

# Proxy Voting Annual Report

2023 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 Francaise Systematic Asset Management ("LF SAM") during the 2023 financial year, with regard to the voting policy defined by the management companies for 2023. 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 2023 VOTING SEASON

Overall, LFAM and LF SAM voted at 95.3% of the General Meetings and on 93.8% of the resolutions presented in 2023.

In particular, in 2023, LFAM voted at 98.1% of General Meetings and on 96.4% of the resolutions presented, accounting for 367 out of the 374 companies held in the portfolio, which is very close to our objective of 100% voting at General Meetings.

In 2023, LF SAM voted at 89.4% of the General Meetings and on 86.6% of the resolutions presented, accounting for 185 of the 207 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 31.4%, a slight increase over 2022 (29%). 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 55%. Finally, at 415 GMs – i.e. nearly 79% of meetings – LFAM/LF SAM voted at least once against one of the resolutions put forward for voting.

In more details, 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 (62%), capital transactions (15%) and remuneration (15%), with only 0.2% related to the environment.

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 40% of the resolutions voted, followed by environmental resolutions (26%) as well as resolutions related to the election/re-election of executives (18%) and 6% related to remuneration.

More specifically, La Francaise Asset Management voted 12 Say-on-Climate in 2023 in diversified sectors such as the Food Industry, Energy or Financial sectors.

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 2023 voting season, they were able to comply with the principles set out in their "voting policy" document.

## II. THE MAIN TRENDS OBSERVED IN 2023 AND THE LATEST NEWS FOR 2024

### The main trends in 2023 in Europe<sup>1</sup>

In 2023, the number of "say on climate" resolutions – consultative votes on companies' environmental objectives and climate strategies- has decreased, mainly due to the UK. It seems the market, as well as a number of companies, anticipate on such information being available in the context of the CSRD regulation to be enforced in 2025 for multinational enterprises, on the 2024 reporting exercise.

Remuneration remains at the heart of many of the resolutions presented to General Meetings and a topic of disagreement with the management, since this is where votes against management recommendations reach the highest figures. Some votes have made the records like HelloFresh in Germany whose remuneration report was rejected for two years in a row. Or Bayer, still in Germany, whose report was rejected last year (only approved by 26% of the votes) and just passed this year with a poor 52% in favor votes. We also notice increased expectations from investors (as has been the case for La Francaise in the 2024 voting season) to include ESG linked KPIs and objectives in the company's strategy and executive compensation.

Board diversity still hold a good place on the ESG related resolutions: a European directive approved in November 2022 makes it compulsory to reach 40% of the under-represented sex in Boards amongst independent Board members, and 33% of all Board members by June 2026. Some countries have long adopted national regulations in that sense, as in France, but this is still useful for other countries, especially in Eastern Europe and ... in Germany which remains the worst performer of the "biggest" countries in Europe with only 25% women in Board composition when France (a leader) stands at more than 35%. It will also allow for consistency among diversity requirements among EU states.

### 2024 news

In general, and specially in the USA, 2024 could see 2 themes develop:

- Increased responsibility of Boards of Directors with resolutions requesting more independence for directors. This type of resolution has increased significantly since 2020 and everything

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<sup>1</sup> Source: ISS 2023 European Voting Results Report and 2023 Proxy Season Review Continental Europe

indicates that the trend will continue in 2024; just like that which requires Board members to have expertise on various crucial subjects such as climate or digital technology.

- An 'anti-ESG' reaction with, on the one hand, companies suing shareholders filing resolutions, particularly environmental ones, as was the case at the start of the year with Exxon<sup>2</sup>; and on the other hand certain shareholders not hesitating to ask management, perhaps even via resolutions filed this year, already via letters to management, not to get too involved in ESG themes and in particular environmental issues that could cause shareholders to lose revenue (like the letter from Bluebell Capital to the CEO of BP<sup>3</sup>)

In Europe, 'say-on-climate' resolutions will once again and even more be the subject of all attention in 2024: despite the setback suffered in the National Assembly in France by those who wanted make Say on Climate mandatory, shareholders could continue to submit such resolutions in the face of less aggressive companies on this side of the Atlantic.

Diversity should remain a hot topic, as will remuneration, with the increasing importance of the link between remuneration and environmental, social and governance KPIs and objectives, particularly climate related.

## II. THE EVOLUTION OF THE LFAM AND LF SAM VOTING POLICY IN 2024

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 nine 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 is applied to LF SAM since 2021. It is policy updated every year and was last updated in 2023. At present, it covers five themes and shall apply to the 2024 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 SBTi<sup>4</sup>) that do not commit to implementing a "SBT - Science Based Target" for reducing CO2

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<sup>2</sup> [Exxon accused of 'bullying' tactics in legal pursuit of climate activist investors \(ft.com\)](#)

<sup>3</sup> [BP faces activist investor pressure to ditch clean energy pledges \(ft.com\)](#)

<sup>4</sup> SBTi: The Science Based Target initiative (SBTi) [Ambitious corporate climate action – Science Based Targets](#)

emissions; vote against companies in 10<sup>5</sup> 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.

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<sup>5</sup> As defined by the Transition Pathway Initiative: [Home - Transition Pathway Initiative](#)

- ◆ **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.
  
- ◆ **Mandates Management:**
  - 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
  - Attendance: vote against the election or re-election of members of the Board of Directors if the attendance rate to Board meetings is below 75%.
  
- ◆ **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 compensation do not include KPIs linked to environmental, social or governance factors
  - 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.

**Management Say on Climate Resolutions** – We will be analysing and voting on all Say on Climate resolutions up for vote according to our fundamental ESG-climate assessment.

For the 2024 season, we are therefore reinforcing our demands, particularly in relation to board members mandates as we insist on attendance, and on remuneration as we ask for compensation to include a set of ESG related KPIs. We also enlarge the notion of carbon-intensive sectors based on the list of such sectors as defined by the Transition Pathway Initiative.

Eventually LFAM and LFSAM are focusing on external resolutions (Shareholder resolutions), in particular those with an environmental or social nature which will be systematically reviewed internally by our analysts.

LFAM and LFSAM think there should be a link between controversies, engagement policy and voting policy: when controversies relating to human rights, social or environment are not resolved and engagement with the companies concerned is not conclusive, the asset managers will draw due conclusions by voting against the approval of accounts at the General Meeting of those companies.

*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 Neue Mainzer Strasse 80, 60311 Frankfurt am Main, Germany, registered in Frankfurt am Main under number HRB34125*

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