

Engagement Report

2020





Introduction

Active ownership is a key component of La Française being a sustainable investor. As such we have implemented an active and dedicated [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. This document reports on what has been done in relation with our [engagement policy](#), which we have reviewed for 2021.

Initiatives historically supported and joined in 2020

La Française has been a longtime supporter of key initiatives in the sustainable 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 sustainable 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 sustainable 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 2020

Science Based Targets Initiative (SBTi)

As a sustainable investor we support the work of the Science Based Target initiative (SBTi). We believe the finance sector is key in the race to reach net zero by 2050. Therefore, we decided to help SBTi build the framework for financial institutions to set science-based targets and align investment activities with the Paris Agreement.

From 2019 to 2020 La Française was part of the working group to develop the guidance for institutional investors. We took part in the test of the methodology as well. For corporate instruments, the SBTi selected three methods: Sector Decarbonization Approach (SDA), SBT Portfolio coverage and Temperature Rating. We tested the Temperature Rating methodology on our equity portfolios and provided feedback, most of which was taken into account.



PRI EU Taxonomy Practitioners Group - Case Study

In 2020, La Française has been part of the PRI Taxonomy Practitioners Group which gathered 40 investment managers. We tested the implementation of the EU Taxonomy for sustainable activities on one of our equity funds. A PRI [report “Testing the Taxonomy: Insights from the PRI Taxonomy Practitioners Group”](#) synthesizes the conclusions of the group. Some of those investors have gone through the extra work of case studies, La Française case study being available on the [PRI website](#). In a nutshell, we believe that the EU Taxonomy sets a high bar for green activities and we were initially surprised that this climate change-themed fund was only 20% aligned with the taxonomy. This suggests that market participants need to manage expectations about levels of green activities, for both a sector-neutral fund or even a dedicated climate change-related investment strategy. We strongly encourage companies to assess and report alignment as soon as possible to allow data providers to systematically collect and distribute this new data. Asset management companies should plan early for this new reporting requirement given the potentially high costs in data and research.

Engagement activities

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

During last year we expanded our coverage of companies in high-emitting sector for which we assess their alignment with climate benchmarks that are consistent with the objectives of the Paris Agreement. In particular, we continued our engagements across different sectors. We encouraged companies to accelerate their carbon reduction efforts to become Paris-aligned.

In the case of Lufthansa, for example, we met with the German airlines group at the end of 2020 and a second time in April 2021. In the first meeting we discussed all the points that we thought were problematic from a carbon impact perspective and where we expect to see change: fuel efficiency, load factor, etc. The investor relation team presented a clear strategy to close the gap with their European peers. In the second meeting we asked for an update from management to understand the impact of Covid-19 on the transition strategy and we concluded that the crisis did not cut their ambition.

As part of our engagements in the credit portfolio we have met with the German bank LBBW twice over the last 12 months, engaging with management around its climate-related disclosure. We relayed expectations, first and foremost that it starts reporting to CDP, and considers adopting existing industry standards and methodologies for calculating and disclosing its financed scope 3 emissions and were pleased that they were receptive to these recommendations. We are in the process of setting up our next meeting for mid-2021.



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 2020 we were active within ClimateAction100+, CDP and PRI through the following exemplary interactions:

ClimateAction100+

Focus on ArcelorMittal:

- 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.
- An IIGCC-led case study has been shared at the end of the year stating that investors have had a number of meetings with ArcelorMittal management, and the company has joined an IIGCC convened roundtable on decarbonisation of the steel sector. The company has been positive and responsive to engagement so far. Progress seen to date has included:
 - In October 2020, ArcelorMittal announced a group-wide commitment to be carbon neutral by 2050, building on the commitment made in 2019 for its European business to reduce emissions by 30% by 2030 and be carbon neutral by 2050.
 - In mid-2020 the company also released an updated lobbying review of its trade association memberships taking into account investor feedback.
 - Working on various pilot technologies for carbon-neutral steelmaking and will be producing steel with hydrogen from renewables from 2020.
 - Joined the Energy Transitions Commission and is a driving force behind the net zero pathway.
 - The company published its first Climate Action report in 2019, which included scenario analysis.
- We intend to join other investors to engage with ArcelorMittal in the future on:
 - How the company plans to reduce emissions from its operations including ensuring its transition plan is aligned with the goals of the Paris Agreement.
 - Governance of climate change risks and the company's transition plan.
 - Linking the achievement of GHG reduction targets to executive remuneration.
 - Additional disclosures aligned with the Task Force on Climate-related Financial Disclosures (TCFD).
- Together with the team of Lead Investors we will continue to engage with ArcelorMittal on its transition plan and monitor the implementation of its greenhouse gas reduction targets.

CDP

We joined a new engagement campaign coordinated by CDP calling on high-impact companies to set 1.5° C science-based emissions reduction targets and achieve net zero emissions by 2050 at the latest.



LA FRANÇAISE
investing together

March 2021

The campaign targeted more than 1,800 companies that have total annual Scope 1+2 emissions equivalent to 25% of global greenhouse gas (GHG) emissions. This was the largest global collaborative engagement campaign leveraging investors to collectively ask companies to set science-based targets with clear methodological guidance from SBTi.

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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