

# *Implementation Statement, covering the Fund Year from 1 January 2023 to 31 December 2023 (the “Fund Year”)*

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 below.

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**

The voting and engagement policies in the SIP were reviewed and updated during the Fund Year, in August 2023, to reflect the Trustees response to the 2022 DWP Stewardship guidance around Trustees delegating stewardship responsibilities – which expects trustees to take a more active role in relation to monitoring and engaging with investment managers on stewardship matters. Further detail and the reasons for these changes are set out in Section 2. As part of this SIP update, the employer was consulted and confirmed it was comfortable with the changes.

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 delegated to the investment managers the exercise of rights attaching to investments, including voting rights, and engagement. Their policies are:

- [Baillie Gifford - Our principles and guidelines 2024 - complete](#)
- [Investment stewardship & governance | LGIM Institutional](#)
- [BIS Global Principles \(blackrock.com\)](#)

However, the Trustees take ownership of the Fund’s stewardship by monitoring and engaging with managers 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.

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. These priorities were communicated to the Fund’s investment managers during the year.

## **3. Description of voting behaviour during the Fund Year**

All of the Trustee’s holdings in listed equities were within pooled funds and the Trustees have delegated to their 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 Trustees contacted the Fund's managers regarding funds that did 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

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

	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	£756m	£8,972m	£2,087m	£1,079m	£742m	£3,638m	£2,039m
Value of Fund assets at end of the Fund Year (£)	£0.0	£0.0	£0.0	£0.0	£0.0	£0.0	£0.0
Number of equity holdings at end of the Fund Year	50	615	402	825	526	1,790	13,976
Number of meetings eligible to vote	50	648	567	513	479	4196	1,027
Number of resolutions eligible to vote	528	8,760	9,955	6,098	3,283	34,029	14,905
% of resolutions voted	92.2%	99.7%	99.9%	100.0%	100.0%	99.9%	96.0%
Of the resolutions on which voted, % voted with management	97.1%	65.5%	80.3%	88.1%	73.7%	80.5%	96.0%

Of the resolutions on which voted, % voted against management	2.5%	34.5%	19.3%	12.0%	26.3%	18.6%	3.0%
Of the resolutions on which voted, % abstained from voting	0.4%	0.0%	0.4%	0.0%	0.0%	0.9%	1.0%
Of the meetings in which the manager voted, % with at least one vote against management	16.0%	97.7%	82.0%	70.6%	74.1%	54.2%	21.0%
Of the resolutions on which the manager voted, % voted contrary to recommendation of proxy advisor	N/A <sup>2</sup>	29.0%	10.9%	9.7%	16.3%	7.3%	0.0%

<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.

During the Fund year, the Trustees fully redeemed the Fund's holdings in the Baillie Gifford, LGIM and BlackRock funds listed above. The investment managers were unable to provide data over the year up to the respective redemption dates, and so the data shown above is for the full Fund year to 31 December 2023.

### 3.3 Most significant votes

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 Trustees did not identify significant voting ahead of the reporting period. Instead, the Trustees have 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<sup>1</sup> for creating this shortlist. By informing their managers of their stewardship priorities, and through their regular interactions with the managers, the Trustees believes that their managers will understand how they expects them to vote on issues for the companies they invest in on the Trustees' behalf.

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

- align with the Trustees 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;

<sup>1</sup> [Vote reporting template for pension scheme implementation statement – Guidance for Trustees \(plsa.co.uk\)](https://www.plsa.co.uk/vote-reporting-template-for-pension-scheme-implementation-statement-guidance-for-trustees). Trustees are expected to select "most significant votes" from the long-list of significant votes provided by their investment managers.

- are shareholder resolutions which received material support; and
- the subject of the resolution aligned with the investment manager's engagement priorities or key themes

The Trustees have reported on one of these significant votes per fund.

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.

### **Baillie Gifford Multi Asset Growth Fund**

Prysmian S.P.A., 19 April 2023.

- **Summary of resolution:** Vote on remuneration.
- **Relevant stewardship priority:** N/A.
- **Approx size of the holding at the date of the vote:** 1.4%
- **Why this vote is considered to be most significant:** This vote was considered to be significant because it received more than 20% opposition.
- **Company management recommendation:** For. **Fund manager vote:** Against.
- **Rationale:** Baillie Gifford opposed the resolution due to inappropriate use of discretion to increase vesting outcome of the long-term incentive award. Baillie Gifford believes the use of discretion should be carefully evaluated, and used to support and prioritise the long-term prospects of the business. Baillie Gifford were not convinced that this use of discretion meets that bar.
- **Was the vote communicated to the company ahead of the vote:** Yes.
- **Outcome of the vote and next steps:** Pass. Baillie Gifford will communicate its rationale for voting against the remuneration report. Baillie Gifford supported a forward-looking remuneration policy at the meetings, and anticipate supporting the remuneration report next year, but will continue to monitor for further use of discretion.

### **LGIM North America Equity Index Fund**

Amazon.com, Inc., 24 May 2023

- **Summary of resolution:** Report on median and adjusted gender/racial pay gaps.
- **Relevant stewardship priority:** N/A.
- **Approx size of the holding at the date of the vote:** 2.3%
- **Why this vote is considered to be most significant:** LGIM views gender diversity as a financially material issue for its clients, with implications for the assets LGIM manages on their behalf.
- **Company management recommendation:** Against. **Fund manager vote:** For.
- **Rationale:** LGIM expects companies to disclose meaningful information on its gender pay gap and the initiatives it is applying to close any stated gap. This is an important disclosure so that investors can assess the progress of the company's diversity and inclusion initiatives. Board diversity is an engagement and voting issue, as LGIM believes cognitive diversity in business – the bringing together of people of different ages, experiences, genders, ethnicities, sexual orientations, and social and economic backgrounds – is a crucial step towards building a better company, economy and society.
- **Was the vote communicated to the company ahead of the vote:** LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.
- **Outcome of the vote and next steps:** Fail. LGIM will continue to engage with the company and monitor progress.

## LGIM Europe (ex UK) Equity Index Fund

TotalEnergies SE, 26 May 2023.

- **Summary of resolution:** Approve the company's sustainable development and energy transition plan.
- **Relevant stewardship priority:** Climate change.
- **Approx size of the holding at the date of the vote:** 1.7%
- **Why this vote is considered to be most significant:** LGIM is publicly supportive of so called "Say on Climate" votes. LGIM expects transition plans put forward by companies to be both ambitious and credibly aligned to a 1.5°C scenario. Given the high-profile of such votes, LGIM deem such votes to be significant, particularly when LGIM votes against the transition plan.
- **Company management recommendation:** For. **Fund manager vote:** Against.
- **Rationale:** LGIM recognizes 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, LGIM remains 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.
- **Was the vote communicated to the company ahead of the vote:** No.
- **Outcome of the vote and next steps:** Pass. LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress. LGIM filed a shareholder resolution at Glencore's 2023 AGM and engagement continues.

## LGIM Japan Equity Index Fund

Canon, Inc., 30 March 2023.

- **Summary of resolution:** Elect Director Matarai, Fujio.
- **Relevant stewardship priority:** N/A.
- **Approx size of the holding at the date of the vote:** 0.5%.
- **Why this vote is considered to be most significant:** LGIM views gender diversity as a financially material issue for its clients, with implications for the assets LGIM manages on their behalf.
- **Company management recommendation:** For. **Fund manager vote:** Against.
- **Rationale:** A vote against was applied due to the lack of independent directors on the board. Independent directors bring an external perspective to the board. Bringing relevant and suitably diverse mix of skills and perspectives is critical to the quality of the board and the strategic direction of the company. LGIM would like to see all companies have a third of the board comprising truly independent outside directors. With respect to diversity, a vote against was applied due to the lack of meaningful diversity on the board.
- **Was the vote communicated to the company ahead of the vote:** No.
- **Outcome of the vote and next steps:** LGIM will continue to engage with its investee companies, publicly advocate its position on this issue and monitor company and market-level progress.

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

Woodside Energy Group Ltd, 28 April 2023.

- **Summary of resolution:** Re-elect Mr Ian MacFarlane as a Director.
- **Relevant stewardship priority:** Climate change.
- **Approx size of the holding at the date of the vote:** 1.5%
- **Why this vote is considered to be most significant:** LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, LGIM's flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.
- **Company management recommendation:** For. **Fund manager vote:** Against.
- **Rationale:** The rationale for LGIM's intention to vote against the most senior director up for re-election, reflects LGIM's concerns around the company's lack of commitment to aligning with the Paris objectives and net zero, and the insufficient reaction to the significant proportion of shareholder votes against their climate report (49%)

in the 2022 AGM. Additionally, following the completion of the BHP petroleum assets merger in 2022, LGIM are looking to get more clarity on the decarbonisation targets of the combined group, and note a number of gaps in the company's disclosure, primarily around the overreliance on offsets for achieving climate goals. In 2023, LGIM has met with the company (investor relations) and with the chair of the board. However, LGIM still feel that actions taken are insufficient to restore investor confidence and that there is a lack of urgency around better aligning the company with the Paris objectives.

- **Was the vote communicated to the company ahead of the vote:** LGIM pre-declared its vote intention for this meeting on the LGIM Blog. As part of this process, a communication was set to the company ahead of the meeting.
- **Outcome of the vote and next steps:** Pass. LGIM will continue to engage with the company and monitor progress.

### LGIM World Emerging Markets Equity Index Fund

China Construction Bank Corporation, 29 June 2023.

- **Summary of resolution:** Elect Tian Guoli as Director.
- **Relevant stewardship priority:** Climate change.
- **Approx size of the holding at the date of the vote:** 1.0%
- **Why this vote is considered to be most significant:** LGIM considers this vote to be significant as it is applied under the Climate Impact Pledge, LGIM's flagship engagement programme targeting some of the world's largest companies on their strategic management of climate change.
- **Company management recommendation:** For. **Fund manager vote:** Against.
- **Rationale:** A vote against is applied as the company is deemed to not meet minimum standards with regard to climate risk management.
- **Was the vote communicated to the company ahead of the vote:** No.
- **Outcome of the vote and next steps:** Pass. LGIM will continue to engage with the company and monitor progress.

### BlackRock Aquila Life UK Equity Index Fund

The Goldman Sachs Group, Inc., 26 April 2023.

- **Summary of resolution:** Disclose 20230 absolute GHG reductions targets associated with lending and underwriting.
- **Relevant stewardship priority:** Climate change.
- **Approx size of the holding at the date of the vote:** <1.0%
- **Why this vote is considered to be most significant:** BlackRock Investment Stewardship prioritizes its work around themes that encourage sound governance practices and deliver sustainable long-term financial performance.
- **Company management recommendation:** Against. **Fund manager vote:** Against.
- **Rationale:** "The request is either not clearly defined, too prescriptive, not in the purview of shareholders, or unduly constraining on the company. The company already has policies in place to address the request being made by the proposal, or is already enhancing its relevant policies."
- **Was the vote communicated to the company ahead of the vote:** No.
- **Outcome of the vote and next steps:** Fail. BlackRock Investment Stewardship will continue to engage with Goldman Sachs Group Inc on material sustainability-related risks and opportunities.

### 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.*