

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

# SHAREHOLDER ENGAGEMENT POLICY

Update: June 2024

Covéa Finance is subject to the French Monetary and Financial Code, Article L533-22 of which was supplemented following the transposition of the Shareholder Rights Directive<sup>1</sup>. 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 must 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 risks and ESG policy
- The exclusion policy

*(N.B.: the voting policy and the engagement policy linked to ESG as an investor are dissolved and merged with the new shareholder engagement policy in June 2020)*

## I. Description of Covéa Finance's shareholder engagement policy

Pursuant to Article R 533-16 §1 of the Monetary and Financial Code<sup>2</sup>, the shareholder engagement policy must include six elements:

### **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 that describes how companies' financial and non-financial performance are taken into account, with a balance between the three Environment, Social and Governance pillars. The policy is available online on the website <https://www.coveafinance.fr/nous-connaître/nos-rapports-et-politiques>
- Covéa Finance takes into account, in the analysis of private issuers, the company's strategy, financial and non-financial performance, financial and non-financial risks and capital structure, as well as all stock market and accounting parameters within listed and unlisted companies in making its investment decisions. This is reflected in the analyses carried out internally by the management and research teams.

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<sup>1</sup> Directive 2007-36 as amended by Directive 2017-828

<sup>2</sup> Itself pursuant to Article L 533-22

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.

## **b. Working groups**

Covéa Finance contributes to industry debate through its participation in the work of the AFG – of which it is a member – and also that of France Assureurs – on behalf of Covéa on certain aspects (like the Climate ESG working groups) and, where applicable, 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 promote 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 an asset portfolio
- The elements related to this shareholder dialogue are made public in our annual ESG report, including the measures taken (on surveillance, ban on new investments, divestments, etc.) in the application of our exclusion policy.

Currently, several types of shareholder dialogue are carried out by the Analysis team:

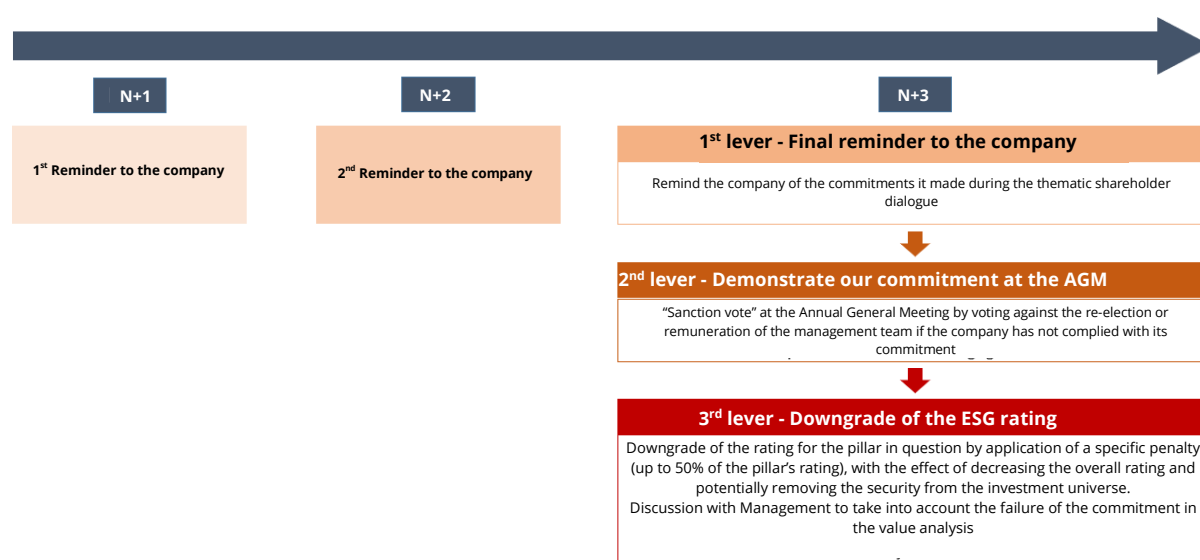
<b>Dialogue type</b>	<b>1. Structured dialogue (standard questionnaire, pre-AGM/AGM dialogue, etc.) or meetings during the analysis of a security</b>	<b>2. Dialogue under the Exclusion Policy</b>	<b>3. Dialogue organised following the identification of critical controversies</b>	<b>4. Thematic investor engagement</b>
<b>Temporality</b>	Every year for the questionnaire / all year round for the securities analysed	Every year	Throughout the year	Annually, with a 3-year follow-up
<b>Purpose</b>	Obtain information and raise awareness about ESG issues	Monitor commitments in relation to fossil fuels and non-conventional energy	Obtain information and/or commitments regarding the subject of the controversy	Company commitment to the targeted E, S or G theme

In 2023, a shareholder engagement approach was developed going beyond the dialogue already in place by inviting target companies to improve their practices in terms of transparency and the impact of their activities on certain selected non-financial themes.

This thematic engagement is long-term, based on a structured approach and long-term monitoring. A control is carried out after three years to give companies time to implement the requested measures or improve their reporting accordingly.

The companies targeted for thematic engagement are selected according to the priority E, S and G topics identified with regard to the materiality of the topic in their business and the presence of these companies in our portfolios.

Different levers in the event that thematic shareholder engagement is unsuccessful in N+3:



Covéa Finance's approach and various types of dialogue may be adopted by several committees: the Management Committees, the Controversy and Investor Engagement Committee (CCEI), the Risk Committee or the Operational Executive Committee.

## II. Exercising voting rights and other rights attached to 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.
- Securities of companies held directly by entities of the Covéa Group that have set up a financial management mandate with Covéa Finance and considered to be "strategic" in this regard are excluded from the scope of the exercise of voting rights.



- By exercising voting rights we seek to comply with good corporate governance practices and thus promote long-term growth of investments for our customers.
- Exercising voting rights is part of Covéa Finance's approach of taking into account the environmental, social and governance (ESG) criteria for the management of its assets.
- We perform our duties completely independently of issuers and in the interests of our customers.

The following items determining the exercise of voting rights are subject to annual review. As part of the development and evolution of these conditions, Covéa Finance relies in particular on the annual recommendations of the AFG and Afep-Medef in terms of corporate governance, by adapting them to the specifics of its business model.

## 1. Exercising voting rights

### Organisation of the company enabling it to exercise its voting rights

We exercise our clients' voting rights:

- Via an electronic platform (since 2 June 2008), and/or
- by correspondence for France;
- in exceptional cases through effective participation in meetings;

ESG analysts, on the basis of collegial organisation, analyse the resolutions put to vote and propose voting instructions in compliance with the principles set out in this document<sup>3</sup>.

These proposals are validated by the Head of Financial and Non-Financial Analysis, the Head of Research or the Deputy Chief Executive Officer in charge of management. Analysts manage voting via the aforementioned electronic platform.

### 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 (in person, by post, electronic);

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<sup>3</sup> *Voting resolutions not covered by our voting policy will be considered on a case-by-case basis.*

- The response to the vote (for, against, abstention; this is always an abstention in the event of a resolution presented at the meeting);
- The reasons for these votes when it is an abstention or a negative vote.

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

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

### Scope of voting at 2023 general meetings

For the 2023 financial year, our voting scope (excluding Switzerland and the United Kingdom<sup>4</sup>) is as follows:

- 90% of the scope of our funds with an environmental theme and our SRI-labelled funds
- 95% of the companies in which we hold at least 0.5% of the capital
- We strive to vote on 90% of the assets held in shares of our UCIs and mandates combined, unless these securities are sold on the date of the general meeting. For the 2022 financial year, we decided to exercise voting rights for the UCITS, AIFs and Mandates that 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 unitholders and prohibitive in relation to ownership. This is the case in particular when regulatory or technical provisions are imposed by the regulator or the depositaries, for example in the case of the immobilisation or lock-up of securities.

Covéa Finance will vote according to the principles defined in the *"Appendix - Shareholder Engagement Policy"* and will apply the recommendations of our voting service provider (Institutional Shareholder Services) in cases not mentioned in the Appendix.

### Special case of resolutions related to ESG:

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

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<sup>4</sup> In these countries, lock-up periods apply when voting rights are exercised. Consequently, fund managers decide whether the voting right can be exercised in the interest of the unitholder.

Any investor wishing to divest a high carbon asset in a portfolio must necessarily transfer it to the purchasing counterparty's portfolio. This is a zero-sum game, since the company's emissions that were the subject of the transaction will not have significantly changed. Wherever possible, Covea Finance favours closures over the sale of carbon-based assets.

#### Cooperation with other shareholders:

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

#### The prevention and management of actual or potential conflicts of interest in relation to their commitment:

Concerning the exercise of voting rights:

- The right to vote shall be exercised completely independently, in compliance with the principles defined by Covéa Finance in its conflict of interest management policy.
- Covéa Finance reserves the right not to vote on securities issued in countries where the legislation requires the lock-up of the securities so as not to hinder the freedom of management and thus preserve the interests of unitholders.
- The portfolio management company's membership of 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.
- In the event of voting instructions from a principal, Covéa Finance follows this instruction only for securities held for the principal and by dedicated UCIs.
- Where a conflict of interest situation is identified, the management company reports this in its annual report on the exercise of the voting right. 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.coveafinance.fr/nous-connaître/nos-rapports-et-politiques>

### 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.
- An interactive voting report is available on Covéa Finance's website at the following address:  
<https://institutionnel.covea-finance.fr/engagements-et-esg/politique-dengagement-actionnarial>