



**EDMOND  
DE ROTHSCHILD**

# **2017 REPORT ON EXERCISING VOTING RIGHTS**

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**April 27, 2018**

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**EDMOND DE ROTHSCHILD ASSET MANAGEMENT (FRANCE)**

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## I. BACKGROUND TO VOTING POLICY

### A. Scope of voting

The aim of being a responsible investor, Edmond de Rothschild Asset Management (France) is committed to fulfilling its shareholder responsibility. Voting at General Meetings is an essential moment to participate in companies' decision-making. This is why Edmond de Rothschild Asset Management (France) undertakes to vote uniformly on all shares held portfolios (excluding external SICAVs), regardless of their nationality, provided we hold a minimum of 0.01% of the capital and that the information provided by the issuer is sufficient and that the custodian is able to submit the voting.

### B. Voting procedures

Edmond de Rothschild Asset Management (France) generally exercises its voting rights by post. The vote is cast via the ISS voting platforms for all shares within the voting scope. ISS reviews the draft resolutions submitted to shareholders, thereby providing our fund managers with a decision-making service. For each resolution, and in accordance with the voting policy previously defined by Edmond de Rothschild Asset Management (France), the ISS platform automatically suggests a voting decision. If fund managers choose to act otherwise, they must always explain why. ISS may in no case replace our fund managers who are solely responsible for voting in the exclusive interest of shareholders or unit holders in our funds.

### C. Voting principles

To carry out its activities and investments in a socially responsible way, Edmond de Rothschild Asset Management (France) focuses on seven fundamental principles:

- **Respect of equal shareholder rights**, based on the “one share, one vote” principle;
- **Accounting integrity, continuity and transparent communication**, highlighted by the independence of the statutory auditors;
- **Separation of powers between the company's executive management and the board or supervisory board directors** in their supervisory role;
- **A transparent compensation policy** with an independent compensation committee and variable remuneration linked to precise performance targets.
- **Income attribution and the use of the company's capital in favour of shareholders and notably minority shareholders.**
- **Strategic development of the company via well-balanced and justified capital transactions;**
- **Optimal management of environmental, social and stakeholder issues in the day-to-day management of the company** and recognition of the company's liability for any mismanagement of these risks.

### D. Special case of share-blocking requirements

Some companies require shareholders to block their shares when voting. The shares remain inaccessible for lengths of time that vary widely depending on the country, issuer, custodian and sub-custodian, a period that can be as long as 10 days. While shares are generally un-blocked on the day after the Shareholders' Meeting, the start date for share-blocking varies widely.

As a result, Edmond de Rothschild Asset Management (France) votes with **at least 75% of its total shareholdings** at Shareholders' Meetings that require share-blocking. This gives fund managers some leeway with the balance.

## II. EXERCISING VOTING RIGHTS

In compliance with articles 319-22 et 321-133 of the General Regulations of the French Financial Markets Authority (*Règlement Général de l'Autorité des Marchés Financiers*), Edmond de Rothschild Asset Management (France) details herein how voting rights on financial instruments held in the funds it manages were exercised in FY 2017.

### A. Overall analysis of votes

These statistics were established with data provided by ISS.

#### 1. Actual voting at Shareholders' Meetings

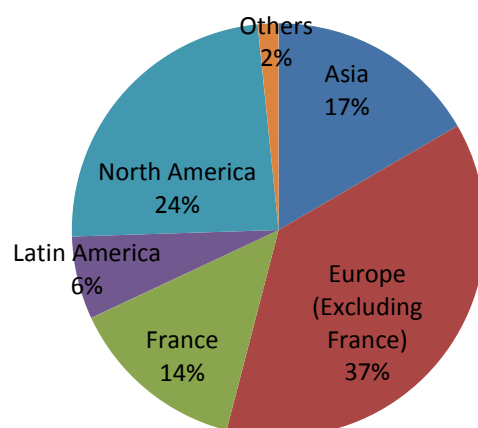
For 2017, the scope of voting was as follows:

|  | France     | Europe     | Rest of World | Total      |
|--|------------|------------|---------------|------------|
| <b>Initial scope of Shareholders' Meetings</b>                     | 70         | 202        | 268           | 540        |
| <b>Number of Shareholders' Meetings where a vote was exercised</b> | 69         | 185        | 240           | 494        |
| <b>Participation rate</b>  | <b>99%</b> | <b>92%</b> | <b>90%</b>    | <b>91%</b> |

#### 2. Geographical breakdown

| Geographical zones   | Number of Shareholders' Meetings where a vote was exercised | Initial scope of Shareholders' Meetings | Participation rate |
|----------------------|---|---|--------------------|
| Asie                 | 82  | 93                                      | <b>88%</b>         |
| Europe (Hors France) | 185   | 202                                     | <b>92%</b>         |
| France               | 69  | 70                                      | <b>99%</b>         |
| Amérique Latine      | 32  | 43                                      | <b>74%</b>         |
| Amérique du nord     | 118   | 124                                     | <b>95%</b>         |
| Autres               | 8   | 8                                       | <b>100%</b>        |
| <b>Total</b>         | <b>494</b>  | <b>540</b>                              | <b>91%</b>         |

### Geographical breakdown of voting at Annual general meetings



### 3. Voting breakdown

6227 resolutions were voted on at Shareholders' Meetings.

| Number of resolutions voted on | Yes-votes  | No-votes   | Abstentions | "One year" |
|--------------------------------|------------|------------|-------------|------------|
| 6227                           | 4652 (75%) | 1374 (22%) | 135 (2%)    | 66 (1%)    |

The total number of yes-votes represented 75% of the votes, i.e. 4,652 resolutions out of 6,227.

No-votes totalled 22%, or 1,374 resolutions out of 6,227.

| No-vote track record | No-votes | Number of resolutions | %   |
|----------------------|----------|-----------------------|-----|
| 2010                 | 1188     | 6771                  | 18% |
| 2011                 | 1055     | 7338                  | 14% |
| 2012                 | 1304     | 7873                  | 17% |
| 2013                 | 1793     | 9071                  | 20% |
| 2014                 | 1744     | 8559                  | 20% |
| 2015                 | 1807     | 9135                  | 20% |
| 2016                 | 1374     | 6352                  | 22% |
| 2017                 | 1374     | 6227                  | 22% |

#### 4. Breakdown by type of resolution

| <b>Resolution type</b>  | <b>Yes</b>  | <b>No</b>   | <b>Abstention</b> | <b>Total</b> | <b>Total (%)</b> |
|---|-------------|-------------|-------------------|--------------|------------------|
| Board of Directors/Supervisory board appointments/board attendance fees | 1975        | 528         | 113               | 2616         | 42%              |
| Capital transactions/Mergers  | 590         | 227         | 1                 | 818          | 13%              |
| Executive and employee remuneration                                     | 421         | 313         |                   | 734          | 12%              |
| Approval of accounts and income attribution                             | 660         | 8           |                   | 668          | 11%              |
| Appointment/remuneration of statutory auditors                          | 241         | 151         | 20                | 412          | 7%               |
| Statutory changes   | 270         | 29          |                   | 299          | 5%               |
| Formalities and others reasons  | 193         | 24          |                   | 217          | 4%               |
| External resolutions (not approved by the Board)                        | 123         | 43          | 1                 | 167          | 3%               |
| Approval of related party agreements (excl. remuneration)               | 120         | 21          |                   | 141          | 2%               |
| Employee shareholding   | 56          | 12          |                   | 68           | 1%               |
| Anti-takeover arrangements  | 3           | 18          |                   | 21           | 0%               |
| <b>Total votes</b>  | <b>4652</b> | <b>1374</b> | <b>135</b>        | <b>6161*</b> | <b>100%</b>      |

\*66 "One year" votes not taken into account.

## 5. Analysis of No-votes

Edmond de Rothschild Asset Management (France) voted against the following types of resolution.

| Resolution type  | No          | Percentage of total |
|--|-------------|---------------------|
| Board of Directors/Supervisory board elections or re-elections/board attendance fees | 528         | 30%                 |
| Executive and employee remuneration  | 313         | 21%                 |
| Capital transactions/Mergers   | 227         | 16%                 |
| Appointment/remuneration of statutory auditors                                       | 151         | 15%                 |
| External resolutions (not approved by the Board)                                     | 43          | 4%                  |
| Statutory changes  | 29          | 4%                  |
| Formalities and others reasons   | 24          | 2%                  |
| Approval of related party agreements (excl. remuneration)                            | 21          | 2%                  |
| Anti-takeover arrangements   | 18          | 2%                  |
| Employee shareholding  | 12          | 2%                  |
| Approval of accounts and income attribution  | 8           | 2%                  |
| <b>No-vote total (%)</b>   | <b>1374</b> | <b>100%</b>         |

- 30% of the “no” votes concerned the category for the “Board of Directors/Supervisory board elections or re-elections/board attendance fees”. Edmond de Rothschild Asset Management (France) applies a strict voting policy in this area, with a strong focus on the independence of the structures representing shareholders: Supervisory Board or Board of Directors. In general, 50% of the directors in non-controlled companies must be independent. This rate is reduced to 33% for controlled companies. If these limits are not systematically complied with, Edmond de Rothschild Asset Management (France) will vote AGAINST the appointment or renewal of certain directors. Edmond de Rothschild Asset Management (France) also pays attention to the diversity of profiles and genders within the Board of Directors, and will sanction appointments that lower the female/male ratio below 30%. Votes will also be negative when corporate officers hold too many offices (see 2018 Voting Policy for further details at [www.edram.fr](http://www.edram.fr)).
- 21% of the negative votes concerned resolutions relating to executive pay. Edmond de Rothschild Asset Management (France) initially assesses compensation based on a qualitative analysis, primarily to ensure that remuneration is aligned with performance levels and checking the quality of disclosures, which must be exhaustive and transparent. In general, votes AGAINST resolutions concerning compensation have been justified by performance criteria not being indicated for all

variable compensation components (short-term and long-term variable bonuses) or if the minimum amount of shares to be held and kept by executives has not been specified.

- “Capital transactions / mergers”, which notably include requests for capital increases, represented 227 negative votes (i.e. 16% of the total number of negative votes). All the capital operations proposed to shareholders must be strategically justified and financially balanced. Respect for shareholders' preferential subscription rights is an important criterion for capital increase operations. As Edmond de Rothschild Asset Management (France) has set maximum limits for dilution depending on the type of capital increase (with or without preferential subscription rights or priority periods), decisions to vote AGAINST are generally linked to capital increases involving excessive dilution or issue prices offering discounts that are too high. Votes concerning merger operations are determined on a case-by-case basis, depending on the operation's rationale and potential value creation for shareholders.
- Resolutions concerning the reappointment of statutory auditors are regularly subject to negative votes, most frequently due to excessive seniority, and they represented 15% of the negative votes in 2017. The voting policy applied by Edmond de Rothschild Asset Management (France) sets a maximum limit of 15 years, above which the statutory auditors' independence may be called into question. In addition, if the percentage of fees relating to services other than auditing (often consulting) represents more than 20% of total fees paid by the Group to each of its auditors, Edmond de Rothschild Asset Management (France) will vote against the renewal of the Statutory Auditor.

These four categories account for 82% of the “no” votes applied by Edmond de Rothschild Asset Management (France).

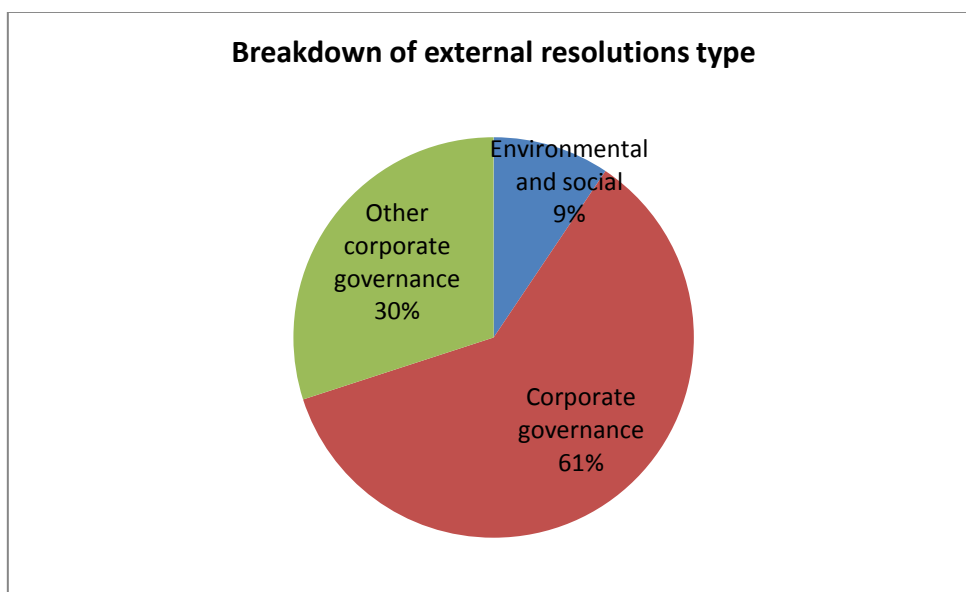
#### 6. Resolutions submitted by shareholders (not approved by the board)

In 2017, Edmond de Rothschild Asset Management (France) voted on 170 external resolutions submitted by shareholders, representing 2.7% of the total resolutions voted on, of which:

- 125 yes-votes,
- 44 no-votes,
- 1 abstention.

| Types of external resolutions                | Yes        | No        | Abstention | Total      |
|--|------------|-----------|------------|------------|
| Election/re-election of corporate officers   | 71         | 18        | 1          | 90         |
| Executive and director remuneration policies | 7          | 6         |            | 13         |
| Environmental and social resolutions         | 14         | 2         |            | 16         |
| Other corporate governance resolutions       | 33         | 18        |            | 51         |
| <b>Total</b>                                 | <b>125</b> | <b>44</b> | <b>1</b>   | <b>170</b> |





As for resolutions submitted by company management teams, Edmond de Rothschild Asset Management (France) will vote in line with its voting policy and core principles.

The vast majority of resolutions submitted by shareholders concern the Governance pillar, which represents 90% of these external resolutions.

57 external resolutions in 2017, i.e. 1/3 of the total, are Italian and correspond in particular to the Voto di Lista. In Italy, shareholders (often the majority shareholder and a coalition of minority shareholders) put forward the lists of directors to elect. The directors on the list with the most votes are elected. However, at least one director from the list that finishes in second place is also elected. This mechanism ensures that minority shareholders are represented on the Board of Directors. In general, Edmond de Rothschild Asset Management (France) votes in favour of the list presented by minority shareholders if the profile of the directors proposed is consistent.

External resolutions are also largely represented in the US (49% of the external resolutions in our scope). The US has more flexible regulation for resolutions submitted by shareholders. Resolutions submitted by external shareholders can also be seen in other countries such as Sweden, China, France or Brazil.

Edmond de Rothschild Asset Management (France) has received eight resolutions from external shareholders requesting to lower the threshold of capital held to call an Extraordinary General Meeting. This was particularly the case at the General Shareholders' Meetings of **Bristol Myers Squibb, Caterpillar Inc, IBM, JP Morgan Chase and MetLife**. As long as the shareholding threshold is not too low as a condition for convening an Extraordinary General Meeting, and does not interfere with the Group's management, Edmond de Rothschild is in favour of such shareholder democracy. In the US, this threshold is determined in a statutory manner in some states. Edmond de Rothschild Asset Management (France) has aligned the percentage required with that in force in the states where the law is explicit, i.e. 10%. Such resolutions from shareholders have all been approved by Edmond de Rothschild Asset Management (France) when the threshold requested has been greater than or equal to that dictated by our voting policy.

11 external resolutions correspond to environmental resolutions and concern US (9) and English (2) companies.

During the General Shareholders' Meeting of **Chevron Corporation** on 31 May 2017, the shareholders submitted five resolutions, among which two were related to environmental issues. The first was a request for a report that the company could provide to evaluate the impact of climate change and of energy transition on its activities. In line with its voting policy, always requesting more information on climate impacts, Edmond de Rothschild Asset Management (France) voted to approve this resolution. The second environmental resolution requested the opportunity to elect a director with environmental expertise to the Board of Directors. Given the fact that Chevron is involved in

environmental controversies and its operations are subject to environmental risks, Edmond de Rothschild Asset Management (France) voted to approve this resolution as well.

## **B. Exceptions to the voting policy**

The number of votes deviating from our official voting policy represented **0,88%** in 2017, or **55 resolutions**. The divergence is therefore very limited and systematically justified.

The main cases for differing from the policy concern the appointment and renewal of directors and their compensation, with **17** votes not following the recommendations from the internal voting policy. These differences can be seen in both directions (voting FOR when the voting policy recommends voting AGAINST or vice versa) and are linked to different ways of interpreting the concept of independence, or more qualitative assessments by Edmond de Rothschild Asset Management (France) managers concerning candidates for positions as directors who may or may not appear to be in the best interests of the company and the shareholders.

The second cause of divergence from the voting policy concerns resolutions of association of Directors and employees with the capital of the company or resolutions relating to executive compensation with **14** contradictory votes. The fund managers appreciate these resolutions with regard to the voting policy but also with regard to the specificities of the company, its size, its sector of activity and its country of affiliation.

## **C. Conflicts of interest**

Edmond de Rothschild Asset Management (France) has made arrangements to detect and prevent any conflicts of interest that might arise with a mapping of potential cases and a system to resolve any conflicts. Moreover, the Compliance and Permanent Control department at Edmond de Rothschild (France) keeps a register of conflicts of interest for Edmond de Rothschild Asset Management (France).

In addition, Edmond de Rothschild Asset Management (France) is geographically isolated from other Edmond de Rothschild Group businesses which might give rise to conflicts of interest.

We also have strict rules to ensure fund manager remain objective and put investors' interests first:

- Edmond de Rothschild Asset Management (France) has no proprietary trading activity; trading is exclusively carried out for the account of clients and is centralised at the Edmond de Rothschild (France) dealing desk.
- A portfolio manager may not invest in any Edmond de Rothschild Group listed or unlisted companies nor in any companies linked to the Group;
- Portfolio manager remuneration is not linked to commissions generated by trading activities.
- Portfolio managers cannot sit on the boards of listed companies held by portfolios they manage.

In 2017, Edmond de Rothschild Asset Management (France) encountered no conflicts of interest that were not satisfactorily resolved.

### III. CHANGES TO VOTING POLICY

Edmond de Rothschild Asset Management has an in-house Voting and Engagement Committee, made up of at least one member of the Executive Board, the Chief Investment Officer, the various regional investment heads, the head of Internal Control, a member of the Operations department and a fund manager from the SRI team. The committee meets at least twice a year. Its main mission is to ensure compliance with the voting policy and to adapt this policy to any new resolutions that might be tabled.

This committee gave rise to changes in the voting policy that are applicable as of 2018. Here are the recorded changes:

- Regarding the female representation policy for the Board of Directors, Edmond De Rothschild Asset Management (France) shall vote against a Director if their election would lower the female/male ratio to below 30%. However, certain countries (such as Canada) require companies to implement a female representation policy for the Board of Directors with specific objectives (short and medium term). It was therefore decided to vote against the renewal of the Chair of the Board of Appointments, if the company has not implemented a female representation policy in the countries affected by such legislation.
- Moreover, some companies started to implement virtual or online General Shareholders' Meetings either in addition to or as a replacement for General Shareholders' Meetings requiring a physical presence. In order to not alter the dialogue between shareholders and the company, it was decided to vote against proposals of "100% virtual" General Shareholders' Meetings and to vote to approve proposals of "hybrid" General Shareholders' Meetings, i.e. virtual and physical meetings.

#### IV. FROM VOTING AT GENERAL MEETINGS TO DIALOGUE WITH COMPANIES

As a responsible investor, Edmond de Rothschild Asset Management (France) has always been determined to meet its responsibilities as a shareholder. The best way to do this today is still to take an active part in a company's decision-making processes by (i) voting at its shareholders' meetings and (ii) promoting constructive dialogue with issuers on corporate governance issues, thereby enabling our voting policy to be improved and the principles which it enshrines to be applied to actual cases. We are also working to extend this voting policy to new areas of social responsibility.

##### A. Financial dialogue

Edmond de Rothschild Asset Management (France) stands apart for its conviction-driven asset management based on frequent meetings between our fund managers and listed companies. Our investment teams had more than 1,369 company meetings in 2017:

Company meetings in 2017

|                             | <b>One-on-one meetings</b> | <b>Plenary meetings</b> | <b>Total</b> |
|-----------------------------|----------------------------|-------------------------|--------------|
| Europe Large & Mid Cap team | 184                        | 421                     | 605          |
| Commodities team            | 95                         | 70                      | 165          |
| Emerging markets team       | 74                         | 33                      | 107          |
| Global team                 | 284                        | 208                     | 492          |
| <b>Total</b>                | <b>637</b>                 | <b>732</b>              | <b>1369</b>  |

These meetings enhance our understanding of strategic and financial challenges facing companies; along with the aforementioned voting policy, they also help inform our voting decisions at shareholders' meetings.

##### B. Dialogue ahead of Shareholders' Meetings

In 2017, our fund managers continued to discuss matters with companies before shareholders' meetings. Companies are increasingly keen to explain tabled resolutions and understand the principles behind the voting policies of their minority shareholders.

Discussions generally cover re-elections of directors as our voting policy requires a certain percentage of independent board members depending on the company's shareholder structure. At the same time, the maximum dilution levels set by the fund managers in the voting policy often result in our voting against resolutions on capital increase. There has been a remarkable shift in practices and we note a significant reduction in no-votes on these subjects due to companies adopting governance standards that more and more investors now monitor. In anticipation of a new law, companies have moved quickly to increase the number of women on boards.

6 French companies, wanted to talk to the fund managers of Edmond de Rothschild Asset Management (France) in order to discuss the resolutions they submitted to the shareholders' vote. Between March and May 2017, meetings were held with the following companies in preparation for the General Meetings: **Renault, Thalès, Worldline, Cap Gemini, Saint Gobain and Vivendi**. This constructive dialogue is illustrated through the 2 examples below:

## **SAINT GOBAIN**

*Group meeting on 12/12/2018 with Antoine Vignial, Secretary General, and Vivien Dardel, Head of RI*

Ahead of the meeting, the company wanted to talk to/discuss with investors. The resolutions concerned the organisation of the Board and the counter powers that balance the role of Chairman and Chief Executive Officer: independence from the Board of Directors, appointment of an independent lead director (after discussion with investors), limits on the powers of the CEO in the Articles of Association, “executive sessions”, etc. The 2018 AG is expected to rename Mr de Chalendar as CEO. No other controversial resolutions are expected.

Saint-Gobain co-opted Dominique Leroy, allowing the Board to maintain its proportion of women above 40%. She brings experience to the Board in the areas of distribution and digital from her current role as CEO.

Following the vote on remuneration, even though it was widely accepted, and discussions with investors, the Group is going to improve the remuneration policy, focussing in particular on long-term variable remuneration. It shall achieve this by switching to “no pay below median” and by prorating performance shares in the event of departure.

We continued to request more information on the qualitative part of the bonus, in particular on the CSR criterion. This qualitative part requires flexibility and too much transparency would be counterproductive (for example, the Sika issue). However, the company has introduced a CSR criterion corresponding to 15% of the plan based on security (TF2), emissions and diversity. Another interesting aspect is the CSR training that will be given to all directors in 2018 ( a half day).

The Group has developed a four-month cybersecurity programme, which was validated by ANSSI and will be audited in 2018. The Director of Security is part of the General Management Committee and reports to the Executive Committee.

## **VIVENDI**

*Calls on 29/03 and 24/04*

The meeting covered the composition of the Board, remuneration and capital transactions. Regarding the Board of Directors, the departures and the appointment of Yannick Bolloré resulted in a sharp decrease in the independence of the Board, which remains, however, above 50% (this is calculated excluding employee representatives and employee shareholders).

It should be noted that out of 3.2% of employee shareholders held via a FCPE fund, approximately 2.1% are elected by the Supervisory Board of the Fund and 1.1% through a direct vote by the shareholders. We also noted the influence of Bolloré’s entourage on the Board.

Thereafter, we requested explanations on remuneration, in particular on the increase in fixed remuneration. This increase in fixed remuneration is associated with the decrease of the bonus target and maximum bonus, and of the amounts of performance shares. It rebalances these different parts, but the overall remuneration package remains the same. However, the Group is aware that the timing may not be well received.

Vivendi recalls that according to the Say on Pay law, shareholders are in any case obliged to approve the determined remuneration and may thus oppose to it if they so wish.

The possible resolutions on capital during the offering period (capital increase rejected in 2016 in particular, and redemption) are not intended to be poison pills and should not result in the failure of an offer, if necessary. The position of Edmond de Rothschild Asset Management (France) seems dogmatic to them. We reminded that possible transactions on the capital during the offering period become very rare in French general meetings and are rejected by the majority of investors.

### C. Extra-financial dialogue

Edmond de Rothschild Euro Sustainable Growth fund has been awarded the public label ISR in September 2017. As part of its investment process, Edmond de Rothschild Asset Management (France) has developed a positive selection aimed at investing in companies that have the most dynamic approach to environmental, social, governance and stakeholder challenges.

The RI (Responsible Investment) team performs an analysis of the securities in its universe on the basis of pre-defined ESG (Environmental, Social, Governance) sub-criteria in order to establish an extra-financial rating for each company. This rating requires a thorough fundamental analysis and a meeting with the management of the companies. Meetings on extra-financial topics allow for dialogue with counterparts, who are often specialists in some of these areas, they can be sustainable development directors, human resources directors, lawyers, or environmental fund managers.

In 2017, the RI team recorded 109 meetings and visits to companies on extra-financial topics for which the main counterparts were the Directors of Sustainable Development. Here are a few illustrations:

#### **TOTAL**

*Meeting on 23 May 2017 with Vincent Dufief, CSR Investor Relations Manager.*

The RI team met TOTAL as part of their exploration project in Brazil called Foz Do Amazonas. The project in question is still in the exploration stage. Total obtained the licenses in 2013, after having conducted its feasibility and impact studies, the Group filed a request for exploration and were still awaiting a response from the Brazilian Environmental Ministry. Total says it will not do anything without the approval of the Brazilian government, which has taken into account the concerns of Greenpeace. The file is being assessed. Total indicates that the coral reef concerned was discovered in the 70s, and the Group has also taken that into account in its impact study. 58 assessments with local stakeholders were conducted by the Group prior to submitting its application for exploration. Total applies its security rules globally, regardless of the country concerned. The same measures that are applied in the most stringent HSE regions are replicated everywhere. The means of protection are pooled between the various tankers in the area and thus reinforced.

In response to the team's questions, Total indicated that it has not evaluated – or at least it has not communicated externally – the financial cost of any major pollution in this high biodiversity ecosystem (Mangrove at 120/180km, coral reef at 30km). In the region, there are two environmental pollutions with high financial materiality (BP/Gulf of Mexico and the Samarco/Vale-BHP dam). Total does not make any link between this project off the Brazilian coast and a similar exploration project off French Guyana (refused by the Environmental Minister of the previous government).

#### **BNP PARIBAS**

*Meeting with Mr Lemierre (Chairman) on 15/03/2018*

The implementation of a carbon price in the credit selection process is interesting. Tests will be conducted. We are curious to see how the Group will fulfil its commitment to finance the Energy sector in line with the 2°C scenario of the IEA.

The remuneration of the client managers would not be linked to a contract, but to the development of a “customer relationship”. This approach is encouraging, but we would appreciate a little more precision.

BNP PARIBAS seems to want to go further than what is required by the Ecuador Principles in terms of public consent. We regretted their reluctant answers about tax evasion.

#### **ENI**

*Group meeting on 02/02/2017 with Emma Marcegaglia, Chairman, and Francesco Gattei, IR*

Governance: In 2016, ENI was the first Italian company to obtain ISO 37001 certification – “Antibribery Management Systems”. Ms Marcegaglia’s mandate, after the numerous scandals suffered by the Group, was to overhaul the organisation of internal control within the Group. The Group’s internal control has now been reformed; Risk and internal control managers report directly to the CEO. A range of whistleblowing channels and awareness raising campaigns have been implemented. Definition of at-risk personnel including external intermediaries. Nevertheless too many cases are still ongoing to really judge Ms Marcegaglia’s impact in strengthening the internal control systems at ENI.

Regarding Karina Litvack (she chaired ENI’s Control and Risk Committee), her withdrawal and the ongoing investigation: ENI remains evasive. She will continue to work on some projects. Her legal fees are paid by ENI (and not by the insurance company as suggested in September). She will regain her place on the ENI Board at the end of the investigation.

Regarding the remuneration of the COMEX: ENI will introduce an equity component to the long-term remuneration. The LT bonus is triggered only if ENI ranks among the top 5 majors (out of 7). The Board is thinking about setting the trigger from the median. Investors insisted on the need to reduce the weight of the replacement ratio in the remuneration to favour cash flow indicators.

Environment: ENI defends the resilience of its portfolio with a mix of production containing increasingly more natural gas (58%) and the lowest production costs of the majors. The Group says it is testing its portfolio against the 450ppm scenario from the IEA. It is considering publishing the results of the various scenarios it has tested. For Goliat (Offshore, Norway), ENI has enhanced its communication. The subject is taken seriously. The concerns would be mainly related to extreme weather conditions (while the report from the Norwegian security agency blames the organisation). The Norwegian government has given the green light to resume operations.

We noted that ENI is one of the few majors not to publish indicators related to Process Safety. The Group commits to better communicating these indicators.



## V. FROM ACTIVE DIALOGUE TO ENGAGEMENT

### ***Edmond de Rothschild Tricolore Rendement: an engagement approach***

This consists of engaging a **constructive, medium to long-term dialogue with companies owned by the fund on specific ESG and stakeholder issues so as to encourage them to improve business practices.**

Edmond de Rothschild Asset Management's engagement policy on French stocks has a dual objective:

- Encouraging companies to communicate on ESG and stakeholder issues identified by Edmond de Rothschild Asset Management (France), so that they improve practices, transparency and understanding of ESG and stakeholder issues.
- Enhancing the Edmond de Rothschild Tricolore Rendement fund's investment process by integrating ESG and stakeholder criteria in company analysis, and using ESG and stakeholder engagement to promote awareness of, and improvements in, business practice, while helping to rerate the share price, in line with the fund's investment style and objectives.

In 2017, 4 engagement processes with Atos, Crédit Agricole, Saint Gobain et SoLocal et 1 collective engagement process with Accor were initiated and completed.

### **ACCOR**

In partnership with PhiTrust, and in parallel with a dialogue with ACCOR, we sent an application for inclusion in the agenda of a suggested resolution. The resolution proposes a vote on the adoption of single voting rights, as well as the consequential amendment of the Articles of Association. The single voting right would make it possible to eventually avoid that a reference shareholder, via the double voting rights mechanism, is able to benefit from a blocking minority in a general meeting while escaping from the obligation to launch a mandatory public offer and having to pay the price.

The resolution was accepted, but despite support from 52.4% of the shareholders, it could not be adopted unfortunately, as an amendment to the Articles of Association requires a two-thirds majority.

### **ATOS**

The fund managers had a discussion with Atos about the challenges they face in attracting and retaining employees.

Above all, Atos notes that the various acquisitions bring a high volatility to social numbers and indicators. The first step is to attract young graduates by having a strong link with 25 prestigious universities and other universities which are monitored by a member of the executive committee, and 100 other schools and universities which are monitored more locally. Approximately 1000 young graduates or trainees are hired each year. Job offers are made to more than 50% of interns at the end of their internships.

Career management involves bi-annual interviews (monitoring 84% of employees) and individual development plans if necessary. Each year, the results of the talent review are presented to the Comex.

In terms of internal mobility, we note the objective of 80% of vacant positions being filled internally.

In terms of talent retention, 30% of employees have variable remuneration based on individual and group performance, a company savings plan is offered to 80% of employees, and a performance-based share plan is offered to certain experts and managers. 1.7% of the capital is held by employee funds, while 2-3% of the capital is in addition held by own employees through these or other share performance plans. Employee share plans have been more popular since Atos started offering a contribution.

In terms of overall employee satisfaction, Atos is conducting the "Great place to work" survey and notes that the timing was not ideal since it took place just after the integration of new employees,



which therefore lowers the participation rate. 54% of employees responded positively or very positively, a rate that stood at 46% in 2011. The negative response rate has dropped significantly and the answers to the questions about respect for the person and diversity are very positive.

Finally, Atos explained that the drop in training hours in 2016 was because 2015 had been an exceptional year in terms of training with a strong focus on newcomers.

### **CREDIT AGRICOLE**

The purpose of the engagement with regards to Crédit Agricole's management was to address governance issues (composition of the large and undiversified Board of Directors, simplification of the current capital and operating structure), and environmental issues (the Group's involvement in the financing of the energy transition).

### **SAINT GOBAIN**

The fund managers of Edmond de Rothschild Asset Management (France) spoke with the management of Saint Gobain about their proposed acquisition of the Swiss group Sika, in which Saint Gobain was bogged down with multiple complications relating to the legal proceedings initiated by Sika's management to counter Saint Gobain's offer. This project weighs on Saint Gobain's valuation and on the Group's image of its governance practices.

### **SOLOCAL**

The fund managers of Edmond de Rothschild Asset Management (France) have been very involved in supporting the financial restructuring (participation in the capital increase launched by the group), and supporting the managerial transition and restructuring that is currently underway. Edmond de Rothschild Asset Management (France)'s unfavourable vote on Jean-Pierre Remy's compensation plan contributed to his departure, and in the wake of that the departure of a large part of the operational team and the Board of Directors. The fund managers then had regular discussions with the new Chairman of the Board of Directors, Pierre Danon, particularly about the "LTIP" (Long Term Incentive Plan) of the new CEO Eric Boustouller.

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