set out in Section 3.4.

#### 3.1 Description of the voting processes

##### Baillie Gifford

All voting decisions are overseen by Baillie Gifford's Governance & Sustainability team in conjunction with the investment managers. All client voting decisions are therefore made in-house in line with Baillie Gifford's Governance & Sustainability Principles and Guidelines.

Baillie Gifford uses proxy advisers' voting recommendations (Institutional Share Services ("ISS") and Glass Lewis) for information only (meaning voting decisions are not delegated or outsourced), including specialist proxy advisors in the Chinese and Indian markets in order to gather more detailed market specific information where needed.

Baillie Gifford's strong preference is to be given the responsibility to vote on behalf of its clients, stating that "the ability to vote our clients' shares strengthens our position when engaging with investee companies", and endeavours to vote every client holding in all markets.

Baillie Gifford does not regularly engage with clients prior to submitting votes. If a vote is particularly contentious, Baillie Gifford may reach out to clients prior to voting to advise them of this or request them to recall any stock on loan.

##### LGIM

LGIM's voting and engagement activities are driven by ESG professionals in its Investment Stewardship team. All client voting decisions are therefore made by the team in line with the relevant Corporate Governance & Responsible Investment and Conflicts of Interest policy documents. Each member of the team is allocated a specific sector globally so that the voting is undertaken by the same individuals who engage with the relevant company, with the aim of fully integrating voting with engagement and to ensure consistent messaging to firms.

The team uses ISS's 'ProxyExchange' electronic voting platform to electronically vote clients' shares and for additional information only (meaning final voting decisions are made by the team, but voting recommendations are used to enhance research and ESG assessment tools). To ensure its proxy provider votes in accordance with its position on ESG, LGIM has a custom voting policy in place with specific voting instructions that apply to all markets globally. The Investment Stewardship team retains the ability to override any vote decisions that were based on its custom voting policy, for example due to additional information gained when engaging with a firm, and monitors votes including a regular manual check of votes that have been input on the ProxyExchange platform.

LGIM holds an annual stakeholder roundtable event where clients and other stakeholders (civil society, academia, the private sector and fellow investors) are invited to express their views directly to the Investment Stewardship team. The views expressed at the roundtable form a key consideration in the development of LGIM's engagement policies, with ad-hoc feedback also taken into account.

## BlackRock

BlackRock's Investment Stewardship team reviews and updates its Global Corporate Governance and Engagement Principles and market-level voting guidelines annually, which form the basis of BlackRock's approach to voting and engagement.

The Investment Stewardship team consists of three regional teams (Americas, Asia-Pacific, and Europe, Middle East and Africa), with analysts within each team generally deciding how to vote for the companies that they cover, with input from investment colleagues as required, and in accordance with the Principles and guidelines noted above.

BlackRock subscribes to research from proxy advisory firms (ISS and Glass Lewis), only as one of many inputs into its vote analysis process (meaning voting decisions are not outsourced). Other inputs used include the company's own reporting, BlackRock's engagement and voting history with the company, the views of BlackRock's active investors, public information and ESG research. BlackRock therefore mainly utilises the proxy services to help determine which companies to prioritise for additional research and engagement. Generally, decisions on which companies to engage with are based on BlackRock's assessment of the materiality of the issue for sustainable long-term financial returns and the likelihood of its engagement being productive.

If a client wants to implement their own voting policy, the client would need to be in a segregated account, and would engage a third-party voting execution platform to cast the votes. Otherwise, BlackRock votes on behalf of its clients.

### 3.2 Summary of voting behaviour over the Fund Year

A summary of voting behaviour over the Fund Year is provided in the table below.

	Fund 1	Fund 2	Fund 3	Fund 4	Fund 5	Fund 6	Fund 7
Manager name	Baillie Gifford	LGIM	LGIM	LGIM	LGIM	LGIM	BlackRock
Fund name	Multi Asset Growth Fund	North America Equity Index Fund <sup>1</sup>	Europe (ex UK) Equity Index Fund <sup>1</sup>	Japan Equity Index Fund <sup>1</sup>	Asia Pacific (ex Japan) Developed Equity Index Fund <sup>1</sup>	World Emerging Markets Equity Index Fund	Aquila Life UK Equity Index Fund
Total size of fund at end of the Fund Year	£1,173m	£9,606m	£2,482m	£1,263m	£912m	£4,701m	£2,689m
Value of Fund assets in the fund at end of the Fund Year	£11.7m	£2.1m	£2.2m	£1.6m	£0.9m	£1.6m	£8.5m
Number of equity holdings at end of the Fund Year	41	638	502	508	395	1,694	583
Number of meetings eligible to vote	89	668	605	503	503	4,180	1,087
Number of resolutions eligible to vote	933	8,416	10,296	6,255	3,592	35,615	14,904
% of resolutions voted	95.6	99.4	99.8	100.0	100.0	100.0	96.0
Of the resolutions on which voted, %	97.8	65.2	81.4	88.5	71.6	78.9	94.0

voted with management							
Of the resolutions on which voted, % voted against management	3.5	34.8	18.1	11.5	28.4	18.8	5.0
Of the resolutions on which voted, % abstained from voting	1.2	0.1	0.5	<0.1	<0.1	2.3	1.0
Of the meetings in which the manager voted, % with at least one vote against management	22.5	97.8	79.7	72.8	74.0	53.9	27.0
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	N/a <sup>2</sup>	26.6	9.5	9.2	17.8	6.8	<0.1

<sup>1</sup>GBP Hedged

<sup>2</sup>Baillie Gifford was not able to provide this data, noting that they do not tend to rely on the recommendations of proxy research firms when voting.

### 3.3 Most significant votes over the Fund Year

Commentary on the most significant votes over the Fund Year, from the Fund's asset managers who hold listed equities, is set out below.

Given the large number of votes which are cast by managers during every Annual General Meeting season, the timescales over which voting takes place as well as the resource requirements necessary to allow this, the Trustee did not identify significant voting ahead of the reporting period. Instead, the Trustee has retrospectively created a shortlist of most significant votes by requesting each manager provide a shortlist of votes, which comprises a minimum of ten most significant votes, and suggested the managers could use the PLSA's criteria for creating this shortlist.

The Trustees have interpreted "significant votes" to mean those that:

- align with the Trustee's stewardship priorities;
- might have a material impact on future company performance;
- the investment manager believes to represent a significant escalation in engagement;
- have a high media profile or are seen as being controversial;
- are shareholder resolutions which received material support; and
- the subject of the resolution aligned with the investment manager's engagement

The Trustee has reported on one of these significant votes per fund only as the most significant votes. If members wish to obtain more investment manager voting information, this is available upon request from the Trustee.

In regard to votes cast by LGIM (set out below), LGIM publicly communicates its vote instructions on its website with the rationale for all votes against management. It is their policy not to engage with investee companies in the three weeks prior to an AGM as their engagement is not limited to shareholder meeting topics.

The asset manager's voting behaviour was aligned with the Fund's stewardship priorities. The votes have been selected primarily to match the Fund's stewardship priorities.

#### Baillie Gifford

## Multi Asset Growth Fund

- **Greggs plc, May 2022**
- **Summary of resolution:** Remuneration Policy
- **Approx size of the holding at the date of the vote (as a % of the portfolio):** 0.3%
- **The reason the Trustee considered this vote to be “most significant”:** Relates to one of the Trustee’s chosen stewardship priorities – Corporate transparency.
- **Firm management recommendation:** Against
- **Rationale for the voting decision:** Baillie Gifford voted against the remuneration report due to concerns over executive pay increases and misalignment of pension rates.
- **Outcome of the vote and next steps:** The Resolution Passed. Following casting a vote, Baillie Gifford reached out to the Company to provide reasons for their opposition on the remuneration report and ask for clarification on pay setting for the CEO. The Company acknowledged the feedback on pensions and pay increases for one executives and explained how the new CEO's salary was set.

## LGIM

### LGIM North America Equity Index Fund

- **Alphabet Inc, June 2022**
- **Summary of resolution:** Report on Physical Risks of Climate Change
- **Approx size of the holding at the date of the vote (as a % of the index fund):** 0.9%
- **The reason the Trustee considered this vote to be “most significant”:** Relates to one of the Trustee’s chosen stewardship priorities – Climate change.
- **Vote Cast:** For
- **Rationale for the voting decision:** A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
- **Outcome of the vote and next steps:** Resolution did not pass (c.18% voted For) - LGIM will continue to engage with their investee companies, publicly advocating their position on this issue and monitor company and market-level progress.

### LGIM UK Equity Index Fund:

- **Rio Tinto Plc, April 2022**
- **Summary of resolution:** Resolution 17 - Approve Climate Action Plan
- **Approx size of the holding at the date of the vote (as a % of the index fund):** 2.7%
- **The reason the Trustee considered this vote to be “most significant”:** Relates to one of the Trustee’s chosen stewardship priorities – Climate change.
- **Vote Cast:** Against.
- **Rationale for the voting decision:** LGIM recognised the considerable progress the company has made in strengthening its operational emissions reduction targets by 2030, together with the commitment for substantial capital allocation linked to the company’s decarbonisation efforts. However, while we acknowledge the challenges around the accountability of scope 3 emissions and respective target setting process for this sector, we remain concerned with the absence of quantifiable targets for such a material component of the company’s overall emissions profile, as well as the lack of commitment to an annual vote which would allow shareholders to monitor progress in a timely manner.

**Outcome of the vote and next steps:** Resolution passed (c.84% voted For). LGIM will continue to engage with their investee companies, publicly advocating their position on this issue and monitor company and market-level progress.

#### **LGIM Japan Equity Index Fund**

- **Mitsubishi Corp, June 2022**
- **Summary of resolution:** Resolution 5 - Amend Articles to Disclose Greenhouse Gas Emission Reduction Targets Aligned with Goals of Paris Agreement
- **Approx size of the holding at the date of the vote (as a % of the index fund):** 1.0%
- **The reason the Trustee considered this vote to be “most significant”:** Relates to one of the Trustee’s chosen stewardship priorities – Climate change.
- **Vote Cast:** For.
- **Rationale for the voting decision:** A vote in favour is applied as LGIM expects companies to be taking sufficient action on the key issue of climate change.
- **Outcome of the vote and next steps:** Resolution did not pass (c.20% voted For) - LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

#### **LGIM Europe (ex UK) Equity Index Fund**

- **Total Energies SE, May 2022**
- **Summary of resolution:** Resolution 16 - Approve Company's Sustainability and Climate Transition Plan
- **Approx size of the holding at the date of the vote (as a % of the index fund):** 1.5%
- **The reason the Trustee considered this vote to be “most significant”:** Relates to one of the Trustee’s chosen stewardship priorities – Climate change.
- **Vote Cast:** Against
- **Rationale for the voting decision:** LGIM recognize the progress the company has made with respect to its net zero commitment, specifically around the level of investments in low carbon solutions and by strengthening its disclosure. However, they remain concerned of the company’s planned upstream production growth in the short term, and the absence of further details on how such plans are consistent with the 1.5C trajectory.
- **Outcome of the vote and next steps:** Resolution passed (c.89% Voted For) - LGIM will continue to engage with their investee companies, publicly advocate their position on this issue and monitor company and market-level progress.

#### **LGIM Asia Pacific (ex-Japan) Developed Equity Index Fund**

- **Rio Tinted Limited, May 2022**
- **Summary of resolution:** Approve Climate Action Plan
- **Approx size of the holding at the date of the vote (as a % of the index fund):** 1.0%
- **The reason the Trustee considered this vote to be “most significant”:** Relates to one of the Trustee’s chosen stewardship priorities – Climate change.
- **Vote Cast:** Against

- **Rationale for the voting decision:** A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management.
- **Outcome of the vote and next steps:** Resolution passed (c.75% Voted For) - LGIM will continue to engage with their investee companies, publicly advocating their position on this issue and monitoring company and market-level progress.

#### World Emerging Markets Equity Index Fund

- **China Construction Bank Corporation, June 2022**
- **Summary of resolution:** Elect Graeme Wheeler as Director
- **Approx size of the holding at the date of the vote (as a % of the index fund):** 1.1%
- **The reason the Trustee considered this vote to be “most significant”:** Relates to one of the Trustee’s chosen stewardship priorities – Climate change.
- **Vote Cast:** Against
- **Rationale for the voting decision:** A vote against is applied under LGIM’s Climate Impact Pledge as the Company has not published a clear thermal coal policy and no disclosure of scope 3 emissions associated with investments. As members of the Risk Committee, these directors are considered accountable for the bank’s climate risk management.
- **Outcome of the vote and next steps:** Resolution passed (c.96% voted For) - LGIM will continue to engage with the company and monitor progress, publicly advocating their position on this issue and monitoring company and market-level progress.

#### BlackRock

#### Aquila Life UK Equity Index Fund

- **Grupo Mexico, April 2022**
- **Summary of resolution:** Elect or Ratify Directors; Verify Independence of Board Members; Elect or Ratify Chairmen and Members of Board Committees.
- **Approx size of the holding at the date of the vote (as a % of the index fund):** <0.1%
- **The reason the Trustee considered this vote to be “most significant”:** Relates to one of the Trustee’s chosen stewardship priorities – Climate change.
- **Vote Cast:** Against
- **Rationale for the voting decision:** The company did not meet BlackRock’s expectations of having adequate climate risk disclosures against all four pillars of TCFD and adequate climate-related metrics and targets.
- **Outcome of the vote and next steps:** Resolution Passed – BlackRock will continue to engage with the company and monitor progress.

### 3.4 Votes in relation to assets other than listed equity

The following comments are additional information provided by BlackRock relating to the BlackRock BIBF Over 10 Years Corporate Bond Fund, which does not hold listed equities but may engage with companies to which it lends.

BlackRock's credit analysts regularly undertake joint engagement meetings with the Investment Stewardship team to ensure the "voice of the bond holder" is reflected in conversations. BlackRock also engage with bond issuers via its Global Capital Market Team, although more recently this has tended to be focused on areas such as the issuance of green bonds in the sterling market, which can form a part of the portfolio held by the Fund. As significant investors in the sterling fixed income market, BlackRock also may work with market participants including index providers, rating agencies and policy makers, with the intention of upholding standards and enabling the flow of financing to attractive ESG issues.