

Proxy Voting Annual Report

2022 REPORT
LFAM
LF SAM



LA FRANÇAISE
INVESTING TOGETHER

Being a responsible investor means paying attention to sustainability issues in the pre-investment phase and looking at companies that could be added to the portfolio by integrating environmental, social and governance factors into the analysis.

But the work of a responsible investor does not stop once the decision to invest has been made. As an active investor, we must closely monitor the company in its evolution, hold it accountable, and actively engage in dialogue. Once the investment has been made, many tools are available to the investor. The exercise of voting rights is a particularly important one, especially with regards to the signal it gives and the dialogue it initiates before and after voting.

“To manage properly is also to vote properly”

This document reports on the exercise of the voting rights of the management companies La Française Asset Management ("LFAM") and La Française Systematic Asset Management ("LF SAM") during the 2022 financial year, with regard to the voting policy defined by the management companies for 2022. This voting policy is intended to be reviewed and to be developed with each new voting season. Its latest version, for the 2023 voting season, is available [here](#).

I. THE FIGURES AND HIGHLIGHTS OF THE 2022 VOTING SEASON

Overall, LFAM and LF SAM voted at 95.4% of the General Meetings and on 96.2% of the resolutions presented in 2022.

In particular, in 2022, LFAM voted at 98.9% of General Meetings and on 99.2% of the resolutions presented, accounting for 370 out of the 374 companies held in the portfolio, which is very close to our objective of 100% voting at General Meetings.

In 2022, LF SAM voted at 91.1% of the General Meetings and on 90.6% of the resolutions presented, accounting for 329 of the 363 companies held in the portfolio.

An analysis of the resolutions on which we have cast our vote reveals the following:

The percentage of resolutions, whether from management or shareholders, on which LFAM/LF SAM voted against the management recommendation stood at 29.2%, which is stable compared to the figure for 2021. More precisely, among the resolutions presented by the shareholders – which, admittedly, are quite few in proportion – this percentage of votes against the management amounted to 62.3%. Finally, at 467 GMs – i.e. nearly 79% of meetings – LFAM/LF SAM voted at least once against one of the resolutions put forward for voting.

To be more precise, the resolutions presented by the management and for which LFAM/LF SAM voted against the recommendations of the management relate to the re-election of directors (47%), capital transactions (22%) and remuneration (19%).

The resolutions presented by the shareholders and for which LFAM/LF SAM voted against the management's recommendations were mainly social resolutions (understood in the broadest sense of the term, relating to issues such as donations to political parties, diversity, civil rights, human rights, health/safety or lobbying) with more than 50% of the resolutions voted, followed by environmental resolutions (11%) as well as resolutions related to the election/re-election of executives (also 11%).

For more information, the details of LFAM/LF SAM's voting over the past years is available on our [website](#).

Finally, LFAM and LF SAM considered that in the 2021 voting season, they were able to comply with the principles set out in their “voting policy” document.

II. THE MAIN TRENDS OBSERVED IN 2022 AND THE LATEST NEWS FOR 2023

The main trends in 2022 in Europe¹

In 2022, we witnessed a trend towards “say on climate” resolutions – consultative votes on companies' environmental objectives and climate strategies. While in 2020 they were only proposed by shareholder resolutions, in 2021 thirteen European companies proposed “say on climate” on their own; this has now risen to 31 in 2022. In 2021, these resolutions were filed mostly by companies in carbon-intensive sectors. However, in 2022 it was the financial sector which was largely involved in filing such resolutions. The rate of approval of these resolutions was again huge, but the rate of voting against increased significantly with a median rate of 19.4% in 2022 compared to 4.7% in 2021, demonstrating an increased demand from shareholders in this area. What appeared to be acceptable in 2021 is no longer acceptable in 2022, and in particular the demands from shareholders on the integration of scope 3 in the transition plans presented have increased.

Diversity on Boards of Directors was another important issue during the 2022 voting season. The diversity of Boards of Directors continues to improve in line with regulatory requirements. This season has – at last – seen real progress in German-speaking countries. But what is new is the attention paid to diversity in management, perhaps in anticipation of future regulations.

Finally, remuneration remains at the heart of many of the resolutions presented to the Board of Directors. For the first time in Germany, shareholders were able to express their views on remuneration reports as part of the implementation of SRD-II. And in almost half of the cases (45%), more than 25% of the shareholders opposed these reports, a very high figure indeed.

Finally, SRD-II, which was supposed to encourage greater participation in GMs (many of which were once again carried out virtually in 2022), did not have the desired effect: The average attendance rate at GMs has reached a record high of 71.4%, but the increase is only 0.9% compared to 2019, i.e. before the implementation of SRD-II. This is a somewhat disappointing result, but it also shows a real underlying trend towards increased participation, which should finally bear fruit in the long term.

The average rate of voting against management-supported resolutions remained relatively stable (with a slight decrease probably due to fewer highly contentious resolutions). The number of resolutions tabled by shareholders remained stable at 28, but with a notable increase in environmental resolutions.

¹ Source: ISS 2022 European Voting Results Report and ISS France 2022 Proxy Season Review Continental Europe

In Europe, it is the "say-on-climate" resolutions that will again be the focus of attention in 2023: Many coalitions and NGOs are calling for vigilance and a requirement on the content of the resolutions proposed to this consultative vote, and in particular in France the Forum for Responsible Investment (FIR), which has published a [forum](#) in this regard for the second year and to which La Française Group is signatory.

Diversity should remain a topical issue, as should remuneration, with the increasing link between remuneration and environmental, social and governance, and particularly climate-related objectives.

II. THE EVOLUTION OF THE LFAM AND LF SAM VOTING POLICY IN 2023

La Française Group is actively involved in the fight against climate change and has developed expertise and knowledge that it makes available to its clients. Thus, for the past eight years, the Group has set up and led a working and discussion group between investors on the issue of a low-carbon economy. The Group has also been a member of the Climate Action 100+ coalition since its inception in December 2017. We believe that it is its duty to offer investment solutions in order to actively contribute to the fight against climate change and energy transition. With this in mind, La Française created a range of funds dedicated to this issue eight years ago: the Carbon Impact range.

Since 2017 LFAM has implemented a specific *Custom* voting policy which corresponds to its engagements, particularly with regard to protecting the climate. This policy pays particular attention to various themes in relation to the environment (climate), social issues (diversity, remuneration gaps) and governance (independence, variable remuneration). This policy has also applied to LF SAM since 2021. This policy is updated every year and was completed in 2022. At present, it covers five themes and shall apply to the 2023 voting season:

◆ **The climate (E):** vote against the approval of the accounts of companies, regardless of their sector, not responding to the CDP questionnaire (formerly Carbon Disclosure Project) on the climate and, if the sector is concerned, to the water or forestry questionnaire; vote against the approval of the accounts of companies in sectors (other than energy or sectors not covered by SBTi²) that do not commit to implementing a "SBT - Science Based Target" for reducing CO2 emissions; vote against companies in the carbon-intensive sectors that do not submit "say on climate" resolutions.

◆ **Diversity (S):** vote against the election or re-election of male members of the Board of Directors if, following this vote, the Board is not made up of at least 40% of women.

² SBTi: The Science Based Target initiative (SBTi) [Ambitious corporate climate action – Science Based Targets](#)

- ◆ **Independence of the Board of Directors (G):** vote against the election of non-independent members to the various committees, if:
 - a. following the vote, the audit committee is not composed of 100% independent members.
 - b. following the vote, the remuneration committee is not composed of at least 50% independent members.
 - c. following the vote, the appointment committee is not composed of at least 50% independent members.

- ◆ **Multiple mandates (G):** vote against the election or re-election of members of the Board of Directors if they hold more than four mandates following re-election.

- ◆ **Remuneration (G):** vote against the remuneration report or policy if there is no clear and transparent policy on CEO shareholding; vote against the remuneration report or policy if the pay ratio – i.e. the ratio between the highest and median salary – is not published by the company.

With regard to the 2022 season, we are strengthening our requirements, particularly in relation to companies' climate strategies, by demanding scientifically validated climate targets and climate strategies that are subject to shareholder vote. In the area of social justice, we are introducing a requirement to publish the pay ratio.

LA FRANÇAISE ASSET MANAGEMENT Simplified joint stock company, registered with the RCS of Paris under number 314 024 019, management company approved by the Financial Markets Authority on 1 July 1997, under number GP 97-76, with its head office located at 128, boulevard Raspail, 75006 PARIS

LA FRANÇAISE SAM (Systematic Asset Management) a German company with a share capital of 2,556,500 euros, with its registered office located at Taunusanlage 18 (main Building) 60325 Frankfurt am Main, Germany, registered in Frankfurt am Main under number HRB34125

The information contained in this document does not constitute investment advice, an investment proposal or any incentive to trade on the financial markets. This publication is intended for professional and non-professional investors within the meaning of MiFID. The assessments formulated reflect the opinion of their authors on the date of publication and are subject to change. The La Française Group shall not be liable in any way whatsoever for any direct or indirect damage resulting from the use of this publication or the information it contains. This publication may not be reproduced, in whole or in part, disseminated or distributed to third parties, without the prior written consent of the La Française Group.



128, bd Raspail 75006 Paris - France - Tel. +33 (0) 1 44 56 10 00

480 871 490 RCS PARIS

www.la-francaise.com

