



STEWARDSHIP REPORT 2022

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LA FRANÇAISE

INVESTING TOGETHER

TABLE OF CONTENTS

- ◆ Stewardship.....3
 - ◆ Stewardship Committee:.....4
- ◆ Engagements.....5
 - ◆ Private companies and Bondholder’s engagement.....6
 - ◆ Themes.....7
 - ◆ Engagement process.....8
- ◆ Public Policy Engagements.....9
- ◆ Collaborative Engagements.....12
 - ◆ CDP: Non-Disclosure Campaign and the Science-Based Targets Campaign.....13
 - ◆ WDI.....13
 - ◆ Climate Action 100+.....14
 - ◆ Share Action.....14
 - ◆ Long term Investors in People’s Health (LIPH).....15
- ◆ Direct Company Engagements.....17
- ◆ Plans for 2023.....19

STEWARDSHIP

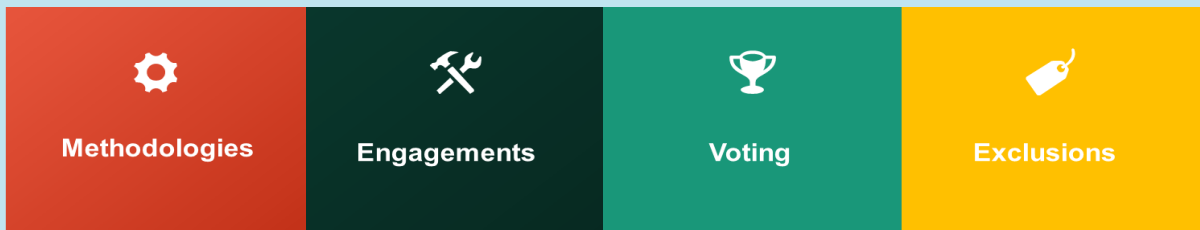
Stewardship is one of the key pillars of the sustainable investment philosophy at La Française Asset Management. We believe that, as active owners, it is our responsibility to act as partners of our investee companies to induce change and have a positive impact on the society and on our portfolios, both financially and otherwise. Our Sustainable Investment Research team is at the heart of this approach and is responsible for implementing our active ownership principles through voting, engagements, and exclusions. It has been a busy year as we have increased our stewardship capacity in line with our strategic focus on active ownership and the increasing interest from our stakeholders.

Engaging with companies in active dialogues, joining shareholder coalitions and pushing forward a sustainable agenda through all sections of the financial ecosystem are part of our active ownership strategy. In 2022, we had **c.130 engagements** – including public policy, collaborative engagements, company meetings and letters sent to companies. Overall, we had a dialogue with **104 distinct companies** through direct engagement (including meetings which we started recording only from mid-2022) or in collaboration with other organizations and/or investor groups. Excluding meetings, we engaged with **46 distinct companies in 2022** vs 17 in 2021, representing a Year-on-Year increase of more than 260%. We have also supported **5 high level engagements** aimed at influencing policies and government actions on climate change and natural capital.

STEWARDSHIP COMMITTEE

Our team of ESG analysts led by the Head of Stewardship and the Head of Sustainable Investments drives our stewardship activities. All Stewardship Activities are overseen by our Group Head of Sustainability and CSR. We have a Stewardship Committee that meets at least every quarter with representatives across the business – ESG Analysts, Portfolio Managers, CIO, Internal Control, and SI data teams. Any pending matters are resolved through ad-hoc calls and email exchanges between the quarterly meetings. In 2022, the Committee met 4 times, once every quarter.

In 2022, we increased the scope of our Stewardship Committee to oversee all decisions, policy developments and activities related to the following four categories of the listed assets business.



We have implemented an active and dedicated [voting policy](#) and report annually on our voting activities in our [proxy voting report](#). We also updated the Group Exclusion Policy during 2022 to demonstrate our strong commitment to climate action including stricter thresholds for our climate-themed funds.

This document reports on what has been done in relation with our [engagement policy](#) which has been reviewed and updated for 2023.

ENGAGEMENTS

Engagement is one of the most important tools of Stewardship at La Francaise. Through initiating dialogue with companies where we are invested, we can encourage improving ESG practices, sustainability outcomes or public disclosure. We prioritise engagement to alternative strategies – such as divestment – which can leave us with no stake and no potential to help drive responsible corporate practices. Having said that, our exclusion policy does address the most controversial sectors, like controversial weapons, tobacco, unconventional Oil & Gas, coal, etc. through group wide investment restrictions.

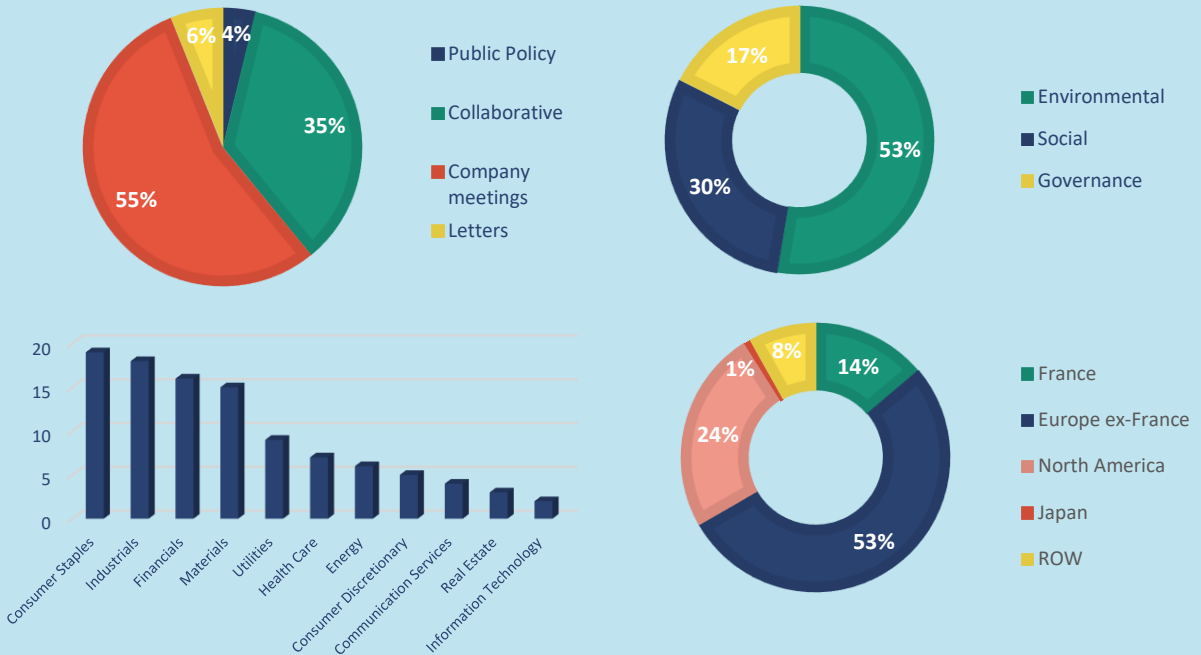
Engagement can be done individually or collaboratively. The latter typically involves a number of investors joining forces to carry our message and questions to a company or to a number of companies facing the same industry-specific challenges. Engagement can also be carried out to target non-issuer stakeholders, such as policy makers or standard setters to influence top-down change. We support collaborative actions extensively, while selectively using our capacity to enter individual dialogues with companies where we think our thorough analysis can make a difference.

In this respect, we are involved in three forms of engagements:

Engagements @ LF		
Direct	Collaborative	Public Policy
Engagements where the La Francaise ESG team communicates with companies directly through letters, meetings, emails and calls.	Collective engagements with other investors through our membership with initiatives like Climate Action 100+ or on an ad-hoc basis.	Sometimes we pursue high-level engagements that can influence public policy or standards on a government or supra-national level.

In 2022, we signed up to or supported 5 distinct public policy initiatives, participated in 47 collaborative engagements, had 71 company meetings, and sent 8 letters. Thematically, we focused more on environmental issues during 2022, which consisted of more than half of all our engagements.

Distribution of our engagements through 2022



Geographically, Europe (including France) made around one-third of all our engagements in 2022. Around 9% of all engagements were in emerging markets like India and Brazil.

On our three equity ISR- labelled funds, La Francaise LUX Inflection Point Carbon Impact Global, La Francaise LUX Inflection Point Carbon Impact Euro and La Francaise Actions Euro Capital Humain, we engaged with 7, 6 and 10 unique companies respectively, in 20+ meetings.

PRIVATE COMPANIES & BONDHOLDER'S ENGAGEMENT

Bond investors are becoming increasingly aware of the links between ESG performance and investment returns, and how engagements can reduce risks and help capture opportunities. We have recognized this from the very beginning, with our first climate-change themed corporate credit fund being launched in 2019. Over the last 5 years, we have engaged with our holding companies in both our equity and credit portfolios equally.

Carbon-intensive business models, labor disputes and fraud can impact the credit risk of issuers through the issuers' cash flows, operating costs, leverage, regulatory oversight and/or reputation. While a default is usually a worst-case scenario, we also engage:

- ◆ to gain better issuer disclosure relating to ESG factors
- ◆ to influence how an issuer addresses specific ESG risks or value creation opportunities
- ◆ to maximize the positive ESG outcomes from our investments

These factors are even more important in the case of High Yield, Emerging Markets and Private company issuers, where disclosures are scarce, and culture/regulations are inadequate to address best practices. In 2022, we engaged with 17 companies among High Yield issuers, 8 of them Unlisted/Private and 9 in Emerging markets. **20% of all our direct company engagements in 2022 were targeted at High Yield issuers.**

In 2023, we aim to expand our activities through more collaborative bondholder engagements, and through direct meetings and letters to Private/High Yield companies in our portfolios. We are also planning to work with CDP on its Private Markets program, which helps collect data from non-listed companies through its much-reduced SME questionnaire.

THEMES

Our long-term approach to investments means our relationship with investee firms can continue for many years. We have a duty to our clients, our colleagues and wider stakeholders in society to monitor and engage with companies for the entire time that we hold their stocks and bonds – and in a fashion that helps protect all our interests long into the future.

For us, active ownership and engagement is about making the most of our rights as an investor to engage investee companies in productive dialogue that makes a tangible difference. We strive to engage companies before concerns materialise that can potentially harm investors. We commit our efforts to those ESG issues which we consider to be the most strategically and financially material for long-term investors.

In previous years, our engagement activities were predominantly focused on Climate Change and Human Capital topics. In 2022, in line with the development of our methodology on Natural Capital, we included it as a theme for many of our collaborative and direct engagements. We also expanded our work on Human Capital to include other aspects of the social pillar – including health, human rights, pay inequality, etc. Finally, governance and ESG disclosures have always been overarching dimensions of any ESG related analysis and engagement.

As per our new engagement policy, our **4 Key themes** going forward consist of:

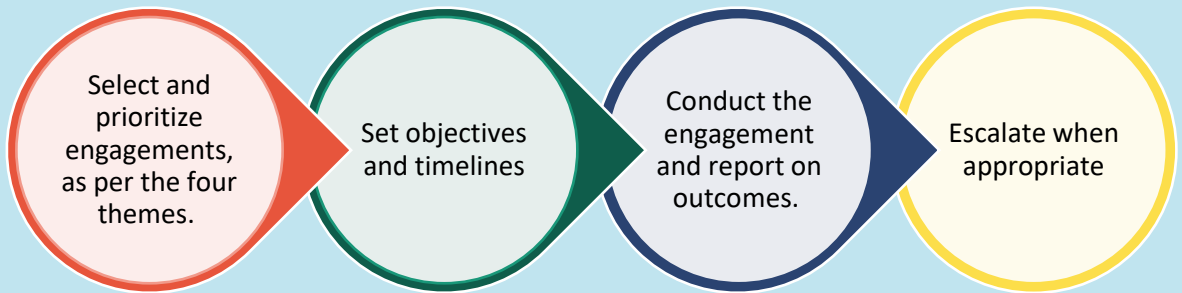


These themes will be kept consistent across all our stewardship activities, specifically on engagement and voting. We intend to define these further and track our engagements using this thematic framework in 2023.

ENGAGEMENT PROCESS

At the heart of our stewardship ambition is to achieve a clear ‘win-win’ of improving risk-adjusted returns in our investments while contributing to broader societal and environmental objectives. As a truly active investment manager, we conduct in-depth ESG analysis of our investee companies and the broader macroeconomic backdrop which shape our views and ESG integration approach. Our engagement activities are built on our fundamental research outcomes, investment strategy and take our firm’s values and sustainability ambitions into consideration.

In general, our direct and collaborative engagements follow 4 basic steps:



Although most of our engagements follow these steps, some of our meetings and engagements are also influenced by market developments and controversies. In all cases, we strive to record and report on the outcome from all dialogues.

Escalation:

Setting up an escalation process is key to ensure the credibility of an engagement and is transparent to the issuers identified. Our decision to escalate and the steps followed depends on each engagement, its specific objectives and timeline, and the outcomes, keeping the following steps in mind:

- ◆ Reinforced dialogue – possibly with Board Level representatives
- ◆ Open letter/ Public post about engagement
- ◆ AGM voting and questions
- ◆ Co-filing a resolution at the next AGM
- ◆ No further investment/underweighting
- ◆ Divestment with reinvestment hurdle

PUBLIC POLICY ENGAGEMENTS

La Française has been a longtime supporter of key initiatives in the sustainable investment field and is analyzing on an on-going basis what actions to take in the light of its engagement policy. With a more than 10-year commitment to sustainable investment, we have a longstanding record as an active investor in France and internationally. We are open and transparent about our commitment to sustainable investment and support initiatives we believe are aligned with our policy. Over the years, we have lent our support to initiatives from Forum pour l'Investissement Responsable (FIR) – French SIF, Principles for Responsible Investment (PRI), CDP (ex-Carbon Disclosure Project), and others.

We continued our associations with these initiatives through 2022 and added some more:

Organisation	Year Joined	Principle Mission
International		
PRI	2010	Support the adoption of ESG criteria investment
CDP	2013	Need for common data and transparency
TCFD	2017	Support the adoption of TCFD recommendations
Green and Social Bond Principles	2017	Support the principles by investing in green and sustainability-linked bonds
UNEP FI	2017	Share experience of sustainable finance among leading asset managers
Finance for Biodiversity Foundation	2022	Exchange best practices on biodiversity-related frameworks and disclosures among financial institutions
TNFD Forum for France	2022	Support the development of the TNFD framework
National		
FIR – French SIF	2007	Support the adoption of ESG in France
FFS – Italian SIF	2017	Support the adoption of ESG in Italy
UKSIF – British SIF	2020	Support the adoption of ESG in the UK
AFG – Comité IR	2017	Reflect on Responsible Investment among the AM profession

In 2022, we became members of the **Taskforce for Nature-related Financial Disclosure (TNFD) Forum** and have been actively participating in the investor group in France to discuss and provide feedback on the beta releases of the TNFD framework. In Q1 2022, we also signed the **Finance for Biodiversity pledge** and have been active members of the Working Groups on Impact Assessment, Target Setting and Engagement with the Foundation. As part of the Impact Assessment Working Group, we contributed a chapter on 'biodiversity target setting for financial institutions' to a [Guide published](#) by the foundation in December 2022.

Over the years, we have supported several initiatives through these organizations and otherwise. In 2021, we joined the Business Call for a **UN level treaty of Plastics pollution** with WWF, Ellen MacArthur Foundation and PRI, which was passed by the UNGA in March last year. In Q4 2022, our CEO signed the Founding Document for a [Business Coalition for the Global Treaty](#). We have now formally joined the coalition this year as Advisors to the Policy Working Group.

PUBLIC POLICY ENGAGEMENTS

Below is a list of all such initiatives we have supported till 2022.

Initiatives	Year Joined
Global Statement on Investor Obligations and Duties (UNEP FI and Generation Foundation)	2016
PRI collaborative engagement water risks in agricultural supply chains	2015-2020
PRI Statement on ESG in Credit Ratings	2016
G20 Energy Efficiency Investor Statement (PRI, UNEP FI, Ceres)	2017
UNEP FI Pilot group on the implementation of TCFD recommendations	2018-2019
Global Investor Statement to Governments on Climate Change (CDP, Ceres, PRI, IIGCC, UNEP FI)	2018 -2022
Open letter to Index Providers on Controversial Weapons	2018
Integrated Reporting (IIRC)	2018
Transition Pathway Initiative (TPI) - using the tool for research and engagement	2019
Science-Based Targets Initiative (SBTi) working group for guidance for institutional investors	2019-2020
PRI EU Taxonomy Practitioners Group - Case Study	2020
UN level Plastic Pollutions Treaty (WWF, Ellen MacArthur Foundation, PRI)	2021-2023
FIR Say on Climate Resolution – letter to companies	2022-2023
Letter to finance ministers ahead of COP15 – with Finance for Biodiversity Foundation	2022
Make it Mandatory Campaign – Business for Nature	2022-2023

Our new commitments in 2022 are detailed below:

1) FIR Letter on Say-on-Climate:

FIR along with 48 asset owners, asset managers, stakeholders of the financial industry mobilised a call for improving shareholder dialogue specifically on the 'Say on Climate' resolutions. Group La Francaise, being a signatory of FIR since 2007, signed the tribune. The letter called on companies to include in their "Say on Climate" resolution a minimum set of information allowing us to rigorously assess their climate ambition, as described below:

- A. *Exhaustiveness of the objectives:* we request the publication of quantified objectives for the reduction of greenhouse gas emissions concerning all emissions (Scope 1, 2 and 3). This disclosure distinguishes the possible contribution of compensation strategies, mentions the reference climate scenarios used and the assumptions made, specifying the degree of alignment with a 1.5°C scenario.
- B. *Specific agenda:* these emission reduction objectives must be formulated in the short (until 2025), medium (2030) and long-term (2050 or before)
- C. *Identified and sufficient means:* companies must also specify the levers that will be used to achieve their climate objectives. In particular, it is necessary for companies to present their investment plan over 3 to 5 years and medium-term indicative elements participating in the implementation of their climate strategy with a sufficient level of detail to assess the alignment of this plan with the objectives they have set themselves and with a warming scenario limited to 1.5°C.

PUBLIC POLICY ENGAGEMENTS

Finally, the letter urges the legislators in France to reform company law to institutionalize a new form of “Say on Climate” - innovative, demanding and allowing a permanent dialogue between investors and companies on climate issues within the framework of general meetings.

In line with the tribune recommendations, we voted against the Management Say-on-Climate resolution for TotalEnergies in 2022, as their climate strategy misses short-, medium- and long-term targets and does not include Scope 3 emissions. We have re-signed the updated version of the letter with the FIR in 2023.

2) Signing the Letter to Finance Ministers with Finance for Biodiversity Foundation

Ahead of COP15, in October 2022, we signed a letter with the Finance for Biodiversity foundation calling on 77 ministers of finance that are part of the Coalition of Finance Ministers for Climate Action (including France) to:

- ◆ Ensure that the current text in Goal D and target 14 on ‘alignment of public and private financial flows’ with an ambitious Global Biodiversity Framework (GBF) is a firm position taken by the Australian government in the negotiations at COP15.
- ◆ Join COP15 to discuss specific steps that need to be taken in a round table with finance ministers and the finance sector in Canada on 14 December.
- ◆ Take action to implement the ‘alignment of public and private financial flows’ after the adoption of the GBF, like setting disclosure regulations, requiring transformation pathways from businesses, integrate nature into regulatory frameworks, supporting the central bank and financial supervisor and creating economic incentives for businesses and the finance sector.

At COP15 in December, 95% of all 196 Parties to the UN CBD (Convention on Biological Diversity), as well as two non-Parties – the United States and The Vatican), finalized and approved the Global Biodiversity Framework. The final text of GBF, including Goal D, requires the alignment of all public and private financial flows, and makes both governments and the large corporations responsible for biodiversity disclosures. This was an important win for this initiative and other efforts by the financial sector representatives at the COP.

3) Make it Mandatory Campaign ahead of COP15:

In November 2022, La Française signed the Business Call in association with the Business for Nature for making nature-related disclosures mandatory for businesses and financial institutions in the GBF (Global Biodiversity Framework) to be finalised during COP15. Although the word ‘mandatory’ did not make it to the final text, wording on ‘ensuring’ policy, administrative or legal measures are still intact.

Target 15 commits governments to require nature-related financial disclosure from both large companies and financial institutions. This means that governments will need to have policies and regulatory frameworks in place to ensure that large and transnational businesses and financial institutions will assess and disclose their nature impacts and dependencies. This is positive news for investors like us who need reported data from our investee companies, for both regulatory reporting and to better align financial flows with the biodiversity goals and targets.

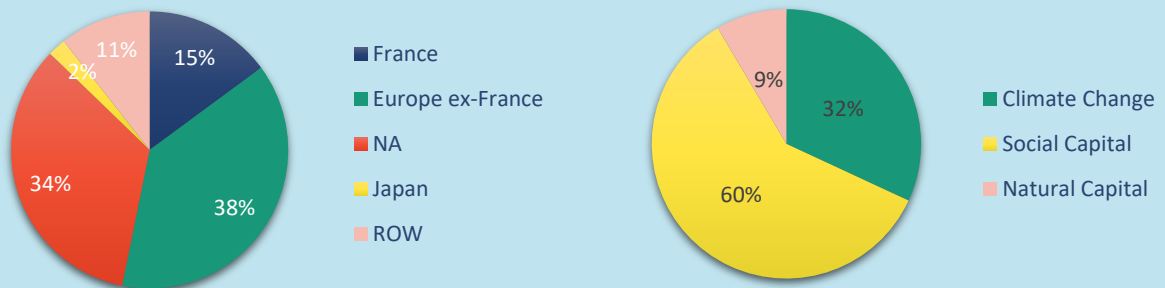
COLLABORATIVE ENGAGEMENTS

We continued our collaborative engagements this year with CDP, ShareAction, WDI, and Climate Action 100+. We have also signed up to some new initiatives in 2022 on Natural capital and Social Capital themes (as can be seen in the table below) in which we should be more active in 2023.

Name of initiative	Year Joined	Comments
Climate Action100+	2017	- Supporting investor engagement on Walmart
ShareAction	2019	- Engaged mainly with banks on fossil fuel financing
WDI	2017	- Sent letters to 11 companies
CDP Non-Disclosure Campaign	2019	- Supported for the third consecutive year
		- Co-signed 10 letters
CDP Science Based Targets Campaign	2021	- Signatory for the second year
Joined in 2022		
30% Investor Club	2022	- Attended calls with 2 companies
LIPH (Long-term Investors in People’s Health)	2022	- Sent 12 collaborative letters to F&B companies
		- Filing of resolution with Nestle
Nature Action 100	2022	- To be launched in H2 2023
FAIRR	2022	- Lead Investor on Cranswick
PRI Advance	2022	- Lead on Teck Resources, supporting on ENEL and Duke Energy

In total, we participated in 47 collaborative engagements, with **40 unique companies**, whether through co-signing letters to be sent, participating in the engagement calls and/or contributing to designing both. As per theme and geography, the distribution was as seen in the pie charts below:

Collaborative Engagements 2022



Social Capital dominated our collaborative engagements in 2022 due to our collaborations at WDI, and new initiatives at LIPH and 30% Investor Club. Climate Change was a strong second, but focused on high-risk sectors and we are strongly improving our activities on the Natural Capital theme in 2023.

COLLABORATIVE ENGAGEMENTS

CDP: Non-Disclosure Campaign and the Science-Based Targets Campaign



CDP provides the financial sector with the most comprehensive collection of self-reported corporate environmental data in the world, in a uniform and comparable manner, and one that is fully aligned with the Task Force on Climate-Related Financial Disclosures (TCFD). CDP runs three Disclosure campaigns – Climate Change, Water and Forests. We increasingly view CDP reporting as a minimum requirement for any company demonstrating its commitment to measuring and managing its climate- and natural capital-related impact.

We participated in the **CDP Non-Disclosure Campaign** for the **fourth** consecutive year in 2022, calling on high-impact companies to use the CDP questionnaires to report information on Climate Change. We also added our support to the Forest and Water disclosures by asking high risk companies on these topics to report to CDP. In this capacity, **we supported engagements with 10 companies on Climate Change, 3 on Water and 2 on Forests** that were of particular focus to us and were part of our portfolios at the time.

We remain committed to the CDP engagement campaign and will continue to encourage investee companies to report in 2023 – as part of the formal Non-Disclosure Campaign, and/or directly as part of our ongoing interactions with company management and investor relations. Our Voting policy for 2023 needs all companies in our equity portfolios to report to CDP on Climate Change, and those with higher priority on Water and Forests to the respective disclosure campaigns. If a company failed to do so in 2022, we will vote against them during the AGM season 2023.

We also supported **CDP's Science-Based Targets Campaign** for the second consecutive year asking companies to set Science-Based targets on Climate.

WDI



The Workforce Disclosure Initiative (WDI) aims to improve corporate transparency and accountability on workforce issues, provides companies and investors with comprehensive and comparable data and help increase the provision of good jobs worldwide. As a member of the WDI, we joined the collaborative efforts in encouraging companies to take part in the 2022 survey. We sent letters to 13 companies in 2022, including the Big Tech (Alphabet, Apple, Meta, etc.), asking them to respond to the WDI survey. The results of the 2022 campaign were published by the end of March 2023. In 2022, 167 companies responded to the WDI survey, of which 29 were first time responders. Out of the companies we targeted, Veolia responded, and a few others expressed their interest but needed time. Through 2023, we intend to engage with 20 companies (some from last year) on disclosing their human capital metrics and performance data through the WDI survey.

COLLABORATIVE ENGAGEMENTS

Climate Action 100+



In 2022, we continued to participate in the investor engagement with Walmart at Climate Action 100+. The engagement group, led by Hermes EOS and Breckinridge Capital Investors, focused heavily on gaps identified by the CA100+ Net Zero Corporate Benchmark assessment carried out in 2021. This has now evolved to encompass a strong focus on its supply chain emissions, and specifically monitoring the progress of Project Gigaton. This flagship project is Walmart's key lever for decarbonisation of scope 3 emissions. We look forward to continuing to engage with Walmart on how they can best realise their goal.

Share Action



During 2022, we participated in 3 engagements with ShareAction – with Barclays, HSBC and Air Liquide. In the engagement focused on HSBC's energy policy, investors voiced concerns on HSBC's coal policy, as well as their neglect of using AMAP as a way to categorise Arctic fossil fuel projects. ShareAction also convened a collaborative engagement with Barclays, aimed at improving Barclays' financed emissions disclosure and oil and gas policy. A particular frustration was voiced around their oil sands financing, which is something Barclays later announced would be dramatically reduced. Thus, this can be said to have been an effective engagement. We also participated in a call with Air Liquide where we discussed the climate strategy of the chemical company and corresponding challenges. In 2023, we are already expanding our work with Share Action on both banks and chemicals.

Through ShareAction, we also participated in a call about the high CEO/worker pay gap at SSE with The Equality Trust, an NGO targeting companies in the UK about their pay gap reporting. The call was attended by 6 other investors, and we discussed that the high pay gap was expected to deepen in the entire industry shall energy prices' inflationary effect on profits weren't evenly redistributed. The NGO set up a call with SSE and it was good to understand more details about the firm's compensation policy.

COLLABORATIVE ENGAGEMENTS

Long term Investors in People's Health (LIPH)



Good health is an asset to society and the economy. Through the LIPH program and the Healthy Markets initiative, we are working with Share Action and other investors on the health dimension of our social capital theme. LIPH has been formulated to focus on three pillars of health in the target companies:

- ◆ Workforce health: to promote a healthy workplace.
- ◆ Consumer health: to make healthier food & beverages more accessible and affordable for all.
- ◆ Communities' health: to limit pollution and other side effects on human health from business activities.

LIPH program started with the consumer health pillar, building on the success of its predecessor, the Healthy Markets program, and preparing engagement to drive improvements in the long-term sustainability of Food related companies. La Française joined the programme in Q3 2022, being in the first cohort of signatories and co-signed letters to **12 companies** globally, asking them to increase the revenues and capex in the healthier part of their product portfolios.

Soon after the letters were sent, Nestlé announced, in October, an ambition to increase investments in healthier products in its portfolio. Although this was a positive step, the company failed to provide a target increase as a percentage of their overall portfolio. We participated in 3 follow-up meetings with the company to discuss these details. In the beginning of 2023, the group initiated the filing of a shareholder proposal during the 2023 AGM. We committed to hold our shares and be part of the co-filing, asking the company to set quantitative, tangible targets on the healthier part of their portfolio. The group convened multiple times in Q1 2023, and after several exchanges with the firm, we have decided to hold off co-filing the resolution after the company agreed to engage actively with us throughout the year. We will update on this engagement in our next annual engagement report.

COLLABORATIVE ENGAGEMENTS

30% Investor Club



The 30% Investor Club is a business campaign aiming to boost the number of women in board seats and executive leadership of companies all over the world. This is in line with our ambition to target gender diversity under our Social Capital theme. We joined the 30% Investor Club in France in Q4 of 2022 and participated in engagements with Essilor Luxottica and Société Générale from the SBF 120. Our dialogue with the companies focussed on representation of women in the company, the disclosure of the gender pay gap, the women talents' pipeline and the policies and initiatives put in place to promote gender equality. The club published its first annual report in January 2023 which was shared with the press and all targeted companies in SBF 120.

In 2023, the Club is targeting more than 40 companies and La Française will be leading two engagements with **Casino** and **SPIE**, while supporting others. Since the beginning of 2023, we already had engagements with Saint Gobain, LVMH and Soitec. The Club is working on increasing the number of investors and on launching a branch in Germany.

Collaborations initiated in 2022, but where we have not engaged with companies yet:

PRI Advance



We are part of the stewardship initiative since the beginning of the year. Institutional investors work together to act on human rights and social issues. Thanks to the collective influence of the investors with companies we will work to drive positive outcomes for workers, communities, and society. There are 121 investors and 40 companies targeted. We are leading the engagement with **Teck Resources** and are a support investor on **ENEL** and **Duke Energy**.

FAIRR Initiative



We joined a collaborative engagement on Waste & Pollution with FAIRR at the end of 2022. We have been members of the FAIRR initiative since 2021. The goal of the engagement is to improve management of waste and pollution, specifically manure, of 10 publicly listed pork and chicken producers in the UK. Manure can heavily pollute the UK's waterways affecting local biodiversity, as well as living organisms further downstream. We have begun the engagement process with **Cranswick**, with whom we had our first meeting in April 2023.

Nature Action 100



La Française has applied to be a member of Nature Action 100, which is a global investor engagement initiative focused on driving greater corporate ambition and action to reduce nature and biodiversity loss. The initiative's Corporate Engagement Working Group and Secretariat is co-led by Ceres and the IIGCC, and the Technical Advisory Group is co-led by the Finance for Biodiversity Foundation and Planet Tracker. We have applied to be a part of the Technical Advisory Group. The program is expected to launch in the second half of 2023.

DIRECT COMPANY ENGAGEMENTS

Individual company engagements enable us to connect with companies through meetings, letters, conferences, etc where we can address specific issues related to our focus thematic and strategies with the company managements. In 2022, we had meetings/email exchanges with **63 unique companies** and **sent letters to 8** addressing the 4 themes and with specific action items that we needed them to investigate. Most of these were related to disclosures and governance, especially in relation to climate change. Regionally, these engagements were distributed as below:

	France	Europe ex-France	North America	ROW
Environmental	10	46	15	5
Social	2	14	7	6
Governance	2	17	7	5

Almost all our company meetings and letters included questions about the environment: company’s emission reduction plans, climate strategy, water and waste management practices and/or circular economy practices. Our in-house comprehensive ESG assessments form the basis for all our dialogues with the companies. We also follow a TCFD approach to all our thematic assessments, organised around the four pillars of Governance, Risk Management, Strategy and Metrics & Targets. These approaches help us identify material gaps in the company’s disclosures and management, which then forms the basis for our engagements. Some of the meetings were also as a result of controversies, like for Korian and Teleperformance, or about specific news and press like Drax Group and Enviva.

We provide some examples in detail below:

Volkswagen – Climate Change and Disclosures:



Volkswagen (VW) had ceased reporting their fleet emissions outside Europe, which makes it difficult for us (and other investors) to compare VW’s global fleet emissions trajectory to other automotive OEM’s. We sent a letter to the company in 2021 to start reporting on these emissions once again. The goal of the engagement was to encourage VW to restart reporting their fleet emissions for all their core markets where the group faces emissions-related regulations: USA, China & South America. The engagement was partially successful, as they restarted reporting data for North America. Whilst the IR had initially agreed (in a response to our letter) to report data on China, this was later rescinded, citing concerns over license to operate in the country. South America was also excluded, as there wasn’t enough of a demand in the market, and each country in the region had different regulations. Hence, we sent the letter once again demanding that they consider reporting on these regions at the earliest possible.

We will also be following these developments with the newly IPO-ed Porsche, which has the same gap in its climate reporting despite having a healthy climate change profile.

DIRECT COMPANY ENGAGEMENTS



KORIAN

Korian – Social Capital and Governance:

In January 2022, a book 'Les Fossoyeurs' (the gravediggers in English) alleged mistreatment of nursing home residents of Orpea including staffing shortages, rationing supplies (including masks), and a financial manipulation of annual rebates on supplies. Korian was implicated in the financial manipulation issue in the book. The company suffered being the closest peer to Orpea, but our research showed that the new management, instated in 2018, had been improving the work culture in the firm and it was not comparable to Orpea. Nevertheless, the systemic issues of sub-par nursing care, staff and material shortages and high turnover in the industry were still of a concern for us. And we wanted to understand the firm's view on these. Hence, in February, we met with the IR team of Korian, who were very transparent about their quality measures in place and candid about the high turnover in staff in the nursing sector. Overall, we found the meeting positive and relayed our expectations in terms of having more transparency in terms of quality of service in their nursing homes. We also appreciated that tighter governmental oversight could fill the gap for some systemic issues – which did happen with new action plans announced by the French government later that month.

On 23rd Feb, Korian also announced its intention to become an 'Enterprise à Mission' by mid-2023. We didn't divest from Korian in our credit funds following this market uncertainty, despite the share price reaction and have been following the company since. Nothing significantly negative has been in the news for the rest of the year, confirming our belief that the management is of good quality.

Teleperformance – Social Capital and Governance, Controversy-related:



On 10th of November 2022, Teleperformance shares fell by 34%, primarily due to a tweet from the Colombian Ministry of Labor launching an investigation into Teleperformance relating to "union-busting, traumatic working conditions and low pay". This came on the back of some investigations on working conditions related to content moderation activities in the US. We met with the company's COO and IR in December to discuss the controversy, financial/legal implications and the corresponding remediations that they were considering. We also met with UNI Global in January 2023, which is the global trade union organization targeting the company in several parts of the world. In December, UNI signed a global agreement with Teleperformance that includes binding commitments to keep workers' well-being at the centre of all business decisions. UNI representatives shared that the company has been very positively engaged with them and is willing to change practices.

We believe that the company has taken a step in the right direction by signing the global agreement with UNI global, to make sure employees have the freedom of association with trade unions. What comes out of the agreement is still to be seen and will take time. During our call, we felt that the company's assessment of its labor conditions and responsibilities towards fixing the systemic issues (stressful work conditions, no breaks, high turnover, etc.) could have been better. The company has been awarded as the best employer in several markets, but at the same time been involved in several minor controversies related to working conditions in many countries like Dominican Republic, Costa Rica, etc. Hence, we recommended the exclusion of the name from our human capital strategies. We aim to continue our dialogue with the company and UNI global to address these issues through individual/collaborative engagements over 2023.

PLANS FOR 2023

Stewardship, including engagement, is becoming central to our sustainable investment philosophy. We are working towards integrating further the four identified functional areas for our Stewardship Committee – Methodologies, Engagements, Voting and Exclusions. In 2024, we expect to release our first fully integrated Stewardship Report covering all these topics.

On methodologies, we are working on new developments for our Natural Capital and Human Capital Strategies. We are also in the process of updating our existing methodologies on ESG scoring, carbon and water footprinting, and portfolio temperature. We will update on these in our next report.

Through both our engagement and voting efforts, we are continuing our focus on the four defined thematic: Climate Change, Natural Capital, Social Capital and Governance & Disclosures.

In 2023, we will continue to accelerate the pace and reach of our engagements – both direct and collaborative. We have a new engagement policy in place, which can be found on our website. The first quarter has already been an active one with our work with Share Action on banks' fossil fuel financing and investor collaborations for shareholder resolutions on several companies ahead of the AGM season. We have supported multiple letters to governments and policy makers on human rights, climate change and water. We are increasingly engaging as lead investors on our collaborative engagements (PRI Advance, FAIRR, 30% Investor Club) and actively participating in all of them. We are also diversifying our engagements on topics like decarbonisation in the chemicals and technology sectors as well as themes such as mental health & well-being, public health, etc.

We are taking a more fundamental approach towards our proxy voting process, and have an updated, more stringent, policy in place. We have extended our demand on CDP disclosures and Science-Based Targets (for all sectors), by asking high emitting sectors (Energy, Utilities, and Transportation including Automobiles) to have a management Say-on-Climate resolution. We are also asking all companies to disclose the CEO/worker pay gap. Our diversity criteria is already ahead of the global market as we vote against all male directors of a company (except the CEO) if there are less than 40% women on the Board. In 2023, we will explore the possibility of including natural capital and biodiversity criteria in our voting policy.

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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