

# GP Reinsurance EAD

## ACTIVE OWNERSHIP GUIDELINE

Engagement process

Voting principles

Class Actions

Public disclosure pursuant Insurance Code art 197b



[generali.com](https://www.generali.com)

## Document Summary

<b>Title</b>	Active ownership guideline
<b>Date of issuance</b>	21.01.2021
<b>Signed by</b>	The CEO of GP Reinsurance EAD, Minutes of Meeting 21.01.2021

## EXECUTIVE SUMMARY

The document is issued pursuant Insurance Code art 197b requiring to publicly disclose Engagement policy.

As a long-term liability-driven institutional investor and assets owner with a fiduciary duty, the Generali Group (the Group) companies and GP Reinsurance EAD as part of the Group believes in **active ownership** as a contributor to long-term risk mitigation and value creation for its clients and shareholders. In their best interest, the Group:

- **Monitors**, directly or through Group/Third-Party asset managers, **investee issuers on relevant matters** e.g. strategy, financial results, risk profile, capital structure and Environmental, Social and Governance (ESG) impact;
- **Engages investee issuers** to strengthen their accountability to stakeholders and civil society;
- **Sets principles and criteria** for the **exercise of the voting rights and the other rights attached to the shares/bonds**, to ensure consistency with the interest of the Group and its clients and with Group engagement activities;
- **Liaises** with the **other stakeholders** of the investee issuers;
- **Manages possible conflicts of interest** related to its active ownership activity;
- **Discloses** to the public how active ownership activities have been implemented.

## INDEX

<b>1</b>	<b>Glossary and definitions</b> .....	<b>5</b>
<b>2</b>	<b>Introduction</b> .....	<b>6</b>
2.1	Objectives	6
2.2	Scope of application	6
<b>3</b>	<b>Group Active Ownership Framework</b> .....	<b>7</b>
<b>4</b>	<b>Group Engagement Process</b> .....	<b>9</b>
4.1	Types of Engagement	9
4.2	Yearly Engagement Priority List	9
4.3	Engagement Opportunities	10
<b>5</b>	<b>Group Voting and Exercise of Other Rights Attached to Shares/Bonds</b> .....	<b>11</b>
5.1	Principles	11
5.2	Centralized Voting Activities	11
5.3	Voting Principles	12
5.4	Centralized Class Actions Activities	12
<b>6</b>	<b>Group Reporting on Active Ownership and Disclosure</b> .....	<b>13</b>
<b>7</b>	<b>Investment strategy</b> .....	<b>Error! Bookmark not defined.</b>
7.1	Agreements with asset managers	<b>Error! Bookmark not defined.</b>

# 1 Glossary and definitions

Acronym/Term	Explanation/Definition
AG	Assicurazioni Generali S.p.A., an Italian insurance and reinsurance undertaking, listed on the Milan Stock Exchange, and ultimate parent company of the Generali Group.
Extensive Engagement	Specific public (individual or collective) interactions with executives or board members of the investee issuers regarding the strategy, financial and non-financial results as well as risks, capital structure and specific ESG issues.
Generali Group (or Group)	The Generali Group whose ultimate parent Company is Assicurazioni Generali S.p.A.
Group Asset Management Companies (or GAM Cos)	Asset Management Companies, belonging to Assicurazioni Generali Group, managing assets on behalf of Group Insurance Companies through an Investment Management Agreement or other specific contractual agreement.
Group Engagement Committee	Committee in charge of supporting the Head of Group Investment Governance & Stewardship on engagement activities related to ESG matters.
Group Fund	Fund/SICAV established/managed by Group / Third-Party Asset Management Companies, reserved to Group Insurance Companies investments.
Group Insurance Company investments	All direct investments, with the exclusion of investments in consolidated subsidiaries, non-consolidated subsidiaries and associated companies (Group assets) as detailed in the last Generali Group Annual Integrated Report and Consolidated Financial Statements of Generali.
Investment funds and vehicles	Undertakings for collective investment established in the form of autonomous assets, divided in shares and operated by management companies and Investment structures created with the aim of raising capital from a plurality of subjects in order to invest it in financial instruments and/ or real estate assets.
Joint Venture	Legal Entities established on the basis of specific shareholder agreements defined with partners.
MIFID II	MiFID II is a legislative framework instituted by the European Union (EU) to regulate financial markets and improve protections for investors. Its aim is to standardize practices across the EU.
Moderate Engagement	Specific private (individual or collective) interactions with executives or board members of the investee issuers regarding the strategy, financial and non-financial results as well as risks, capital structure and specific ESG issues.
SAA	Strategic Asset Allocation - contains target weights assigned to the various asset classes with respective upper/lower boundaries
Usual Engagement	Normal private interactions with investee issuers during the investment process, financial/extra-financial analysis process or voting process.
Voting rights	The rights associated to equity/debt instruments or to funds shares, to express votes on decisions taken on the basis of the majority rule, normally (but not necessarily) within a meeting venue and a predetermined formal voting agenda.

## 2 Introduction

GP Reinsurance EAD, as a long-term liability-driven institutional investor and assets owner, has a **fiduciary duty** towards its stakeholders.

The Guideline sets key principles on the **monitoring of investee issuers**, the **engagement process**, and on the **voting process**. To a greater extent, the Group wants to reinforce its active ownership capabilities to gather internal expertise and have a greater impact on issuers.

The last chapter of the guideline concerns investment strategy of the insurance company.

GP Reinsurance EAD currently outsources asset management to Generali Investments CEE, Investiční společnost, a.s. (further called "GAM Cos"). Contractual relationship is governed by the investment management agreement. The GP Reinsurance EAD currently doesn't use asset management services of any third-party asset manager.

The GP Reinsurance EAD established a service agreement with Assicurazioni Generali S.p.A which centrally executes proxy voting and coordinates activities in respect to the engagement and class actions.

### 2.1 OBJECTIVES

The objective of the Guideline is to **define the principles leading the role of the GP Reinsurance EAD as an active owner**, with a focus on:

- the Group Active Ownership Framework, including – but not limited to – the continuous monitoring of investee issuers on relevant matters (e.g. strategy, financials, risk profile, capital structure, and ESG impact);
- the engagement approach also concerning ESG topics;
- the behaviour of GP Reinsurance EAD when analyzing the resolutions about the exercise of their voting rights and other rights attached to shares/bonds.

### 2.2 SCOPE OF APPLICATION

The Guideline only applies to direct E equity and corporate fixed income asset classes of GP Reinsurance EAD and in particular to the following General Account investment portfolios:

- portfolios in which investment risk is borne by shareholders;

## 3 Group Active Ownership Framework

At Group level, active ownership is steered and supervised by Group Investment Governance & Stewardship<sup>1</sup> (GIG&S), providing GP Reinsurance EAD with guidelines, supporting and supervising their implementation.

The Group Active Ownership Framework (the Framework) is based on the following pillars, which embody the **principles, main activities**, and **responsibilities** leading the role of the Group as an active owner.

- **Monitoring of investee issuers on relevant issues**, including:
  - strategy;
  - financial and non-financial results;
  - risks;
  - structure of capital;
  - social and environmental impact;
  - corporate governance.

GP Reinsurance EAD (as asset owner) is institutional investor with delegated asset management. Asset Management activities can be performed either by Group Asset Management Companies (GAM Cos). GAM Cos are in charge of implementing and executing the investment management agreements and related portfolio management guidelines set by the GP Reinsurance EAD.

Regarding active ownership, the Group requires its asset managers, both Group's and Third Parties<sup>2</sup>, to follow the active ownership principles and requirements set forth in this Guideline or to adopt own guidelines consistent with the principles adopted by the Group<sup>3</sup>.

With specific reference to **monitoring on strategy, financial and non-financial results, risks, and structure of capital**, delegated GAM Cos are required to perform monitoring activities on investee issuers according to investment management agreements in place and consistently with applicable Group internal regulations<sup>4</sup>. GAM Cos provide GP Reinsurance EAD with information flows and reports related to the services provided to allow coordination and control.

As regards **environmental, social, and corporate governance (ESG) issues**, the Responsible Investment Group Guideline<sup>5</sup> defines an investment management framework at the Group level for the adoption of responsible conduct in investment activity. The Group requires its asset managers, , to follow the Group ESG integration criteria set forth in the Responsible Investment Group Guideline or, as an alternative, to adopt own guidelines consistent with the principles adopted by the Group.

- **Dialogue with investee issuers, their other shareholders and relevant stakeholders**: engagement activities are both *proactive*, either seeking further disclosure or calling for more awareness and action when weaknesses are identified, and *reactive*, for example when a controversial event occurs. The Group identifies different engagement activities:
  - **Usual Engagement**: normal private interactions with investee issuers during the investment process, financial/extra-financial analysis process, or voting process;
  - **Moderate Engagement**: specific private (individual or collective<sup>6</sup>) interactions with executives or board members of the investee issuers regarding the strategy, financial and non-financial results as well as risks, capital structure, and specific ESG issue;
  - **Extensive Engagement**: specific public (individual or collective) interactions with executives or board members of the investee issuers regarding the strategy, financial and non-financial results as well as risks, capital structure, and specific ESG issue.

Engagement activities with investee issuers and their stakeholders are:

- steered and supervised by GIG&S, supported by the Group Engagement Committee;
- executed by delegated asset managers (both GAM Cos) and reported to GIG&S.

<sup>1</sup> Group Investment Governance & Stewardship is the structure of AG in charge of the steering and supervision of the active ownership activities at Group level.

<sup>3</sup> Link on the Company's asset manager engagement principles: <https://www.generali-investments.cz/o-nas/politika-zapojeni-191231.html>

<sup>4</sup> As an exception, in case of assets whose management is not delegated, a Financial Participations Management Group Guideline is in place in order to define a centralized process for the management and control of the Group financial participations. The process entails participations mapping and portfolio monitoring based on selected financial information.

<sup>5</sup> <https://www.generali.com/our-responsibilities/responsible-investments>

<sup>6</sup> In order to better pursue engagement activities on ESG topics, the Group joins private initiative / alliance of institutional investors (e.g. on climate change specific engagement: Climate Action 100+, United Nations-convened Net-Zero Asset Owner Alliance).

To a greater extent, the Group commits to dialoguing and collaborating with institutions and national and international associations to promote the diffusion of responsible investments, as well as to take part in working groups<sup>7</sup> to foster knowledge, through studies, research and publications. The activity is steered by Group Communications & Public Affairs, supported by GIG&S.

The Group also commits to conveying transparently to its stakeholders the information concerning strategies and responsible investment activities. The Group commits to ensuring the proactive, effective and timely communication of relevant information concerning responsible investments to the financial market community as well as to external specialized analysts and rating agencies. The activity is steered by Investor & Rating Agency Relations, supported by GIG&S.

- **Coordination and monitoring of the exercise of voting rights and other rights attached to shares/bonds.** The Group believes that decisions taken at annual general meetings (AGM) of investee issuers are of utmost importance for the achievement of companies' long-term strategies. The Group adopts principles and criteria (also including non-financial ESG consideration) in the definition of voting decisions consistent with the interest of the Group and its clients.

GIG&S is in charge of managing a centralized platform on voting at Group level, providing GP Reinsurance EAD with (i) voting recommendations, (ii) execution – where directly delegated, and (iii) reporting.

As regards the other rights attached to shares/bonds, whose exercise remains within GP Reinsurance EAD and/or delegated GAM Cos scope according to agreements in place, GIG&S is in charge of managing a centralized platform on class actions.

- **Management of current and potential conflicts of interest in relation to the Group commitment to active ownership.** GP Reinsurance EAD and its employees involved in each (and all) of the active ownership activities abide by the applicable regulation on the conflicts of interests, the Generali Group Code of Conduct, and the Conflicts of Interest Group Guideline. Consequently, they must:
  - be aware of situations of conflicts of interests that may arise during active ownership activities and are encouraged to contact the respective direct manager or the competent Compliance Officer function whenever in doubt;
  - avoid any situation which may give rise to an actual or potential conflict of interests;
  - when conflict is unavoidable, GP Reinsurance EAD and its employees involved in each (and all) of the active ownership activities must:
    - a. refrain from performing any active ownership activities and/or making decisions on behalf of the company or the Group,
    - b. disclose the conflict in writing to the direct manager or the competent Compliance Officer function and wait for indications on how to proceed.

Competent Group functions/structures must verify if the conflict may endanger the interests and reputation of the Group and, if necessary, define appropriate remedial measures to prevent loss to the Group.

For services provided by GAM Cos, the Group relies on the policies on conflicts of interests as adopted and disclosed by the latter.

---

<sup>7</sup> E.g. Generali Group joined the United Nations-convened Net-Zero Asset Owner Alliance, committed to decarbonize their portfolios to net-zero emissions by 2050 to avoid a global temperature increase above the 1.5°C Paris target, the Global Compact (2007), the Principles for Responsible Investment (2011), the Principles for Sustainable Insurance (2014), the Paris Pledge for Action (2015), the Financial Stability Board Task Force on Climate-related Financial Disclosure (TCFD) and the Investing in a Just Transition project in 2018.

## 4 Group Engagement Process

### 4.1 TYPES OF ENGAGEMENT

Usual Engagement is performed directly by delegated GAM Cos and periodically reported to GIG&S according to the accountabilities in the table below.

Moderate and Extensive Engagement are planned based on priority and executed according to the following roles:

- at Group level GIG&S provides GP Reinsurance EAD with centralized steering and supervision of the engagement process, coordinating delegated GAM Cos;
- delegated asset managers (GAM Cos) are in charge of the execution and reporting of engagement activities, without prejudice to the possibility for GIG&S of participating in engagement execution.

TYPE	DESCRIPTION	ACCOUNTABILITY	INTERACTION (ILLUSTRATIVE)
1 - Usual Engagement	Normal private interactions Expectations towards the issuer are set	Delegated asset managers (GAM Cos)	Usual Investments meeting/calls at quarterly/annual meeting with CEO/CFO of the relevant issuer (i.e. strategy, financial performance and risk, capital structure) or other representatives of the issuer
		Delegated asset managers (GAM Cos) (execution and reporting)	Usual interactions on sustainable responsible investments with Investor Relations, head of corporate and social responsibility (CSR) of the relevant issuer (social and environmental impact and corporate governance, ...) or other representatives of the issuer
		GIG&S (steering and supervision)	Usual proxy voting interactions with IR, General Counsel, Corporate Affairs of the relevant issuer and its stakeholders (especially on social and environmental impact and corporate governance topics)
2 - Moderate Engagement	Specific <u>private</u> (individual or collective) interactions as co-signatory or as leader Clear expectations towards the issuer are set	Delegated asset managers (GAM Cos) (execution and reporting)	Expressing concerns through issuer's advisers (proxy solicitors)
		GIG&S (steering and supervision)	Writing to the full board of the relevant issuer through the office of Company Secretary of the latter or equivalent communication
		GIG&S (steering and supervision)	Specific meetings with the management, CEO, CFO, Investor Relations, other executives (head of operation, control and sustainability functions etc...) of the relevant issuer
		GIG&S (steering and supervision)	Specific meeting with the chairman, lead independent board members, other board members of the relevant issuer
3 - Extensive Engagement	Specific <u>public</u> (individual or collective) interactions as a leader Clear expectations towards the issuer are set	Delegated asset managers (GAM Cos) (execution and reporting)	Public statement, speaking at AGM <sup>8</sup> , communicating online voting records
		GIG&S (steering and supervision)	Submitting resolution at AGM <sup>8</sup>
		GIG&S (steering and supervision)	Proposing to change board members of the relevant issuer ("vote No" campaign / running a candidate)
		GIG&S (steering and supervision)	Asking for an Extraordinary General Meeting <sup>8</sup>

### 4.2 YEARLY ENGAGEMENT PRIORITY LIST

The engagement priority list is approved by the Head of Group Investment Governance & Stewardship advised by the Group Engagement Committee and is composed of investee issuers representing a priority for the Group based on the following criteria:

- financial criteria (e.g. financial performance, strategy, risk, capital structure);
- Generali's exposure (significant holdings in absolute or relative terms) and strategic relevance;
- non-financial criteria:
  - poor ethical behaviours or other ESG issues identified with "laggards" issuers;
  - key thematic highlighted at Group level;

<sup>8</sup> Meaning shareholder and bondholder annual general meetings.

- link to the Group Materiality Matrix (as per Sustainability Group Policy), which pinpoints material aspects that can have a significant economic, social and environmental impact on the Group's activities and which – influencing the expectations, decisions, and actions of stakeholders – are perceived as relevant by the latter.

Input and/or proposal on the priority list may be provided to GIG&S by:

- asset managers (GAM Cos);
- GIG&S representative;
- other Generali Group functions;
- Group Responsible Investments Committee;
- Group Engagement Committee.

### **4.3 ENGAGEMENT OPPORTUNITIES**

In addition to the engagement priority list, engagement opportunities can be identified and communicated to GIG&S on an ongoing basis by Group internal stakeholders, delegated GAM Cos as well as external stakeholders (e.g. issuers, proxy solicitors, association of investors and other investors).

## 5 Group Voting and Exercise of Other Rights Attached to Shares/Bonds

### 5.1 PRINCIPLES

The Group believes that high-quality corporate governance standards and also social and environmental practices allow companies to take decisions that better protect and enhance value for their long-term investors. 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 of the business, and to oversee the approach to risk management. The Group believes that **monitoring investee issuers' governance structure and evolution** to promote the adoption of better governance standards is a key process which may effectively enhance investor returns over time. Voting at general meetings represents, therefore, both a duty and an opportunity for responsible investors, as it is a chance to preserve investors' interest and effectively inform the management about how company's behaviour is appreciated by its investors: large support from investors is of utmost importance for the achievement of companies' long-term strategies.

The Group acts intending to **maximize the amount of votes casted**, taking voting decisions finalized to value the companies in which it invests.

The Group is committed to having a **thorough knowledge of the proposed resolutions** in order to express an **informed vote**, aligned with the investment strategy.

For those resolutions submitted to investors' vote and not directly falling within the scope of the Guideline, the Group votes taking into account the existing circumstances, the rationale provided by the relevant company and/or investor(s) submitting the resolution, evaluating the possible risks and opportunities, the governance framework of the investee issuer, the availability of sufficient information, and the alignment with long-term investors' interests.

The Group is in favour of the submission at general meetings of external resolutions on the dissemination of best practices in terms of governance, professional ethics, social cohesion, environmental protection, and digitalization.

The Group considers **interaction with other market participants** a precious source of information for fostering internal corporate governance standards and ensuring consistency among the Group. The flow of information within the Group is made effectively, in compliance with the confidentiality obligations principles, in order to ensure **adequate cooperation and alignment among Group's functions**.

As regards the **other rights attached to shares/bonds**, whose exercise remains within GP Reinsurance EAD and/or delegated GAM Cos and TP AMs scope according to the agreements in place, GIG&S is in charge of managing a centralized platform on class actions.

### 5.2 CENTRALIZED VOTING ACTIVITIES

GIG&S is in charge of steering and coordinating the Group voting process, managing a **centralized platform on voting at Group level**, providing GP Reinsurance EAD with:

1. voting recommendations based on public information made available by the investee issuers and following the voting principles;
2. execution – where directly delegated;
3. reporting to GP Reinsurance EAD and other Group internal stakeholders on the exercise of voting rights.

To this end, GIG&S acts in continuous collaboration with GAM Cos / TP AMs and GP Reinsurance EAD:

- liaising with the other relevant Group stakeholders from time to time involved to share the evaluation of the specific resolutions and to carry on a complete analysis, according to the Group voting principles;
- liaising and coordinating with the GP Reinsurance EAD entitled with the voting rights;
- monitoring the proxy voting activity conducted by the GP Reinsurance EAD directly or through GAM Cos.

The Group is committed to informing the market regarding its voting activity. To this aim, **voting activities performed by the Group are publicly disclosed**, to highlight the most material matters for the Group and underline the constant undertaking by the Group in promoting the spread of good governance practices.

## 5.3 VOTING PRINCIPLES

The Group adopts principles and criteria (also including non-financial ESG consideration) in the definition of voting decisions consistent with the interest of the Group and its clients, and with Group engagement activities. The voting principles are set on a comprehensive range of macro-areas / topics, including but not limited to:

- **Shareholder rights:**
  - preliminary information for “enlightened” voting;
  - equitable treatment of shareholders;
  - anti-takeover mechanisms.
- **Corporate boards:**
  - segregation of duties;
  - director independence;
  - employee representatives;
  - board candidates’ professional skills;
  - election methods;
  - duration;
  - multiple directorships;
  - board membership;
  - diversity;
  - board committees.
- **Remuneration:**
  - frequency of Say-on-Pay;
  - remuneration requirements;
  - disclosure;
  - short-term variable incentive;
  - long-term variable incentive;
  - equity based incentive plan;
  - termination benefits;
  - supplemental retirement plans;
  - non-executive directors’ remuneration.
- **Final statements, disclosure, and transparency:**
  - transparency and quality of financial information;
  - appointment of external auditors;
  - dividend payout.
- **Equity transactions:**
  - free share awards;
  - equity issuance.
- **Environmental and social topics.**

As a responsible investor and subscriber of the United Nations Sustainable Development Goals, the Group is deeply committed to promoting sustainability in the investee issuers. In particular the Group expects that companies duly comply with their disclosure obligation, publishing the relevant information on initiatives carried on sustainability, as well as on how each issuer is addressing the non-financial risks having an impact on its business. In this regard, the Group expects issuers to carry on an internal assessment and disclose the relevant results, on cybersecurity, environmental risk (with particular regard to carbon emission and footprint), corporate welfare, anti-corruption procedures, non-discrimination and other social practices (including, as anticipated, a positive evaluation of feature in the executive remuneration policy linking incentive to ESG factors).
- **Special provisions for small and unlisted companies.**

The Group is aware of the differences existing among listed and unlisted companies. However, the Group also believes that the promotion of Corporate Governance practices also in unlisted companies may foster their long-term value and allow higher returns for shareholders.
- **Related-parties transactions.**

The Group expects issuers to set up a procedure for transacting with related parties ensuring an adequate level of transparency, supervised by an independent committee, where requested by the relevant legal framework. Related-parties transactions should be carried on in a fair and balanced way, transparently disclosing to the market all relevant information to allow an informed vote by shareholders, when requested.

## 5.4 CENTRALIZED CLASS ACTIONS ACTIVITIES

GIG&S is in charge of steering and coordinating the Group class actions activities, managing a **centralized platform on class actions at Group level**, providing GP Reinsurance EAD with:

1. support in evaluating opportunities to file a class action based on public information made available by the investee issuers;
2. filing the class actions – where directly delegated;
3. reporting to GP Reinsurance EAD and other Group internal stakeholders on the filing of class actions.

## 6 Group Reporting on Active Ownership and Disclosure

On a yearly basis, GIG&S prepares the Group reporting on active ownership, which is **the base for external and internal communication regarding active ownership activities**. It aims to:

- explaining how this Guideline has been implemented;
- reporting on engagement activities;
- describing voting behaviour;
- explaining the most significant votes and the possible use of proxy advisory services.