

LA FRANÇAISE ENGAGEMENT POLICY

2020



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Active ownership is a key component of La Française approach to responsible investing¹. As such we have implemented a specific [voting policy](#) and we report on an on-going basis on [our votes](#) at General Meetings. Engaging with companies in active dialogues, joining shareholder coalitions and pushing a specific agenda forward is also part of our responsibilities. As such we have defined an engagement policy in 2019 and have reported on what has been done during the past 12 months in our engagement report. This document is the updated engagement policy for 2020; we will report on its implementation in 2021.

Engagement is one of the tools of active ownership. It can be done through initiating dialogues with companies where we are invested or in which we may consider investing, with a strong focus on environmental, social or governance themes. Engagement can be done individually or collaboratively. The latter typically involves a number of investors joining forces to carry their message and questions to a company or to a number of companies facing the same industry-specific challenges.

While we are normally a small minority investor there is certain action we can take to influence the changes we wish to see implemented. In that respect we support collaborative action while selectively using our capacity to enter into individual dialogues with companies where we think our thorough analysis can make a difference.

Resources

Individual engagement is done by all of our analysts and portfolio managers with portfolio companies or candidates for investing. Meetings and exchanges with companies are documented, traced and shared through our interactive front-office Factset RMS tool. We can therefore ensure effective follow-ups and assess progress against targets.

Collaborative engagement is overseen by a dedicated staff, ensuring the follow-up and coherence of our choices. Each of the ESG analysts at Inflection by La Française is in charge of leading a specific collaborative engagement.

Engagement themes

We set priorities in engagement that are aligned with our investment strategies.

La Française Group has developed a « Carbon Impact » strategy with thematic funds across equity and credit, whose objectives are to allow our clients to invest in companies that will be part of the transition to a low carbon economy in line with a 2°C global warming target. Based on this strategy, climate change is of course the main priority within our engagements.

Transition to a decarbonised economy will only be possible if this transition is inclusive and that social aspects are taken into account. That is why we think it is essential that the S of the ESG factors, i.e. the social one, should be further developed. Human capital is therefore our second engagement priority, initially insisting on the urgent need to improve companies' disclosure and transparency on this subject.

These priorities were defined in 2019 when we published our first engagement policy. They have been reviewed and confirmed for 2020 by the 'engagement committee' composed of representatives from equity, credit, ESG research and sustainable investment teams.

¹ Transparency code for the equity expertise of La Française Asset Management is available [here](#), and for the credit expertise [there](#)



Individual Engagement

We are engaging individually with companies primarily on ESG issues. Our analysts and portfolio managers conduct what we believe is a constructive dialogue with listed and non-listed companies (approx. 300 companies met in 2019). We concentrate those dialogues on selected issues where we need clarification for our analysis or that we deem essential for the company's strategy and business model and for which we lack clarity or guidance. Those issues vary not only from one sector to the other, but also from company to company. Through these discussions we can assess whether a subject is on the company's agenda and we can make sure the company understands that we assess an issue (like training opportunities for employees) as crucial for long-term success. Through these exchanges we provide feedback to companies on their disclosure and indicate best practices observed in the sector. In any case, we put an emphasis on asking detailed questions as a result of a thorough analysis.

We believe that individual engagements should take different forms. We focus on the two themes prioritised for La Française, i.e. climate change and human capital.

- When the subject is new or not mature enough for companies, we concentrate our efforts on understanding a company's status quo and its strategic objectives. That is notably the case for issues concerning human capital.
- For climate change we make the following distinction:
 - Low-emitting sectors: through our Carbon Impact Analysis we have a standardised methodology for all companies and can use it as a starting point to find out the missing points and concentrate on them during engagement.
 - For high-emitting sectors we have set up a specific assessment within our Low Carbon Trajectory methodology whereby our analysts enter a deeper assessment of the climate change strategy and emissions pathway and list questions to enter into a dialogue. These interactions are conducted by the analyst or the portfolio manager.

Answers to our questions are documented in our shared Factset front office tool.

In case we get no response or an unsatisfactory response, we consider the adjustment of the ESG score of the company. This change in our assessment can prevent an investment or ultimately lead to divestment.

We are engaging companies as part of our Carbon Impact strategy for both, our credit funds as well as our equity funds. From experience we know that as a credit manager we can have a constructive dialogue with the issuers held in the portfolios and that we can have an influence through credit exposure, too. Our experience also shows that when companies are about to issue debt and in a roadshow phase, they are quite often open to dialogue on a diversity of issues.

Collaborative Engagement

La Française is active as part of collaborative engagement initiatives. The Group joined a number of these initiatives through the « Collaboration Platform » of the PRI with a focus on both themes defined as our priorities: climate change and human capital.

For 2020, we aim for the same agility as in 2019 to be able to join forces with other investors when we think the subject is an important matter and aligned with our priorities. In 2019 we had signed four joint letters with other investors on the Amazon forest fires, new rules to be adopted by the US regulator (SEC) or the Just Transition,



and have joined the Transition Pathway Initiative. It is hard for us to forecast where the hot topics of 2020 will be and which causes we are going to support but we are prepared so that we are able to react swiftly.

Climate Change

As stated in the Responsible Investment Policy of the Group², climate change is « ... a pivotal component of future economic growth and social stability. Tomorrow's society will be based on a low-carbon economy. As such, the time has come for investment decisions to take into account climate considerations. The risks and opportunities associated with climate change are likely to affect all business activities and the financial performance of investments. A growing number of scientific studies showcase the emergence of a carbon factor influencing financial markets».

We are an active member of **Climate Action 100+** since its inception in December 2017 and will remain committed and active.

We are **CDP**³ signatory and support the « non-discloser campaign » as we deem it essential that all companies are transparent on climate change, whatever their business. The « non-discloser campaign » targets companies that have declined to respond to the CDP questionnaire and sends them a letter co-signed by all the investors participating and asking them to respond to the questionnaire. Each year, once companies have received this letter and seen that the CDP questionnaire is important for a substantial number of investors, a number of companies agree to respond.

We have also been an active member of the SBTi (**Science Based Target initiative**) test project for the finance sector defining the methodology through which financial institutions could set up targets aligned with the Paris Agreement. We took part in developing the specificities of the methodology for the asset management part within the financial sector. This methodology should be published by the Science-Based Target initiative in Q3 2020. La Française AM would like to set up science-based targets on a share of its AuM during 2020.

Signatory of:



² La Française Group Responsible Investment Policy is available [here](#)

³ CDP, ex Carbon Disclosure Project, <https://www.cdp.net/fr/>



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**SCIENCE
BASED
TARGETS**

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Human Capital

Climate change is an essential theme as it defines the context within which companies are going to grow and compete and it is now agreed across different types of organisations from States, to cities, companies and investors that it matters. Human capital has not yet captured the same attention as Climate Change nor the same understanding that it is a key component to be considered. But it is the « fuel » (renewable by essence) of each company and of all their developments. Hence our willingness to support a key initiative that intends to ask for more transparency on employees, in the same vein than CDP did almost 20 years ago on climate change when it was not an issue and very little reporting existed at the time. 20 years or so later, we have made huge progress and we would like this progress to extend to human capital. This is what the Workforce Disclosure Initiative does – initially supported by ShareAction and the PRI. We are signatories of and active in this initiative since 2017. Human capital-related transparency is the fundamental building block that will help us make progress and bring companies as well as investors to reflect on its importance for long-term value creation.



Disclaimer

The asset management firms in the La Française Group that manage funds have signed the Transparency Code. They have done their utmost to provide accurate, up-to-date and appropriate information in clear and comprehensible language, to assist investors in gaining a better understanding of how ESG criteria are reflected in their fund investment policies. They take sole responsibility for this information.

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