



Ofi invest
Asset Management

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INCLUSION OF ESG CRITERIA IN PROXY VOTING

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INTRODUCTORY REMARKS

INCLUSION OF ESG CRITERIA IN PROXY VOTING

INTRODUCTORY REMARKS AND DEFINITION OF SCOPE

Proxy voting is:

- A right and a responsibility for responsible investors
- A tool for investors to communicate with their investee companies
- A tool for investors in the context of companies' engagement, and escalation process (through voting or filing resolutions)
- Varies from one country to another, due to regulation

Resolutions are:

- Mostly governance related
- Governance resolutions may include E&S criteria (say on pay)
- Some resolutions focus solely on E&S (say on climate; external resolutions)

We will focus on management and shareholders' resolutions focusing solely on E&S aspects and we will discuss proxy voting in Europe and North-America.

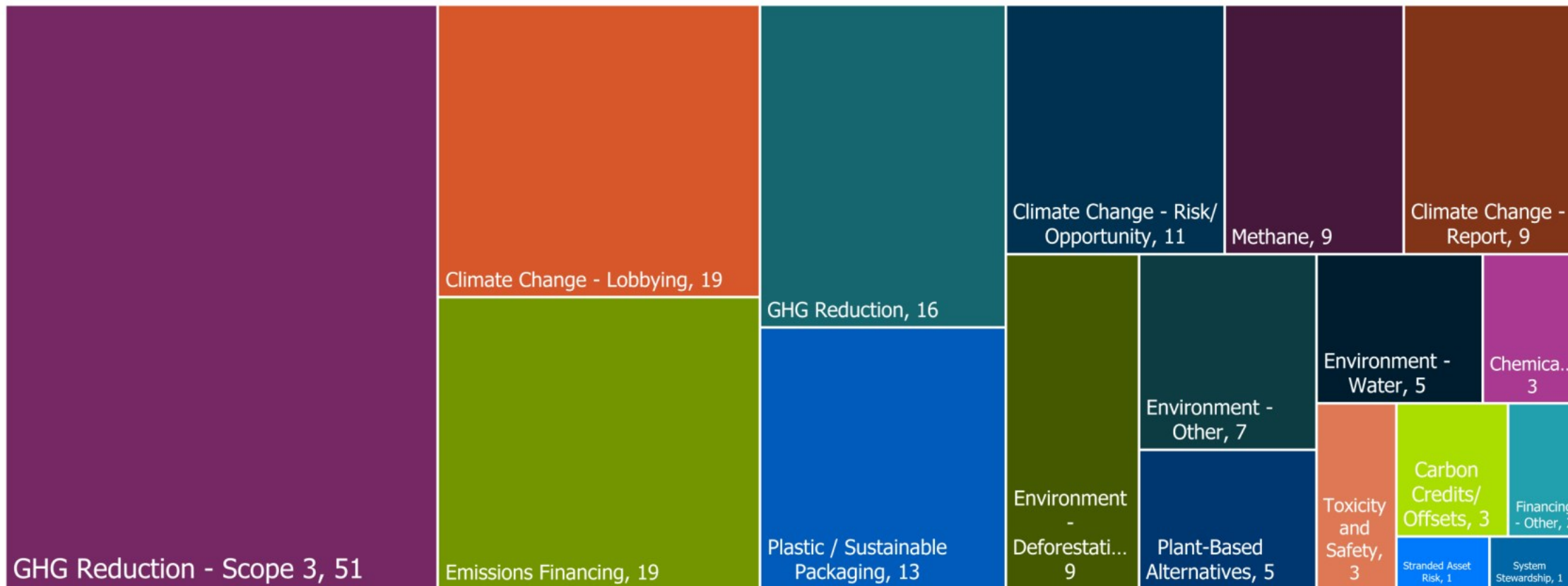


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ENVIRONNEMENTAL RESOLUTIONS

VARIOUS TYPES OF SHAREHOLDERS ENVIRONMENTAL RESOLUTIONS

Environmental Proposal Submissions by Type, 2023¹



Georgeson

1. This chart is inclusive of anti-ESG proposals.

Nb: Russell 3000 Index / only 90/187 resolutions went to a vote. 90% of the resolutions that were voted were filed in companies from the S&P 500

Source: Georgeson - https://content-assets.computershare.com/eh96rkuu9740/2As1wvm41yyp17TvRSyWeD/74cd8b8e07bb41414664f30b73a0333f/wrap_up_2023_v3_for_web_-_sept_22.pdf

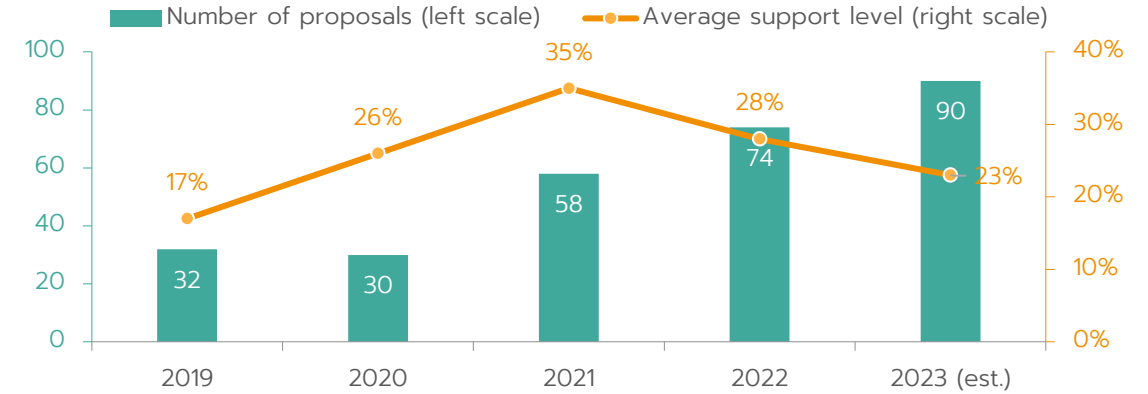
ENVIRONMENTAL RESOLUTIONS THROUGHOUT THE GLOBE

Environmental resolutions: so far climate resolutions are the most common subcategories, but other types of resolutions are emerging.

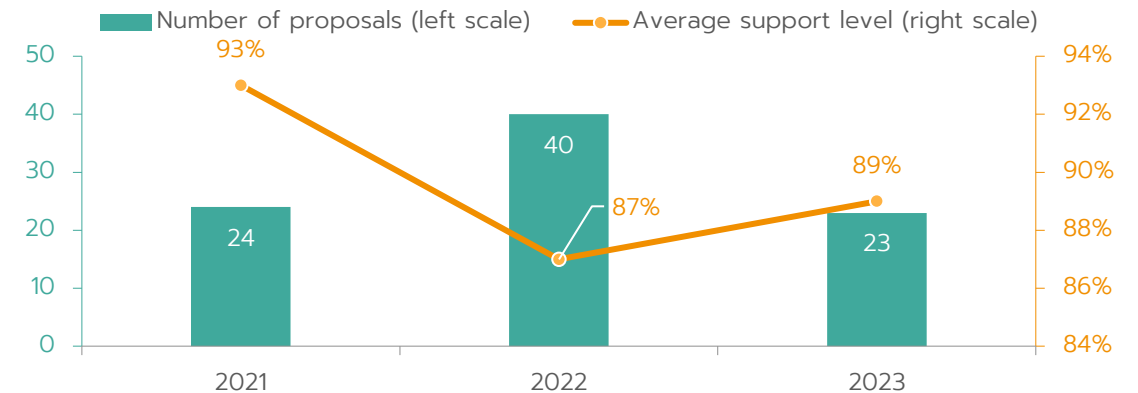
Climate resolutions

- Two main categories:
 - Say on climate
 - Shareholder climate resolutions
- ▶ NB: shareholders have filled say on climate resolutions as well , but management is the main proponent of these resolutions
- Growing number of climate resolutions overall:
 - Goes hand in hand with latest development in European Regulation, climate emergency and overall context.
- Approval rate
 - Goes hand in hand with latest development in European Regulation, climate emergency and overall context.

SHAREHOLDER CLIMATE RESOLUTIONS & APPROVAL RATES (WORLD)



SAY-ON-CLIMATE AND APPROVAL RATES



Source : ODDO BHF Securities

SAY-ON-CLIMATE VS CLIMATE RESOLUTIONS

SAY-ON-CLIMATE

- A resolution on a company's climate strategy and trajectory that is put to shareholders' vote
- Mostly submitted by the management
- Mainly optional and advisory
- Lack of uniformity among say on climates has led to tensions in climate-related discussions and disclosure
- Surge of say on climate in the UK and in France
- Average approval rate of 89% in 2023

CLIMATE RESOLUTIONS

- A resolution on a company's climate strategy, climate disclosure, activities
- Mainly Submitted by a group of shareholders or a shareholder
- Mostly aim at being constraining for companies
- Can be difficult to submit (rules vary depending on geography)
- Lack of uniformity due to various shareholders filing resolutions
- Average approval rate of 17% in 2023



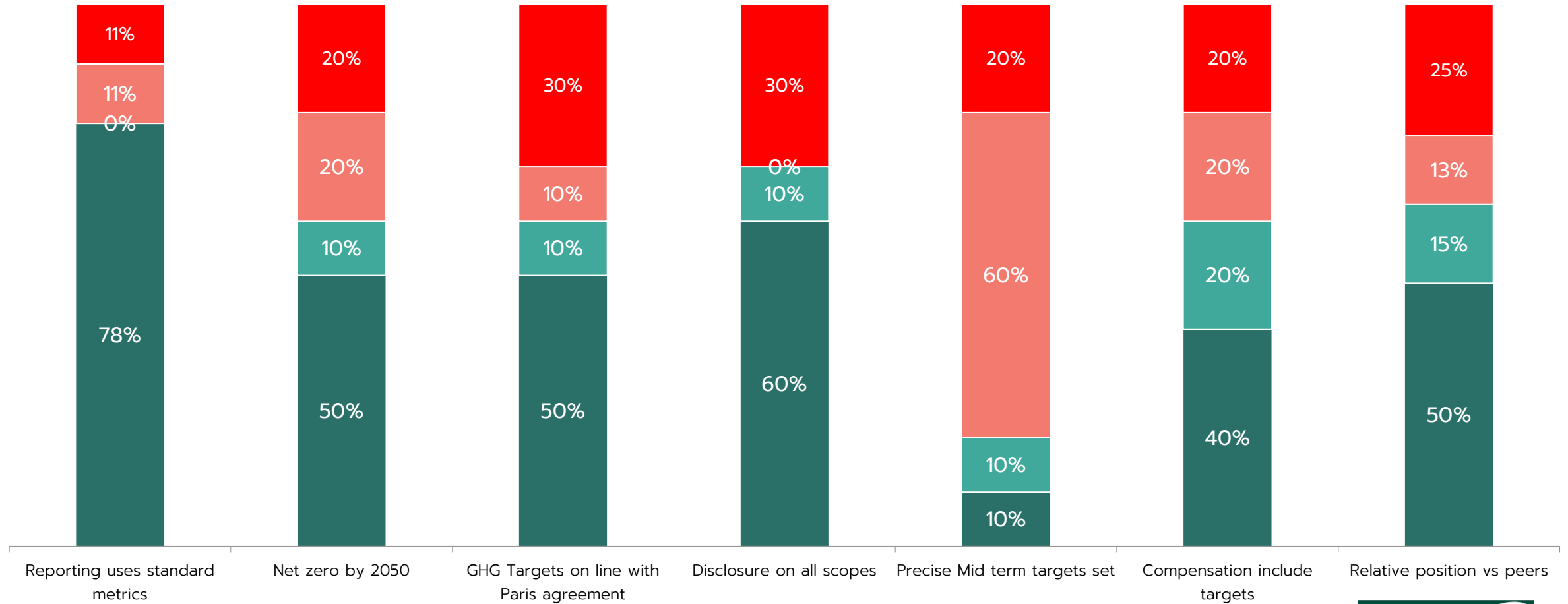
SAY-ON-CLIMATE ANALYSIS

LACK OF UNIFORMITY THAT COMPLICATES THE ANALYSIS OF SAY ON CLIMATE, BUT THESE ARE CRITERIA THAT CAN BE USED

	IDEALLY	BEST PRACTICES	COMMON PRACTICES
Reporting	<ul style="list-style-type: none"> Reporting scope 1,2,3 emissions Compliant with a reporting framework 	<ul style="list-style-type: none"> Full breakdown of scope 3 emissions Aligned with TCFD recommendations 	<ul style="list-style-type: none"> Rare to see full reporting of the scopes Mostly compliant with a reporting framework
Target setting	<ul style="list-style-type: none"> Aligned with the Paris agreement Includes scope 3 emissions Short-, medium- and long-term targets 	<ul style="list-style-type: none"> Aligned with a 1,5°C scenario with low /zero overshoot Referring to sector scenarios Based on methodological frameworks SBTI certified 	<ul style="list-style-type: none"> Usually described as aligned with the Paris agreement but risk of greenwashing Rarely refers to sector scenarios Short- and long-term targets but few medium targets Usually not completely SBTI certified
Decarbonisation strategy	<ul style="list-style-type: none"> Strategy described Green Capex plan Extended to the whole value chain Limited use of offsetting 	<ul style="list-style-type: none"> Weights of the decarbonisation levers Sub targets per levers Consistent with lobbying activities 	<ul style="list-style-type: none"> Lack of information based on the fact that the targets are rarely set Difficult to have access to lobbying activities
Governance	<ul style="list-style-type: none"> Climate strategy endorsed by the management bodies Just transition stakes considered 	<ul style="list-style-type: none"> Board/Top management have proven ESG skills Climate objectives in the STIP/LTIP remuneration aligned with the strategy 	<ul style="list-style-type: none"> Growing number of remuneration containing climate objectives in the STIP (although not necessarily aligned)

ALIGNMENT WITH IDEAL PRACTICES

■ Fully aligned
 ■ Aligned
 ■ Almost aligned
 ■ Not aligned



Source: Proxinvest



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SOCIAL RESOLUTIONS

VARIOUS TYPES OF SOCIAL RESOLUTIONS IN 2023



Georgeson

1: This chart is inclusive of anti-ESG proposals.

Nb: Russell 3000 Index / only 253 out of 421 of these submitted resolutions went to a vote., 80% of the resolutions that were voted were filed in companies from the S&P 500

Source: Georgeson - https://content-assets.computershare.com/eh96rkuu9740/2As1wvm41yyp17TvRSyWeD/74cd8b8e07bb41414664f30b73a0333f/wrap_up_2023_v3_for_web_-_sept_22.pdf

SOCIAL RESOLUTIONS

Most proposals are filed under this pillar – can be explained by the variety of topics covered

Almost exclusively a North-American phenomenon. Therefore the type of proposals vary according to societal events in the US

Rationales for opposing action-oriented social resolutions are inconsistent with international human and labor rights standards – AMs rationales for negative votes are:

- The company's policies are already good enough.
- The board, not shareholders, should have oversight of these issues.
- These issues should be dealt by regulation.
- These resolutions are too prescriptive

While filed at American companies – these resolutions are receiving less support from American AMs in 2021 and 2022 than from European AMs



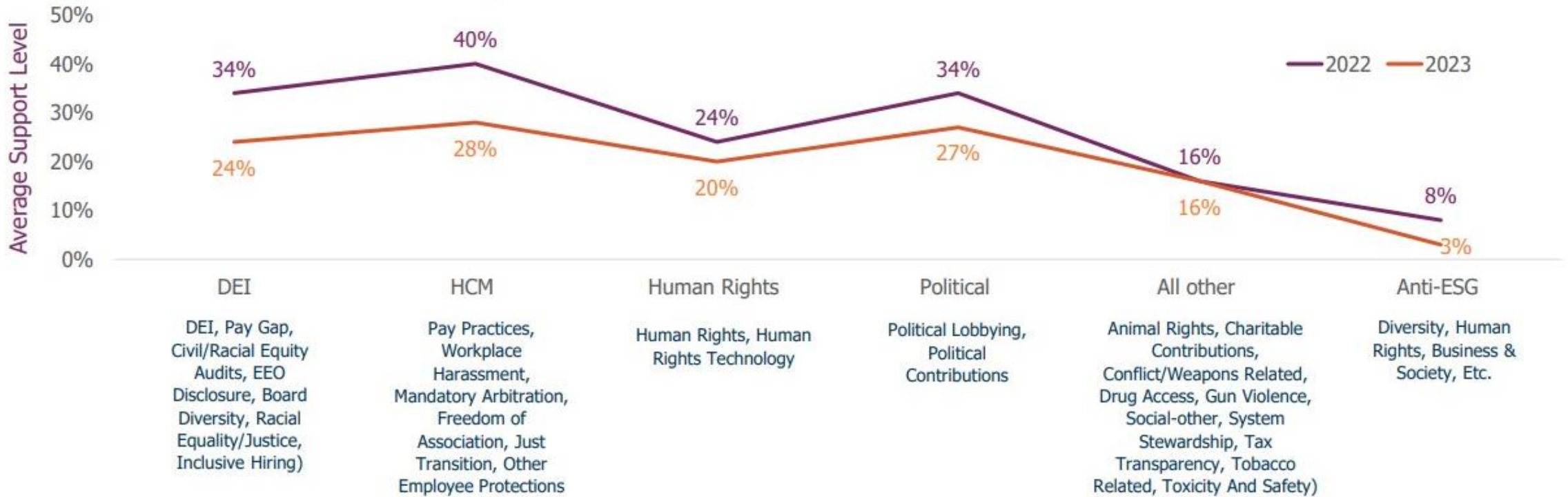
Source : Shareaction <https://shareaction.org/reports/voting-matters-2022/findings-on-social-resolutions#finding18>

DECLINING SUPPORT FOR SOCIAL RESOLUTIONS

SHAREHOLDER PROPOSALS

SOCIAL

Declining Support Across 5 of 6 Major Social Categories, 2022 – 2023



Source: Georgeson - https://content-assets.computershare.com/eh96rkuu9740/2As1wvm41yyp17TvRSyWeD/74cd8b8e07bb41414664f30b73a0333f/wrap_up_2023_v3_for_web_-_sept_22.pdf



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TRENDS AND CONCLUSION

TRENDS

ESG proposals are on the rise but approval rates are not

Anti-ESG proposals represent 10% of resolutions submitted in 2023 – they are up by 400% since 2020
→ what effect could this have in Europe?

New types of resolution are emerging (say-on-climate, health resolutions, diversity resolutions)

Asset managers are inconsistent in their votes when it comes to labor and human rights

Few laws pushing for the inclusion of ESG standards in proxy voting at global level, but we can see a few initiatives at country level:

- Spain and compulsory extra financial reports
- France and the amendment on say on climate
 - High risk of green washing with say on climate, hence the need for regulation and harmonization

CONCLUSION

What's next?

Financial institutions could be the next target

Abstentionist: Climate resolutions tend to have a higher level of abstention than regular resolutions due to conflict of interest, difficulties in analysing the resolution, abstention being part of the voting policy

Proxy voting evolving recommendations

Regulation in Europe could push the topic forward (PAI, CSRD..)

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