

Pirelli General Pension & Life Assurance Fund

Implementation Statement



cardano

Contents

Introduction3

Executive summary3

1. Our Stewardship Policy4

1.1. What is Stewardship?4

1.2. What is our Stewardship Policy?4

1.3. How have we implemented our Stewardship Policy?4

2. Voting Activity7

2.1. How did the managers vote?7

2.2. Use of proxy voting services9

2.3. Examples of significant votes.....10

3. Engagement Activity11

Introduction

This implementation statement (“Statement”) is produced alongside the Trustee Report and Accounts and is required by pensions regulations¹. The Trustee of the Pirelli General Pension and Life Assurance Fund (the “Trustee” and the “Fund” respectively) has prepared this Statement to provide stakeholders with a transparent and accurate review of how it has acted in line with the stewardship policies, including engagement and voting, set out in the Statement of Investment Principles (the “SIP”) during the accounting year.

This Statement includes details of:

- Compliance against the stewardship and voting policies;
- Any changes made to the stewardship and voting policies (“Stewardship Policy”) during the year; and
- Specifically, how the Fund’s investment managers voted and engaged on our behalf.

This statement has been prepared by the Trustee to cover the period 31 March 2022 to 31 March 2023.

The Statement is publicly available at www.pirelli.com/tyres/en-gb/learn/uk-legal-information

Executive summary

The day to day management of the Fund’s assets is delegated to Cardano Risk Management Limited (the “Fiduciary Manager”). In advance of the appointment, the Trustee took steps to ensure that the management of the Fund’s assets and the Fiduciary Manager’s policies were aligned with the Trustee’s own policies. The Trustee continues to monitor the Fiduciary Manager, as part of its regular interactions with them.

The Trustee monitors the voting and engagement activity of the Fund’s investment managers, and, through the Fiduciary Manager, challenges their decisions. Effort is focused on those investment managers where voting and engagement is material. The policies of those investment managers are summarised in this Statement, along with examples of the type of activity which took place during the period covered. Some of the investment managers use investment approaches where stewardship is less likely to be relevant or significant. The Trustee is comfortable that the Fiduciary Manager has an appropriate approach to assess the stewardship and voting policies for all investment managers and receives a summary of the Fiduciary Manager’s overall assessments once a quarter.

¹ The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013 (as amended)

1. Our Stewardship Policy

1.1. What is Stewardship?

“Stewardship” is the responsible allocation, management and oversight of capital to create long-term value, which should also lead to sustainable benefits for the economy, the environment and society. In practice, stewardship is effected through exercising the right to vote on shares owned and engaging with the management of companies or properties in which we have a stake.

1.2. What is our Stewardship Policy?

The Stewardship Policy in force during the financial year was:

“The Trustee’ policy is to delegate responsibility for the exercising of rights (including voting rights) attaching to investments to the investment managers. The Fiduciary Manager encourages the Fund’s investment managers to discharge their responsibilities in respect of investee companies in accordance with the Stewardship Code published by the Financial Reporting Council.

Where relevant, the Trustee prefers its investment managers to have an explicit strategy, outlining the circumstances in which they will engage with a company (or issuer of debt or stakeholder) on relevant matters (including performance, strategy, capital structure, management of actual or potential conflicts of interest, risks, social and environmental impact and corporate governance matters) and how they will measure the effectiveness of this strategy.

The Fiduciary Manager is responsible for engaging with investment managers regarding those investment managers’ voting records and level of engagement with the underlying investments, where this is expected to have meaningful impact and the Trustee monitors the Fiduciary Manager’s activity in this regard.”

1.3. How have we implemented our Stewardship Policy?

Fund structuring

The Trustee holds investments primarily on an indirect basis through pooled funds, but also holds some assets such as Government Bonds directly. The reason for this approach is that:

- It provides a broader range of investment opportunities, which helps to improve the diversification of investments, which in turn helps to manage risk;
- Fixed costs are shared amongst other investors, thereby reducing overall costs; and
- It simplifies the implementation process as existing funds can be used with standard terms and agreements, reducing the overall governance burden both on the Trustee and the Sponsor.

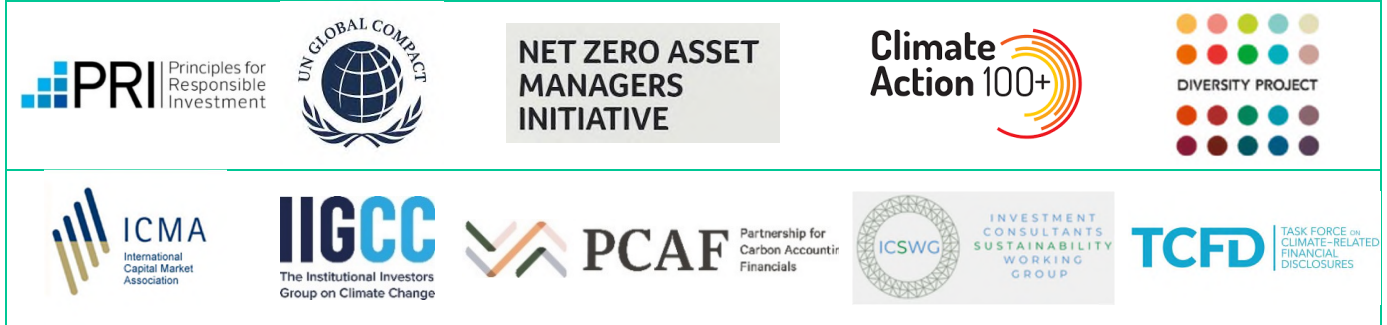
Where investments are made in pooled funds the Trustee follows the voting and engagement policies of the investment managers of the pooled funds. However, the Trustee remains responsible for ensuring that the investment managers act consistently with the Trustee’s Stewardship Policy. The Trustee achieves this by ensuring that the Fiduciary Manager’s beliefs and policies on engagement, manager selection and manager monitoring are aligned with the Stewardship Policy.

External engagements

The Trustee assesses that the Fiduciary Manager has been aligned with our Stewardship Policy throughout the year. For example, the Fiduciary Manager has been a signatory to the UN Principles for

Responsible Investment since 2011 and they are a signatory to the UK Stewardship Code 2020.

In addition, the Fiduciary Manager is a member of a range of sustainable investment organisations, including those noted below.



Engagement beliefs

The development of engagement beliefs is an important Trustee responsibility. The day-to-day implementation of the beliefs has been delegated to the Fiduciary Manager, having concluded that the Fiduciary Manager's core beliefs are consistent with the Trustee's.

The beliefs driving the Fiduciary Manager's approach to engagement are as follows:

Quality over quantity

The Fiduciary Manager is interested in a few meaningful quality engagements with strong reporting (rather than being interested in the quantity of votes). They want managers to prioritise the highest sustainability impacts in their portfolios

Long-term

The Fiduciary Manager encourages underlying managers to form long-term relationships with companies. Successful stewardship can take many months, maybe even years

Real world impact

The Fiduciary Manager is interested in engagement on topics that contribute to positive real-world sustainability impact (such as, reduction in absolute carbon emissions)

Transparency

Some engagement, perhaps even most engagement, will be unsuccessful. The Fiduciary Manager is realistic, and they prefer transparency from managers

Collaboration

Engagement is more efficient when managers collaborate – not just for the managers, but for the companies too (who will field fewer, but higher conviction, engagements from their investors). The Fiduciary Manager encourages underlying managers to participate in collaborative initiatives, such as Climate Action 100+

Innovation

The Fiduciary Manager welcomes innovation, for example, third-party tools to assess a company's conviction on sustainability topics

Integrated

The Fiduciary Manager is interested in how (if at all) stewardship contributes to the investment thesis and whether managers link their stewardship to other engagement activity (for example, policy engagement)

Engagement priorities

The Trustee has recently selected three stewardship priorities for manager engagement in order to improve alignment against our policies and beliefs as well as enhance disclosure. These priorities are linked to the UN Sustainable Development Goals and aim to improve sustainability within the portfolio and have a direct real-world impact to our members' current and future landscape. The Trustee's three stewardship priorities are:

- **Climate Crisis** (with a focus on climate change and net zero greenhouse gas emissions)
- **Environmental Impact** (with a focus on biodiversity, deforestation and water)
- **Human Rights** (with a focus on living wages, gender equality and health & nutrition)

The Trustee expects the investment managers to incorporate these themes into their future voting practices and the Fiduciary Manager monitors manager disclosures to ensure alignment against our priorities.

Manager selection and monitoring

When selecting investment managers, the Fiduciary Manager scrutinises the stewardship, voting and engagement policies. Activities of investment managers are assessed before the initial investment to ensure they align with the Trustee's Stewardship Policy. The Fiduciary Manager monitors the investment managers on an ongoing basis, ensuring their activities align with the Stewardship Policy and engaging with the investment managers to help them improve their stewardship approach.

The Fiduciary Manager closely monitors investment managers who do not meet the stewardship standards and actively works with them to improve their policies, processes and reporting.

The Trustee monitors the voting and engagement activity of our investment managers and challenges their activity through the Fiduciary Manager. Managers are categorised according to how material voting and engagement is in their mandate. The Fiduciary Manager focuses its efforts on any managers where voting and engagement is material.

The Fund invests in a series of Private Market investments. Most of these strategies own controlling stakes in the underlying businesses, meaning that stewardship and engagement is evidenced in a much broader way than, for example, investing in company shares that are listed on a stock market (i.e. public market investments).

One important way for a Private Markets investment manager to add value is to ensure that each business has the best corporate governance possible – dictating and controlling the policies and make up of senior leadership (versus voting at shareholder meetings). Engagement is, therefore, highly relevant in some cases and we include some examples in the relevant section of this report.

Compliance statement

To the best of our knowledge, the Trustee has complied with the Stewardship Policy over the year.

2. Voting Activity

The Shareholder Rights Directive (SRD II) and the UK Stewardship Code 2020 both emphasise the importance of institutional investors and asset managers engaging with the companies in which they invest. They stress the importance of exercising shareholder voting rights effectively. Voting only applies to equities held by the Fund and given the use of pooled funds, there is limited scope for the Trustee to directly influence voting. Voting is carried out by the investment managers on behalf of the Trustee.

2.1. How did the managers vote?

The tables below provide a summary of the voting activity undertaken by the managers during the year.

Note: the managers included denote those where voting and engagement are seen as material aspects of their investment process, rather than necessarily those investments the Fund has the largest exposure to. In addition, not all managers in this category will always have voting opportunities in any given year. Although all investment managers that the Fund invests with, directly or indirectly, are subject to the Trustee's Stewardship Policy and monitored accordingly, some managers are not subject to engagement / stewardship disclosure obligations. In some cases, aspects of a manager's voting activity may not be included in this document; where we have concerns that public disclosure would be detrimental to the success of the investment strategy of the Fund.

Amia

	Manager response
Number of meetings the manager was eligible to vote at over the year	2
Number of resolutions the manager was eligible to vote on over the year	28
% of eligible resolutions the manager voted on	100%
% of votes with management	100%
% of votes against management	0%
% of resolutions the manager abstained from	0%

CC Japan

	Manager response
Number of meetings the manager was eligible to vote at over the year	83
Number of resolutions the manager was eligible to vote on over the year	253
% of eligible resolutions the manager voted on	100%
% of votes with management	95%
% of votes against management	0%
% of resolutions the manager abstained from	5%

Egerton Capital

	Manager response
Number of meetings the manager was eligible to vote at over the year	33
Number of resolutions the manager was eligible to vote on over the year	330
% of eligible resolutions the manager voted on	90%
% of votes with management	92%
% of votes against management	6%
% of resolutions the manager abstained from	2%

MI Metropolis

	Manager response
Number of meetings the manager was eligible to vote at over the year	26
Number of resolutions the manager was eligible to vote on over the year	433
% of eligible resolutions the manager voted on	100%
% of votes with management	94%
% of votes against management	6%
% of resolutions the manager abstained from	0%

Polar Capital

	Manager response
Number of meetings the manager was eligible to vote at over the year	54
Number of resolutions the manager was eligible to vote on over the year	549
% of eligible resolutions the manager voted on	100%
% of votes with management	83%
% of votes against management	17%
% of resolutions the manager abstained from	0%

Sands

	Manager response
Number of meetings the manager was eligible to vote at over the year	61
Number of resolutions the manager was eligible to vote on over the year	440
% of eligible resolutions the manager voted on	100%
% of votes with management	94%
% of votes against management	4%
% of resolutions the manager abstained from	2%

Sunriver

	Manager response
Number of meetings the manager was eligible to vote at over the year	22
Number of resolutions the manager was eligible to vote on over the year	224
% of eligible resolutions the manager voted on	100%
% of votes with management	93%
% of votes against management	4%
% of resolutions the manager abstained from	3%

Note: The above tables include managers that had long equity exposure on 31/03/2023 and that were deemed by the Fiduciary Manager to be materially exposed to voting and engagement activities. Some managers that are sensitive about voting records being shared have been excluded.

2.2. Use of proxy voting services

Proxy voting services are specialist firms that provide an outsourced voting service. Some investment managers choose to use these services (rather than vote themselves) if, for example: the investment manager lacks the resource to research each vote and submit votes; or, the investment manager wants to follow a recognised code of practice and the proxy voting service is an effective way to implement this

Using a proxy voting service does not necessarily mean that voting is done poorly. In fact, many professional proxy voting services are able to devote significant resource to researching AGM motions and are able to follow best practice guides like the Financial Reporting Council's (FRC) Stewardship Code.

The Trustee recognises that by having a suitable Stewardship Policy in place and using the Fiduciary Manager to monitor voting activity, investment managers can create more engagement over time; particularly in the case of smaller, more boutique managers with less in-house expertise and resource.

The table below outlines the use of proxy voting services by the Fund's investment managers where voting is deemed to be of material importance.

Manager	Use of proxy voting service
Amia Capital	Uses an ESG template provided by Broadridge ProxyEdge Service, based on responses from ESG focused clients.
CC Japan	Does not use proxy advisory services but does use the custodian's proxy voting systems to view company management recommendations and cast votes.
Egerton Capital	Does not use proxy advisory services but does use the services of Proxy Edge to cast votes.
MI Metropolis	Uses Institutional Shareholder Services as a proxy advisor
Polar Capital	Uses Institutional Shareholder Services as a proxy advisor
Sands Capital	Uses Institutional Shareholder Services, Glass Lewis and SES (for India holdings) as proxy advisors.
Sunriver	Uses Institutional Shareholder Services as a proxy advisor

2.3. Examples of significant votes

When collating voting statistics, we asked managers to provide examples of significant votes cast. The tables provides a sample of responses received.

Amia

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Ukraine (Sovereign)	10/08/2022	In July 2022, voted for the proposed changes to the terms of certain Ukrainian Sovereign bonds in issue. The changes, amongst others, were to defer the dates on which certain payments of interest and/or principal were due, and on which the bonds were to mature.	In favour	To support for Ukraine's liability management programme

CC Japan

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Shift Inc.	25/11/2022	Appoint a Director	In favour	To strengthen the board's governance

Egerton Capital

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Microsoft	Not provided	Voted with a shareholder proposal (and against management recommendation) for cost-benefit analysis of diversity and inclusion	In favour	To promote a diverse and inclusive workforce

MI Metropolis

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Alphabet	27/05/2022	Voted with a shareholder proposal (and against management recommendation) to produce a report on Metrics and Efforts to Reduce Water Related Risk	In favour	To increase transparency of exposure to climate-related water risks which is of high relevance due to the companies intense use of water in data centre cooling

Polar Capital

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
Celldex	16/06/2022	Elect director Herbert J. Conrad	In favour	To improve diversity. Various other DE&I initiatives are also under development

Sands

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
CP All Public Company Limited	22/04/2022	Elect Phatcharavat Wongsuwan, Padoong Techasarintr ,and Pridi Boonyoung as Directors	Against	Concerns about a non-independent Board

Sunriver

Company Name	Date of Vote	Summary of the resolution	How the manager voted	Rationale / Outcome
USFood Holdings Corp	13/05/2022	Request that US Foods adopt short, medium, and long-term science-based greenhouse gas emissions reduction targets, inclusive of emissions from its full value chain, in order to achieve net-zero emissions by 2050 or sooner and to effectuate appropriate emissions reductions prior to 2030."	In favour	To allow investors to better understand how the company is managing its transition to a low carbon economy and climate change related risks.

3. Engagement Activity

Engagement is considered to be purposeful dialogue with a specific and targeted objective to achieve positive change in the interests of beneficiaries, thereby a key action required for delivering good

stewardship. The Fiduciary Manager is passionate about active engagement, as opposed to divestment or exclusions practices, in order create positive real-world change. Through engagement, asset managers can build relationships with the companies in which they invest, helping to steward companies on a range of topics, including sustainability.

The tables below provide examples of engagement activity of the Fund’s investment managers where engagement should be a material activity in the management of the assets.

Egerton

Key points	Engagement activity
Engagement Theme: Governance	Egerton own a position in Norsk Hydro, an aluminium producer. Aluminium is used extensively in renewable energy and electric cars and is also infinitely recyclable.
Industry: Industrial	Egerton has been in regular and active communication with Norsk Hydro management for several years, recently this has centred on improving governance. Egerton spoke with the company in January and February 2023 to discuss the structure and absolute level of compensation of both the management team and board.
Outcome: Engaged with the company on executive compensation to ensure that the company are able to attract and retain top-level talent	The Norwegian government are a significant shareholder. Due to government pressure, compensation of both the management team and board is below the international norm. This is making it difficult for the company to compete for top-level talent internationally against peers. This is a non-trivial problem as the European aluminium industry faces significant economic, geopolitical and environmental headwinds which need to be actively navigated by a highly competent management team. As such, in May, Egerton voted to support a resolution proposed by management to align compensation for the management team and board to what is typically seen internationally.

Sands

Key points	Engagement activity
<p>Engagement Theme: Health and nutrition</p> <p>Industry: Food packaging</p> <p>Outcome: Engaged with company management, raising concerns regarding the health impact of their products The company has shared quantitative targets with shareholders regarding reduction of sugar, salt and other unhealthy ingredients in their products</p>	<p>Britannia is one of India's leading food companies, responsible for producing popular food brands in India. Britannia is conscious of its products' impact on the health of its consumers and has made efforts to incorporate measures that Sands have advocated for to produce healthier food. Due to the sugar and fat content in a majority of Britannia's products, the company is exposed to growing concerns about obesity, ingredient safety, and nutritional value.</p> <p>Sands shared this feedback with management, who agreed with our assessment. Britannia revealed its plan to shift its product line-up to a healthier array of snacks and to improve the current product portfolio by reducing the sugar, flour, and fat content within these items. Furthermore, the company provided investors with specific quantitative targets to reduce ingredients like sugar and sodium in its products. Sands believe this level of transparency is a hallmark of good management and can lead to more productive meetings in the future.</p> <p>Last November, Sands visited Britannia's R&D centre in Bengaluru and had an extensive conversation with its head of R&D. Sands were encouraged to hear that the team is well equipped with seasoned professionals in food technology, chemistry, nutrition, and packaging, who actively integrate ESG initiatives into product development.</p> <p>Sands Capital regularly engages with the management teams and, if appropriate, board members of portfolio businesses to better understand each business's long-term strategic vision and management of risks and opportunities, including those pertaining to environmental, social, and governance (ESG) matters. More information is available in the Sands Capital Engagement Policy at https://sandscapital.com/media/Sands-Capital-Engagement-Policy-Statement.pdf.</p>

HGGC

Key points	Engagement activity
<p>Engagement Theme: Environmental – carbon footprint</p> <p>Industry: N/A</p> <p>Outcome: The manager is working toward collating climate emission data at all majority-owned portfolio companies</p>	<p>In preparation to join the ESG Data Convergence Initiative, HGGC worked with the ESG team at Apex Group on a trial run of certain portfolio companies to gather qualitative and quantitative ESG metrics at those portfolio companies including Scope 1 and Scope 2 carbon emissions data. This year HGGC will work with Apex to collect such data at all majority-owned portfolio companies.</p>

Quantum

Key points	Engagement activity
Engagement Theme: Environmental – carbon footprint	Quantum engages with portfolio companies to incentivise reductions in three main sources of Scope 1 & 2 GHG emissions.
Industry: Oil & gas	<ul style="list-style-type: none">• Reduce Methane: Deploy direct detection of methane leaks, using on site sensors to capture emissions real time• Eliminate Flaring: Aim to eliminate routine flaring by 2030 and establishing short and medium-term intensity based flaring thresholds• Reduce Fuel Emission: Reduce emissions from fuel-fired equipment by 50% by net zero and aim to procure 100% renewable electricity
Outcome: The manager is working with portfolio companies to reduce emissions in a manner consistent with widely accepted Net Zero principles	These targets follow guidance for reductions required under IEA's Sustainable-Development and Net-Zero scenarios and current portfolio is close to achieving them

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