

A large, ornate fountain with multiple tiers and statues, set against a blue sky with light clouds. The fountain is the central focus of the background image.

POLICY

SHAREHOLDER ENGAGEMENT

Last update:
April 2023

Covéa Finance is governed by the French Monetary and Financial Code, whose Article L. 533-22 has been supplemented following the transposition of the “Shareholder Rights” directive¹. The latter came into force through Decree 2019-1235 published in November 2019.

The text requires eligible entities (portfolio management companies) to formalise and publish a shareholder engagement policy and then to report annually on the implementation of this policy. The policy should describe “how the company integrates its role as a shareholder into its investment strategy”. It is based in particular on the following existing elements:

- The sustainability risk and ESG policy
- The exclusion policy

(Note : la politique de vote et la politique d'engagement liée à l'ESG en tant qu'investisseur disparaissent et ont fusionné avec la nouvelle politique d'engagement actionnarial en juin 2020)

I. Description of Covéa Finance’s shareholder engagement

Pursuant to Article R. 533-16 §1 of the French Monetary and Financial Code², the shareholder engagement policy must include six components:

a. Monitoring of the strategy, financial and non-financial performance, risks, capital structure, social and environmental impact and corporate governance:

- Covéa Finance publishes a policy on sustainability risks and ESG which describes how the financial and non-financial performance of companies is considered, with a balance of the three Environment, Social and Governance pillars. The policy is available online at: <https://www.covea-finance.com/our-reports-and-politics>
- Covéa Finance takes into account, in the analysis of private issuers, the company’s strategy, financial and non-financial performance, financial and nonfinancial risks, capital structure, as well as all stock market and accounting parameters in listed and unlisted companies to make investment decisions. This is reflected in the analysis carried out internally by the management and research teams. The cross-checking of financial and non-financial data provides a broader understanding of the fundamentals, outlook and risks of the securities in the portfolio.

¹Directive 2007-36 as amended by Directive 2017-828

²Itself pursuant to Article L. 533-22

b. Marketplace working groups

Covéa Finance contributes to market debates through its participation in the work of the AFG - of which it is a member - but also of France Assureurs - on behalf of Covéa on certain aspects (for example, ESG Climate working groups), and, where appropriate, of Paris Europlace.

c. Dialogue with companies held in the portfolios :

Covéa Finance formalised its approach to shareholder dialogue around the following elements:

- A definition: tool to engage in dialogue with companies and policy coordination tool to support the integration of ESG criteria into the investment process
- Objectives: To focus on shareholder dialogue as the main channel and lever of influence to promote the best ESG practices within companies; and to enable a better understanding of the non-financial risk and the financial and non-financial performance of a company or a portfolio of assets
- Elements relating to this shareholder dialogue are made public in our annual ESG report, including measures taken (monitoring, prohibition of new investments...) as part of the application of our exclusion policy and our procedure for managing critical controversies.

The Analysis team currently carries out several types of shareholder dialogue:

Dialogue type	1. Structured dialogues (standard questionnaire, Pre-AG/AG dialogue, etc.) or meeting during value analysis	2. Exclusion Policy Dialogues	3. Dialogues organized following the identification of critical controversies
Temporality	Every year for the questionnaire / all year for the analyzed values	Every year	All year round
Goal	Obtaining information and raising awareness of ESG issues	Monitoring commitments in relation to fossil fuels and non-conventional energies	Obtaining information on, and/or commitment to, the subject of the controversy

II. Exercising voting rights and other rights attached to the shares:

- The following elements set out the conditions under which we exercise the voting rights attached to the securities held and/or acquired by Covéa Finance as part of the collective management (collective investment undertaking) and individual discretionary management activity.
- Excluded from the scope of voting rights are shares in companies held directly by Covéa Group entities that have set up a financial management mandate with Covéa Finance and are considered "strategic" in this respect.
- Through the exercise of voting rights, we seek to ensure compliance with good corporate governance practices, and thus promote long-term value for our customers' investments.
- Exercising voting rights is part of Covéa Finance's approach to taking environmental, social and governance (ESG) criteria into account when managing its assets.
- We perform our duties with complete independence from issuers and in the best interests of our clients.
- Covéa Finance reserves the right not to vote on securities issued in countries where the legislation imposes the blocking of securities in order not to hinder management freedom and thus preserve the interests of holders.

The following conditions governing the exercise of voting rights are reviewed annually. In drawing up and modifying these conditions, Covéa Finance relies in particular on the annual recommendations of the AFG and Afep-Medef in terms of corporate governance, adapting them to the specific features of its business model.

1. Exercising voting rights

Organisation of the company enabling it to exercise its voting rights

We exercise our client's right to vote:

- through an electronic platform (since 2 June 2008) and by post for France; this is the rule;
- by effective participation in meetings; this is the exception

The analysts, on the basis of collaborative organisation, analyse the resolutions put to vote and propose voting instructions in compliance with the principles set out in this document³. These proposals are approved by the Director of Strategic Intelligence, External Relations and all Research, or the Director's representative. The analysts manage voting through the previously mentioned electronic platform and inform the management teams of it.

³The voting resolutions not covered by our voting policy will be considered on a case-by-case basis

Classification and archiving of information

Our provider enables us to meet the traceability requirement imposed by AMF (French Financial Markets Authority) regulations. For each general meeting at which we vote, the following information is available:

- the number of shares held by collective investment undertaking and by mandate on the date of the general meeting ;
- the nature of the vote cast by the analyst (direct, by post, electronic);
- the response to the vote (for, against, abstention);
- the reasons for these votes when it is an abstention or a negative vote.

This information is available to our principals, shareholders, unit holders or collective investment undertaking investors upon request at Covéa Finance's head office.

2. Principles to which Covéa Finance refers in determining those cases in which the voting right will be exercised

Voting scope for 2023 General Meetings

In 2023, our voting rights (excluding Switzerland and the United Kingdom⁴) are as follows:

- 90% the scope of our environmentally-themed funds, and of our SRI-labelled funds
- 95% companies in which we own at least 0.5% of the capital
- We endeavor to vote on 90% of the shares held in our funds and mandates, unless these shares have been sold by the date of the Annual General Meeting. For the 2022 financial year, we have decided to exercise the voting rights of the UCITS, FIAs and Mandates we manage.

We reserve the right not to exercise voting rights when we consider that the economic and/or operational cost is contrary to the interests of the shareholders and prohibitive in relation to the holding. This will be the case in particular when regulatory or technical provisions are imposed by the regulator or custodians, for example in the case of immobilization or blocking of securities.

Covéa Finance will vote in accordance with the principles defined in the "*Appendix - Shareholder engagement policy*" and will use the recommendations of our voting service provider (Institutional Shareholder Services) in cases not mentioned in the Appendix.

⁴*In these countries, blocking periods apply to the exercise of voting rights. Consequently, management decides whether voting rights can be exercised in the interest of the shareholder.*

Specific case of ESG-related resolutions:

In particular, Covéa Finance reserves the right to examine any resolution, brought either by the Board of Directors or by a group of shareholders, which would aim to improve transparency, governance, stakeholder (employees, environment, etc.) management or which may appear to be inconsistent with the ESG principles of Covéa Finance and/or with its exclusion policy.

Any investor wanting to dispose of a high-carbon asset in a portfolio will necessarily have to transfer it to the portfolio of its buying counterparty. This is a zero-sum game as the emissions of the company that is traded will not have changed as much. Covéa Finance therefore favours closing positions over disposals of carbon assets wherever possible.

Cooperation with other shareholders:

Covéa Finance reserves the right to participate in any shareholder coalition it deems appropriate.

Preventing and managing actual or potential conflicts of interest in relation to their commitment:

Concerning the exercise of voting rights:

- The right to vote is exercised in complete independence, in compliance with the principles defined by Covéa Finance in its policy on the management of conflicts of interest.
- The membership of the portfolio management company in an unlisted group and the absence of issuer-oriented activities are factors that limit the management company's exposure to conflict of interest risk. Covéa Finance refrains from voting at the general meetings of companies, mainly listed property companies, of which the entities of the Covéa Group hold a fraction of the capital that they consider strategic.
- Covéa Finance may only assist the entities of the Covéa Group in the implementation of administrative formalities for the exercise of voting rights attached to securities held outside management mandates, according to their specific instructions.
- Regarding Covéa Finance's operations, reference should be made to the Conflict of Interest Prevention and Management Policy and code of ethics available at the following address: <https://www.covea-finance.com/our-reports-and-politics>

III. Distribution and reporting of the shareholder engagement policy

- This shareholder engagement policy is made public on the Covéa Finance website and is mentioned in the same way as the other policies in the ESG Report published annually.
- An update on the implementation of the shareholder engagement policy will be presented annually and made available through the ESG Report, published on the Covéa Finance website.