

Engagement Report

2019



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Introduction

Active ownership is a key component of La Française being a responsible investor. As such we have implemented a specific [voting policy](#) and 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 now report on what has been done in this context. We have updated our engagement policy for 2020 and will report on its implementation in 2021.

Initiatives historically supported and joined in 2019

La Française has been a longtime supporter of key initiatives in the responsible investment field and is analyzing on an on-going basis which action to take in the light of its [engagement policy](#).

Initiatives historically supported

With a more than 10-year commitment to responsible investment, La Française has a longtime record as an active investor in France and internationally. La Française is open and transparent about its commitment to responsible investment and supports initiatives we believe are aligned with our policy. To share and reflect on our experience we are members or signatories of the following initiatives, coalitions, and groups:

What	When	Why
MEMBERS		
International		
PRI	2010	Support the adoption of ESG criteria investment
PRI collaborative engagement water risks in agricultural supply chains	2015-2020	Support specific action on water risks
CDP	2013	Need for common data and transparency
UNEP FI	2017	Share experience of sustainable finance among leading asset managers
UNEP FI Pilot group on the implementation of TCFD recommendations	2018-2019	Test how to best implement TCFD recommendations among investors
National		



FIR – French SIF	2007	Support the adoption of ESG in France
FFS – Italian SIF	2017	Support the adoption of ESG in Italy
AFG – Comité IR	2017	Reflect on Responsible Investment among the AM profession
SUPPORTERS		
Global Statement on Investor Obligations and Duties (UNEP FI and Generation Foundation)	2016	Support the evolution of what is fiduciary duty
PRI Statement on ESG in Credit Ratings	2016	Support the inclusion of ESG in credit rating assessments
Green Bonds Principles	2017	Support Green Bonds principles shared among the profession
G20 Energy Efficiency Investor Statement (PRI, UNEP FI, Ceres)	2017	Support Energy Efficiency as a key factor for fighting climate change
Support to TCFD recommendations	2017	Support the implementation of TCFD recommendations by companies worldwide
Global Investor Statement to Governments on Climate Change (CDP, Ceres, PRI, IIGCC, Unep FI)	2018	Bring climate change awareness at government level
Open letter to Index Providers on Controversial Weapons	2018	Push for a wide implementation and use of controversial weapons free indices
Integrated Reporting (IIRC)	2018	Support for IR as a route to better understanding of performance

Initiatives joined in 2019

As a responsible investor focused on climate change we have been sensitive to the exceptional magnitude and human factor of the Amazon forest fires that occurred in 2019. We have therefore decided to join forces with other investors by signing the PRI-Ceres coordinated [Investor Statement on Deforestation and Forest Fires in the Amazon](#)

As much as we are sensitive to the urgency of acting against climate change and in favor of a transition to a low carbon economy, we are convinced that this transition will only happen if it is inclusive. We signed in 2019 the [Statement of Investor Commitment to Support a Just transition on Climate Change](#)



We are cognizant that active ownership which is one of the six principles of the PRI that we have committed to and believe in, can only be exercised if the rules are clear and balanced so that both companies and investors can have their voices heard. It is our analysis that the SEC's proposed changes on shareholder resolutions (ownership requirements, percentage of vote necessary to be resubmitted) are putting this balance in danger. As part of exercising our active ownership duty, we also need independent proxy advisors and the proposed requirement that companies can review and comment on proxy advisors recommendations before investors see them is also bringing in imbalance and hurdles to exercising a proper active ownership role as investors. We have hence decided to sign the [PRI led letter to the SEC](#)

We are actively working on the transition to a low carbon economy and believe that it is important to send the right signals to companies. Data availability have led our industry to rely heavily on carbon emissions as a key indicator, which it should be. However, carbon emissions provide us with a glance on the past and tell us little of the future. We are therefore very interested in forward looking metrics that can help assess trajectories in line with a 2° scenario. Therefore, we have internally developed our Low Carbon Trajectory Methodology, an approach similar to what the [Transition Pathway Initiative \(TPI\)](#) has been doing as a first mover in that space. That is why we have become an official supporter of the TPI in April 2019

Individual engagements

We engage in direct dialogue with companies on ESG topics, especially concerning climate change-related issues. For example:

- Outfront Media: detailed feedback on their new ESG Report to the Head of Investor Relations in order to further improve disclosure
- Fixed Income: WEPA Industrieholding SE is a private family-owned company that issues bonds to fund its development. This is a private company without coverage by ESG data vendors. The company's disclosed ESG information was insufficient for our analysts and portfolio managers to make an informed assessment. At our request, the CEO accepted a call with us during their debt roadshow in November 2019. As a result, we were able to gather and discuss the information we required with regards to WEPA's positioning in the energy transition. Thanks to this engagement with management, we have been able to assess and declare WEPA an eligible holding to one of our Carbon Impact credit portfolios. We now have set targets we can monitor the company's performance against.



Collaborative engagements

We are an active participant in collaborative engagement initiatives. Our thematic focus, in line with our engagement policy, is twofold: climate change and human capital. In 2019 we were active within ClimateAction100+, CDP, PRI Water Risks in Agricultural Supply Chain and Workforce Disclosure Initiative (WDI) through the following interactions:

ClimateAction100+

- ArcelorMittal – ongoing engagement on climate change. We requested the company to accelerate its reduction of GHG emissions, strengthen climate-related financial disclosures, and improve governance on climate change.

CDP

- Amazon, Caterpillar, EasyJet, Elixior, Femsas Fomento Economico Mexicano, Lululemon Athletica, LVMH, Ubisoft Entertainment (ie a selection amongst companies that are not responding to the CDP questionnaire) - Engagement on environmental disclosure. Non-compliance leads to a lower 'Carbon Impact' Score. In addition, we systematically vote against the approval of accounts for all non-responding companies at the AGM.

PRI Water Risks Engagement Group

- Kroger – water risk management in agricultural supply chain

Workforce Disclosure Initiative (WDI)

- Capgemini, Danone, Safran – Ongoing engagement on social disclosure. We sent a letter to the Head of IR of each of these companies in September 2019, followed by a call with Capgemini and Danone. As a result, Capgemini accepted to take part in WDI.
- In 2018 we undertook previous engagement on social disclosure with Airbus, Capgemini, Renault, and Sanofi. We sent a letter to the Head of IR of each of these companies in October 2018 to request them to take part in the 2018 WDI survey. All these companies but Capgemini then took part in the survey.



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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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