



Report on Voting and Engagement

As of 31 December 2019

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In accordance with the General Regulation of the Autorité des Marchés Financiers, La Financière de l'Echiquier hereby informs you of the conditions under which it exercised voting rights at the annual general meetings of issuers in which the UCITS funds it manages are shareholders. The report also contains information about the implementation of its shareholder engagement policy.

This report covers 2019.

The companies mentioned in this report were held in the portfolios of the LFDE UCITS at the time of the annual general meetings; their continued presence in the portfolios is not guaranteed over time.

Data as of 31 December 2019

By: Antoine FABRE and Coline PAVOT - La Financière de l'Echiquier

1. IN BRIEF

La Financière de l'Echiquier has been a **recognised player in responsible investment** for over 12 years. It was one of the earliest signatories of the United Nations Principles for Responsible Investment in the Paris market, in 2008.

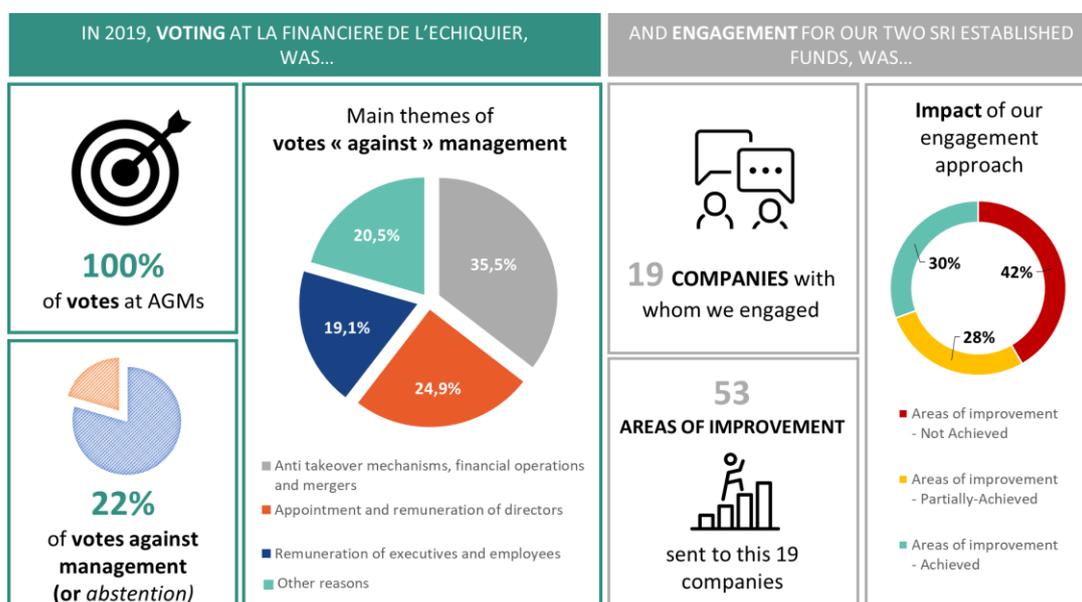
La Financière de l'Echiquier's first experimental SRI UCITS were launched in 2010. As of 31 December 2019, **there were 6 UCITS in LFDE'S SRI labelled fund range**: Echiquier Major SRI Growth Europe, Echiquier Alpha Major SRI, Echiquier Positive Impact Europe, Echiquier Agenor SRI Mid Cap Europe, Echiquier Agenor Euro SRI Mid Cap and Echiquier Credit Europe SRI.

Central to our approach as a responsible investor is the desire to provide long-term support to companies to help them improve both their governance model and their environmental and social practices. This desire is driven by the belief that **good ESG practices are a source of financial performance**. The link between SRI and financial performance was demonstrated in La Financière de l'Echiquier's "SRI & Performance" study, published in 2019 and available on our website in the "[Responsible Investment](#)" section of the page "[To find out more](#)", under the heading "LFDE Documents – General approach."

This conviction is reflected in the **systematic exercise of voting rights** at AGMs and a **shareholder engagement policy** with companies in which La Financière de l'Echiquier invests. Voting and engagement are in our view an integral part of the responsibility of an investor, especially a responsible investor:

- We believe that every shareholder has a duty to **vote at annual general meetings**. That is why we have undertaken to vote systematically at all annual general meetings of the companies in our actively managed portfolios.
- **Shareholder engagement** has been central to our relationship with companies since 2013. To achieve this, as part of each SRI UCITS fund's approach, we engage with investee companies and together identify specific areas of improvement. These areas of improvement are specified as targets for companies to pursue on non-financial issues, which we follow up over time.

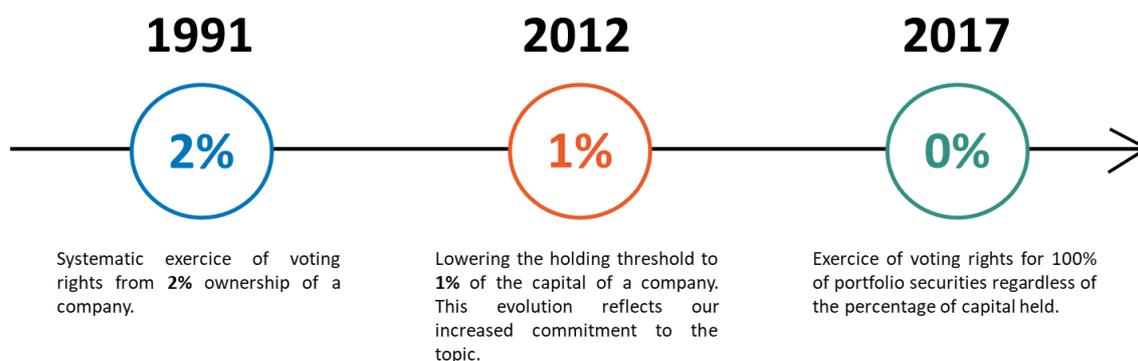
The figures below illustrate the main impacts and outcomes of our voting and engagement process in 2019:



2. PRINCIPLES OF THE VOTING POLICY

Voting in AGMs is an integral part of our responsible investor approach. Since its creation, La Financière de l'Echiquier has developed its own voting policy. We believe the exercise of voting rights to be fundamental, because the resolutions presented at AGMs are decisive in the life of companies.

Since 2017, La Financière de l'Echiquier has undertaken to implement all the means necessary to vote systematically in all AGMs. The chart below sets out the major developments in our voting policy:



Source: La Financière de l'Echiquier

Our determination to vote systematically regardless of the percentage interest in the share capital dovetails with the implementation of a comprehensive ESG integration policy. In late 2017, La Financière de l'Echiquier formalised its ESG integration approach by making voting and ESG analysis systematic for all its actively managed portfolios.

The exercise of voting rights has been purposefully organised in a decentralised manner so that each fund manager and analyst votes for the companies in which he or she has a direct involvement. We believe it is essential to have **thorough knowledge of companies** and **to follow them over time** so that we can grasp the challenges faced and make the appropriate decisions – for both the company and our clients – as minority shareholders at annual general meetings. This organisational structure involves the whole management team, with the support of the SRI team, supported by the translation of our voting policy into voting recommendations on ISS's ProxyExchange platform.

During the annual general meeting season and in addition to the exercise of voting rights, it is common for La Financière de l'Echiquier analysts and fund managers to **engage in dialogue with companies**. Dialogue can take place before the AGM or following the exercise of voting rights. Its purpose is to provide the company with long-term support in drafting its resolutions and in adopting a transparent approach with its shareholders in its AGMs.

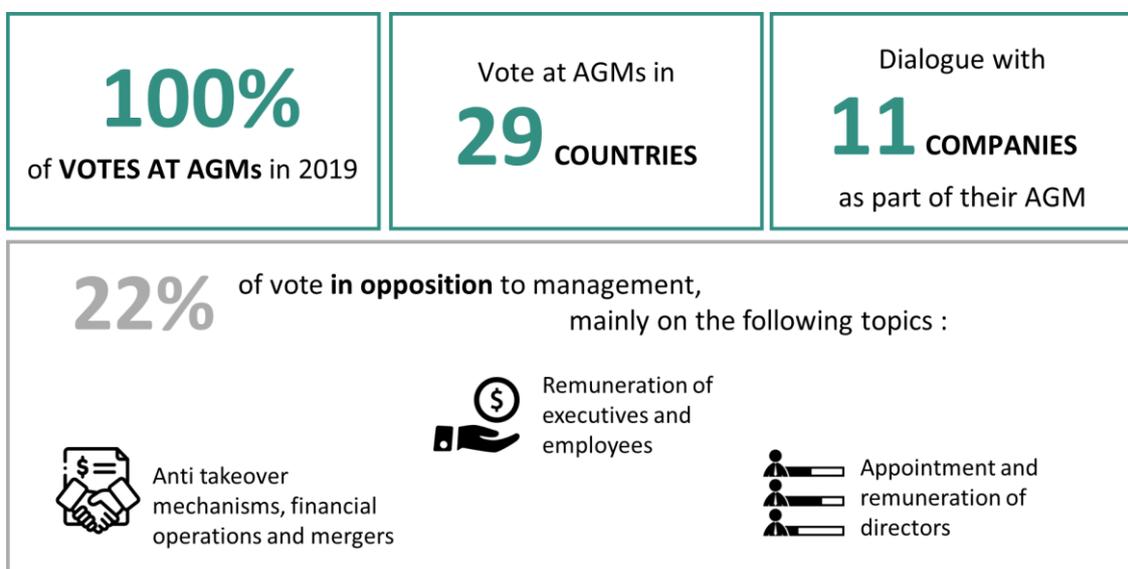
Data presented in this report relate to all the investment funds covered by our voting policy, which corresponds to **90%** of La Financière de l'Echiquier's assets under management as of 31 December 2019. UCITS managed under quantitative and macro-economic strategies, the Africa theme, and funds of funds are not covered by our voting policy.

You can find our voting and engagement policy on our website in the "[Responsible Investment](#)" section of the page [To find our more](#)" under the heading "LFDE Documents – Shareholder dialogue".

3. EXERCISE OF VOTING RIGHTS IN 2019

3.1 IN BRIEF

In 2019, La Financière de l'Echiquier's voting record was as follows:



Source: La Financière de l'Echiquier
AGM = Annual General Meetings

3.2 VOTING RECORD 2019 - LA FINANCIERE DE L'ECHIQUIER SCOPE

In 2019, we voted at **363** general meetings on **5,315** resolutions, which represents **100%** of the companies within our voting scope. According to the AFG (Association Française de Gestion Financière), French portfolio managers voted 74% of the voting rights on shares in their portfolios in 2018, continuing the rising trend of recent years.

The main figures reflecting La Financière de l'Echiquier's voting activity in 2019 (comparison with 2018) are as follows:

	2018	2019
Number of AGMs voted	301	363
o/w France	114	128
o/w International	187	235
Number of resolutions voted	4 555	5 315
including votes against management (or absention)	20,7%	22,1%

Source: La Financière de l'Echiquier
Data from 01/01/2019 to 31/12/2019

There was an increase in the number of AGMs voted between 2018 and 2019 (+21%). This is due to the creation of new strategies at La Financière de l'Echiquier, such as Echiquier Artificial Intelligence.

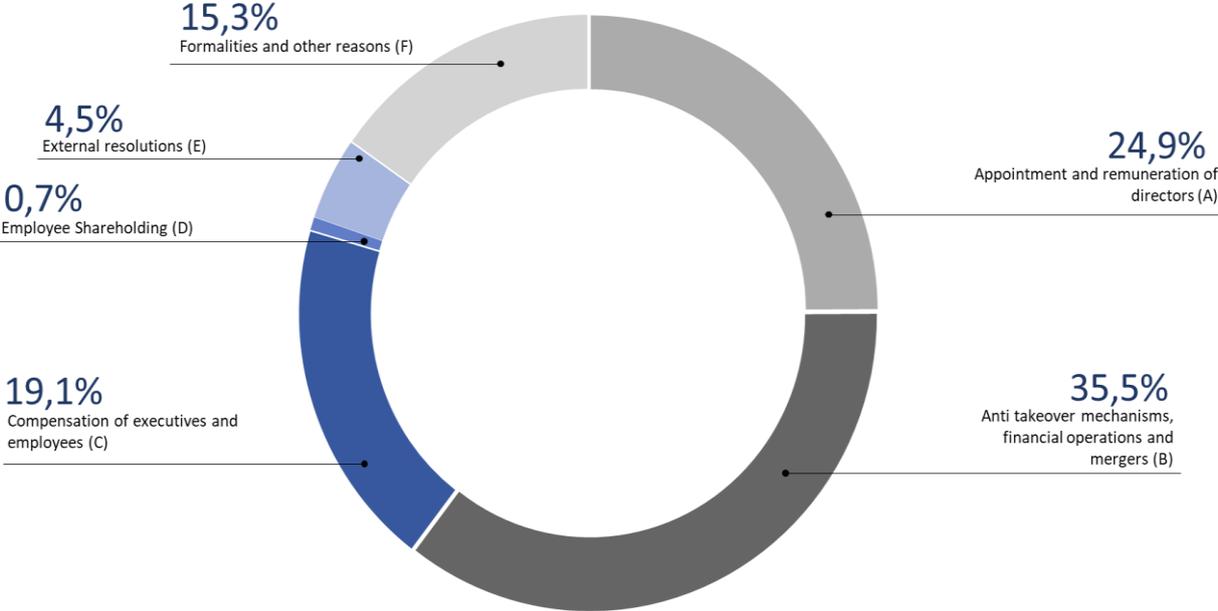
Number of AGMs at which La Financière de l'Echiquier voted in the last five years:



Source: La Financière de l'Echiquier

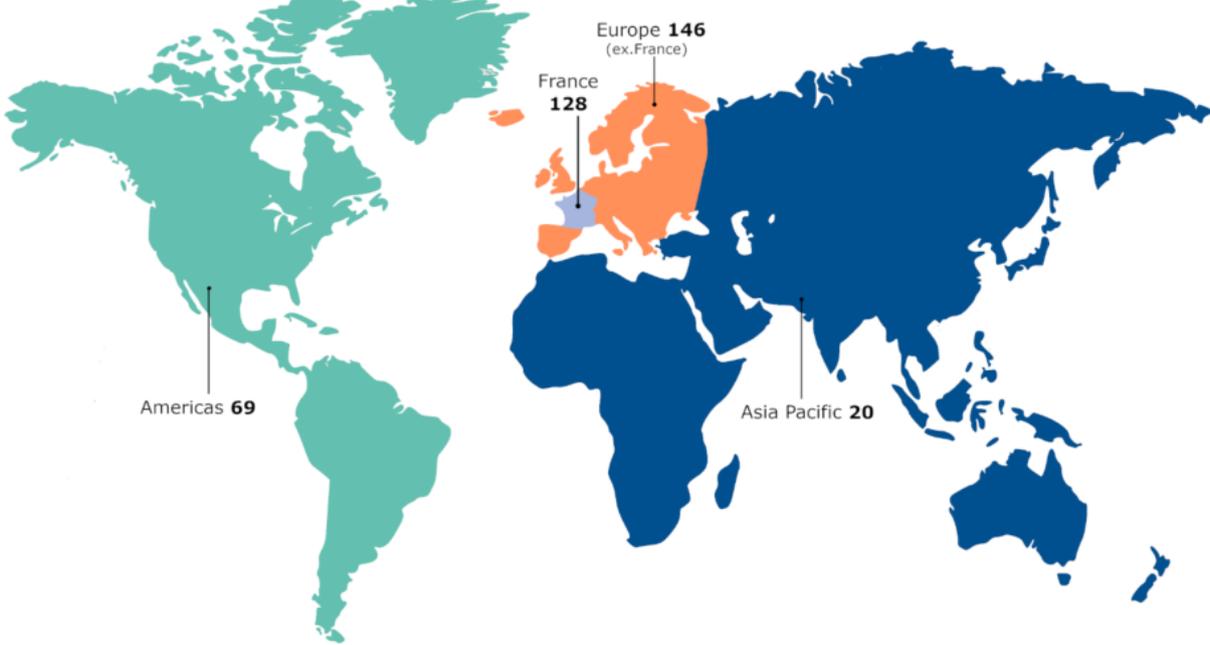
In 2019, La Financière de l'Echiquier voted "against" (or abstained) **22%** of the resolutions on which it expressed a view. Abstention is very rare (1.5% of votes in 2019). By way of comparison, AFG figures indicate the average percentage of votes "against" by all French portfolio managers in 2018 was 19% (with 1% abstentions).

The main themes of the votes "against" are summarised in the chart below:



Source: La Financière de l'Echiquier
 Data from 01/01/2019 to 31/12/2019
 (X): AFG classification of reasons for "No" votes

Geographical breakdown of votes during the year:



Source: La Financière de l'Echiquier
Data from 01/01/2019 to 31/12/2019

We sometimes have to go against our voting policy. We try to minimise situations of this nature, but case-by-case analysis of companies' specific features sometimes prompts us to **disregard our policy**. Such situations are highly regulated, and each such vote must be justified by the fund manager and/or the analyst responsible for the vote. In 2019, this happened in **2.4%** for La Financière de l'Echiquier as a whole.

In view of the large volume of annual general meetings at which we have to vote, we seldom attend in person. However, in 2019, a member of the portfolio management team attended **1** AGM, that of **Groupe Guillin**.

La Financière de l'Echiquier did not identify any conflicts of interest in the votes cast in 2019.

3.3 VOTING RECORD 2019 – UCITS SCOPE

The entire fund management team is involved in the exercise of voting rights. Everyone is responsible for the smooth running of voting at annual general meetings for the stocks for which they are responsible.

The table below shows the key figures illustrating the breakdown by UCITS of **La Financière de l’Echiquier's voting record** in 2019 (compared with 2018), within **the scope of our equity UCITS and SRI labelled UCITS**:

	2018		2019	
	% of votes at AGMs	% de votes "against" (or abstention)	% of votes at AGMs	% de votes "against" (or abstention)
IMPACT INVESTING				
x Echiquier Positive Impact Europe	100%	14,8%	100%	14,0% ↘
SRI				
x Echiquier Agenor Euro SRI Mid Cap	-*	-*	100%	20,0%
x Echiquier Agenor SRI Mid Cap Europe (1)	100%	18,2%	100%	17,4% ↘
x Echiquier Alpha Major SRI	-*	-*	100%	13,5%
x Echiquier Major SRI Growth Europe (1)	100%	18,8%	100%	17,7% ↘
x Echiquier Credit Europe SRI	100%	0,0%	100%	0,0%
ESG INTEGRATION (2)				
x Echiquier Agressor et Agressor PEA	100%	19,1%	100%	23,1% ↗
x Echiquier Artificial Intelligence	100%	7,8%	100%	17,6% ↗
x Echiquier Entrepreneurs	100%	19,6%	100%	14,7% ↘
x Echiquier Excelsior	100%	21,0%	100%	16,1% ↘
x Echiquier Luxury	-*	-*	100%	27,9%
x Echiquier Robotics	-*	-*	100%	21,8%
x Echiquier USA	-*	-*	100%	23,4%
x Echiquier Value Euro	100%	24,1%	100%	28,6% ↗
x Echiquier World Equity Growth	100%	11,6%	100%	26,1% ↗
x Echiquier World Next Leaders	-*	-*	100%	17,8%

Source: La Financière de l’Echiquier
Data from 01/01/2019 to 31/12/2019

* The Echiquier Agenor Euro SRI Mid Cap, Echiquier Alpha Major, Echiquier Luxury, Echiquier Robotics, Echiquier USA and Echiquier World Next Leaders funds were created in 2019 and therefore have no votes recorded for 2018.

(1) The voting figures for the two subfunds of the Luxembourg SICAV - Echiquier Agenor SRI Mid Cap Europe Fund and Echiquier Major SRI Growth Europe Fund - are identical to the figures in the table.

(2) Balanced UCITS subject to ESG integration are not shown here but also voted at 100% of their AGMs in 2019.

Also, as regards our six SRI UCITS in 2019:

	Number of AGMs voted	Number of resolutions voted	% of votes at AGMs
IMPACT INVESTING			
x Echiquier Positive Impact Europe	41	705	100%
SRI			
x Echiquier Agenor Euro SRI Mid Cap	32	428	100%
x Echiquier Agenor SRI Mid Cap Europe	33	520	100%
x Echiquier Alpha Major SRI	23	347	100%
x Echiquier Major SRI Growth Europe	38	612	100%
x Echiquier Credit Europe SRI	4	12	100%

Echiquier Credit Europe SRI is included in both the above tables as it is an SRI labelled fixed-income UCITS for which we voted at 100% of AGMs where we were entitled. The absolute number of AGMs involved, however, is very small because of the asset class: 0 in 2018 and 4 in 2019.

Trends of our voting policy (systematic voting regardless of the percentage of capital held) are reflected in the voting data for all UCITS. **The objective of voting at all AGMs has been reached for each UCITS.** However, this trend has not undermined the attention paid to each resolution, as evidenced by the increase in cases in which we voted against the management (or abstained). Among our SRI UCITS, note that the percentage of votes “against” is below the average for our other UCITS. This is because one of the key criteria for selecting companies for these UCITS is the quality of their governance. This in turn reduces the risk of opposition to management at annual general meetings, as reflected in these figures.

Where we did vote against, it is very common that a dialogue on the reasons took place with the company at the AGM or during a company meeting dealing with non-financial issues.

3.4 SHAREHOLDER DIALOGUE IN THE EXERCISE OF VOTING RIGHTS

During the AGM season, in parallel with the exercise of voting rights, it is not unusual for La Financière de l’Echiquier’s analysts and portfolio managers to engage a dialogue with companies. Such dialogue can take place before the AGM or after votes have been cast:

- **Dialogue ahead of the AGM:** The first case often reflects requests from companies wishing to consult us before their AGM, in the preparation and drafting phase of their resolutions. In such cases, we seek to raise their awareness of cases where our voting policy could cause us to vote against some of their resolutions, and to explain how to adapt their resolutions accordingly, if they wish.

In 2019, we held **1** pre-AGM meeting with one of the companies invested in by one or more of the UCITS managed by La Financière de l’Echiquier.

- BENETEAU -

PRE-AGM DIALOGUE ON THE THEME OF REMUNERATION AND CHANGES IN THE GOVERNANCE STRUCTURE

We have been shareholders of French boat manufacturer **BENETEAU** for several years. At the 2018 AGM, for the first time, we were able to discuss with the chairman of the board of directors and chief financial officer best market practice in terms of the **remuneration of executives and directors**. Transparency has gradually improved since. Nevertheless, in 2019 we again took the opportunity of the AGM to reiterate our message from the previous year about the excessive remuneration of some directors.

The discussion also allowed us to raise the issue of **changes in the governance structure** proposed at the 2019 AGM. The proposals would change from the current dual governance structure, with executive committee and supervisory board, to a single-tier structure with executive committee and board of directors, opening up the prospect that the roles of Chairman and CEO could be concentrated in the same person’s hands, something that is impossible under the existing structure. Such a change was not in the spirit of best governance practice and we expressed our reservations about the proposal.

Pre-AGM dialogue

Remuneration of executives and employees

Formalities and other reasons

- **Dialogue following the exercise of voting rights:** Dialogue is regularly established with companies following their annual general meeting by fund managers and analysts to explain our voting decisions (in particular votes against and abstentions) and to encourage them to adopt better practices in terms of drafting resolutions and increasing transparency for their next AGM.

In 2019, shareholder dialogue of this type concerned **10** companies, including...

- WAVESTONE -
SHARING BEST PRACTICE ON SELECTION OF AUDITORS
AND FREE SHARE PLANS

In 2019, we had discussions following the casting of our votes with **WAVESTONE**, a consultancy specialising in business (digital and management) transformation. We were able to explain to one of the company's directors why we had voted against the management on several resolutions. We voted against the allocation of free shares as the vesting period was too short and the attached performance conditions were insufficiently transparent. We also voted against granting powers for a capital increase without pre-emptive subscription rights. The discussion was also an opportunity to address the issue of the statutory auditors. At Wavestone, the two auditors responsible for auditing the group's financial statements are both small firms. We made it clear to the company that we would prefer one of them to be from the big four global auditors and hence more widely "recognised". This first discussion was followed by a meeting with the company's CFO and the employee representative director to further press our recommendations within the firm.

Post-AGM dialogue

Remuneration of executives and employees

Financial transactions and mergers

3.5 STORIES OF VOTES AT ANNUAL GENERAL MEETINGS

The AGM is an ideal forum for shareholders to express their views on an increasingly wide range of issues, although most concern corporate governance. Issues addressed include, for instance, executive remuneration, a company's climate strategy or (since the PACTE law) companies' corporate purpose. We set out below a selection of the stories underlying our voting records at different AGMs.

. STORIES OF VOTES AGAINST MANAGEMENT

The boxes below set out several examples of AGMs held in 2019 where we refused to follow management's recommendations on some resolutions. The examples chosen illustrate the three main themes of votes "against", namely anti-takeover mechanisms and financial transaction/merger operations, the appointment and remuneration of directors, and the remuneration of executives and employees.

- ASTRAZENECA -

CAPITAL INCREASE DETRIMENTAL TO MINORITY SHAREHOLDERS

La Financière de l'Echiquier is committed to the respect of minority shareholders. As such, we do not wish to see our interests diluted. Through our voting policy, we systematically **oppose capital increases without pre-emptive subscription rights**, which expose existing shareholders to a risk of dilution. Aware that such transactions allow companies to raise funds faster than through a capital increase with pre-emptive rights, we encourage companies to allow for a priority period for existing shareholders in resolutions bearing on capital increases without pre-emptive subscription rights. As a result, we voted against the resolution presented by **ASTRAZENECA** at its May 2019 annual general meeting to increase its capital without preferential subscription rights.

Vote **Against** Financial transactions and mergers

- THE SWATCH GROUP -

ENSURING INDEPENDANCE OF REMUNERATION AND AUDIT COMMITTEES

We consider the independence of remuneration and audit committees to be very important as a means of ensuring fair remuneration of leaders and an external view on the quality of the company's accounts. Experience has also shown that cases of accounting fraud have occurred in companies whose audit committees were not sufficiently independent. We therefore believe it is particularly important for the **majority of audit committee members to be independent directors**. At **THE SWATCH GROUP** AGM, we voted against the reappointment of some directors we considered not to be independent sitting on the audit and/or remuneration committee. Most members on these committees were not independent, which we view as bad practice.

Vote **Against** Appointment and remuneration of members of board of directors

- BOUYGUES -

QUESTIONING REMUNERATION OF THE CHAIRMAN AND CEO

We **voted against the resolutions on remuneration of Martin Bouygues, Chairman and CEO** of the French conglomerate **BOUYGUES**.

Initially, we voted against the allocation of remuneration for the financial year. Despite pre-set quantitative targets, variable remuneration equates to 160% of fixed remuneration (the maximum allowed under the remuneration policy), while some targets (notably operating income) were not wholly achieved, suggesting the vesting criteria were insufficiently demanding.

We also voted against the remuneration plan for the year to come, as **transparency on variable remuneration** fell short of market standards and best practice.

Vote **Against** Remuneration of executives and employees

. STORIES OF VOTES TO SUPPORT CSR INITIATIVES

2019 saw the concepts of “raison d’être” (corporate purpose) and “entreprise à mission” (mission-led company) come to the fore through the PACTE law:

- **Corporate purpose** here refers to the meaning that a company has for society beyond its economic activity alone. To be formally acknowledged it must be included in the company's articles of association, which requires a resolution put to shareholders vote at the AGM.
- The idea of **mission-led company** goes further as it is binding on the company. Besides enshrining a corporate purpose in the articles of association, firms must also attach a specific environmental and/or social mission and appoint a monitoring committee to oversee the proper fulfilment of this “mission”.

In 2019, we were pleased to see **2** companies in our portfolios follow this pioneering trend, including...

- ATOS -
PIONEERING ON CORPORATE PURPOSE

At its April 2019 AGM, **ATOS**, the French digital services company, proposed amending its articles of association to define its corporate purpose as follows: *“Atos’s mission is to help design the future of the information technology space. Its services and competences are underpinned by excellence in the advance of scientific and technological knowledge and research and in its commitment to learning and education. Across the world Atos enables its customers and all who live and work in the industry, to grow and prosper in a safe, secure and sustainable environment.”*

We supported this resolution which was ultimately approved at the AGM, making Atos one of the first French firms to formally adopt a corporate purpose.

Vote **For** Raison d’être

- WESSANEN -
SUPPORTING B CORP CERTIFICATION BY 2020

The concepts of corporate purpose and mission-led company originating from the PACTE law are French, but this has not stopped them spreading to foreign companies. One such is **WESSANEN**, a Dutch agri-food company specialising in manufacturing products derived from organic farming. One of the resolutions at its April 2019 AGM related to the amendment of the company’s articles of association and specifically its corporate purpose to include a “raison d’être” more closely aligned with environmental and social concerns as **the company is looking to be wholly B Corp certified by 2020**. B Corp certification relates to for-profit companies which want to improve and demonstrate their positive impact by being rated on their overall CSR performance every 3 years.

We voted for this resolution. This process is wholly consistent with the company's economic and non-financial model. The company has been engaged in a B Corp certification process for several years already: in 2018, 70% of Wessanen's revenue was earned through B Corp-certified subsidiaries. It met its objective in December 2019 at which time the company and all its subsidiaries had achieved B Corp certification.

Vote **For** Entreprise à mission

3.6 FILING OF RESOLUTIONS AT ANNUAL GENERAL MEETINGS

As a long-term investor, La Financière de l'Echiquier favours direct dialogue with companies when we wish to send them a message in defence of the interests of our clients as minority shareholders. The relationship of trust we build with companies over the years means that our requests are heeded and taken seriously. However, where we do not receive a positive response from the company with which we have engaged in dialogue and where we consider the issue to be both legitimate and essential, we may opt to file one or several resolutions at the annual general meeting (see escalation strategy). Such cases are rare and are only ever a last resort. One such situation occurred in 2018 when we filed two resolutions at the AGM of Latécoère, the French aerospace equipment supplier. In 2019, no such resolutions were proposed.

4. PRINCIPLES OF THE ENGAGEMENT POLICY

Shareholder engagement is an integral part of our profession as responsible investor and has been central to our relationship with companies since 2013. We see it as a means of contributing to the improvement of environmental, social and corporate governance practices of companies and in that way supporting ongoing change in society. Transparency is also an issue on which we engage with companies.

In this process, we engage in dialogue with the companies in which we invest by sharing specific areas of improvement. Areas of improvement are objectives to be reached by companies on non-financial aspects. They are monitored over time by our fund management team.

Whether ESG analysis is performed as part of an ESG integration or SRI process, we systematically lay down one or more areas of improvement to nurture our exchanges with companies. The way in which these areas of improvement are shared with companies varies according to the framework of the analysis:

- **In UCITS funds subject to the ESG integration process and our fixed-income SRI UCITS**, the proposal of areas of improvement to the company is not necessarily formalised in writing. They serve to nurture the regular interactions that fund managers and analysts have with companies throughout the year. This is how we encourage them to systematically include non-financial items in meetings generally dedicated to financial aspects.
- **In equity SRI UCITS funds**, areas of improvement are defined during ESG analysis of the company and are systematically sent in writing to the key contacts on the issue, who are mainly members of the executive committee and the investor relations team. They highlight areas of improvement identified as a result of our ESG analysis and interactions with the company. Companies' progress is monitored every two years when we update our ESG analyses. In this process, we pay attention to areas of improvement that were previously identified in order to determine whether the company is on a positive trend.

Published results only cover engagement during 2019 by La Financière de l'Echiquier's established SRI UCITS: Echiquier Major SRI Growth Europe and Echiquier Positive Impact Europe. The other equity SRI UCITS have put in place their shareholder engagement processes in parallel with the certification process during autumn 2019. The results of their engagement actions will be presented in the 2020 report on Voting and Engagement.

Echiquier Alpha Major SRI follows a similar investment strategy to Echiquier Major SRI Growth Europe. The two UCITS funds therefore manage their engagement with companies jointly: the figures presented for engagement are therefore the same for both entities.

Since 2019, besides engagement by individual UCITS, we also took part in several collective engagement initiatives. These two complementary processes are set out below.

Full details of our voting and engagement policy can be found on our website in the "[Responsible Investment](#)", section of the page "[To find our more](#)" under the heading "LFDE Documents – Shareholder dialogue".

5. INDIVIDUAL ENGAGEMENT IN 2019

5.1 IN BRIEF

Our established SRI UCITS funds, Echiquier Major SRI Growth Europe and Echiquier Positive Impact Europe, identified **53** areas for progress for **19** companies in 2019. In our SRI approach, engagement is central to the relationship of trust we have with companies. Our areas of improvement are considered as strong recommendations by companies, which readily attest to the good grasp we have of both their own challenges and good practices across their respective sectors and among their competitors. We firmly believe that engagement is closely linked to our corporate ESG analysis work and that, in addition to improving corporate practices, it allows us to better understand and ultimately reduce the risk of our investments.

For the **Echiquier Major SRI Growth Europe UCITS**, engagement plays a key role in our **“best-effort” stock-picking approach**. Investing in stocks that are improving their ESG profiles makes the role of engagement key to supporting them in this trend.

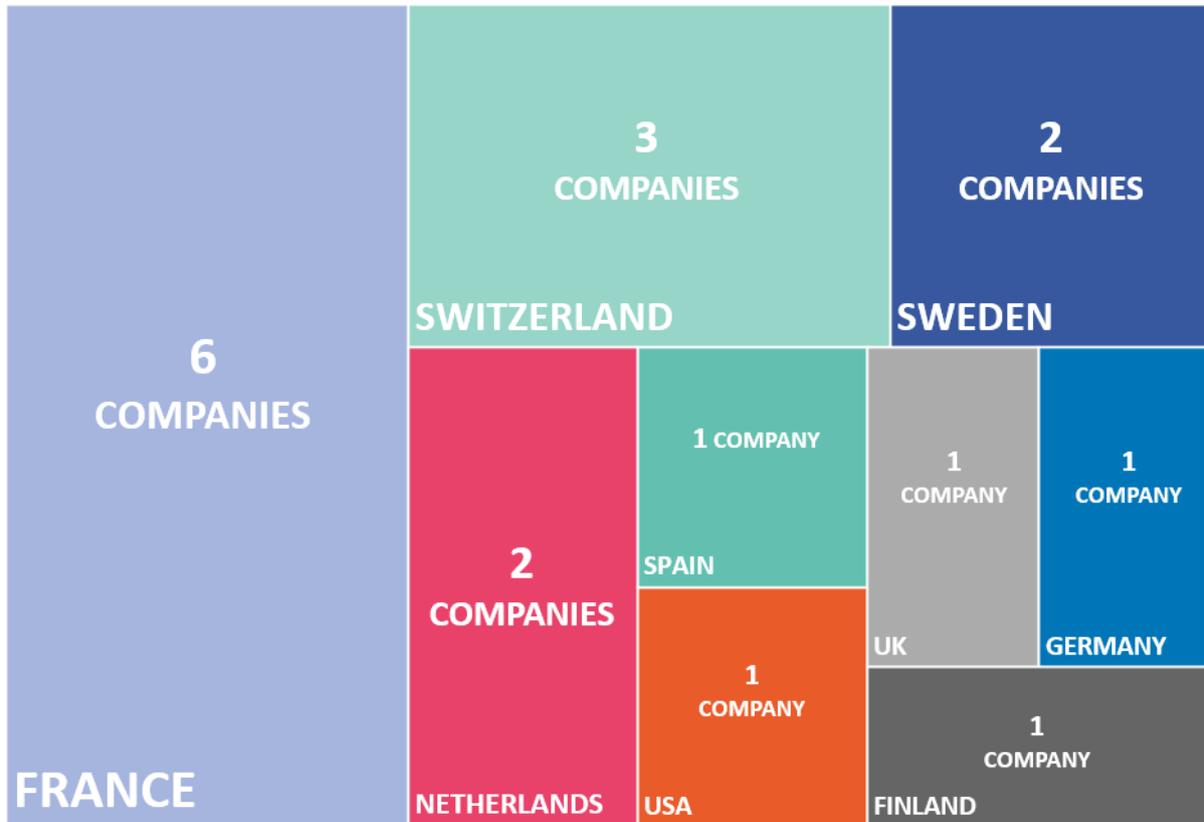
Our engagement with companies via **Echiquier Positive Impact Europe** partially targets their **contribution to the United Nations Sustainable Development Goals (UN SDGs)** and their communication on the subject. We encourage them to intensify their efforts to contribute to the SDGs and to quantify them in their reports.

The scope considered for the results presented in the headings below is that of all the companies that were in either of our SRI UCITS funds in 2019 and for which areas of improvement were passed on to the company.

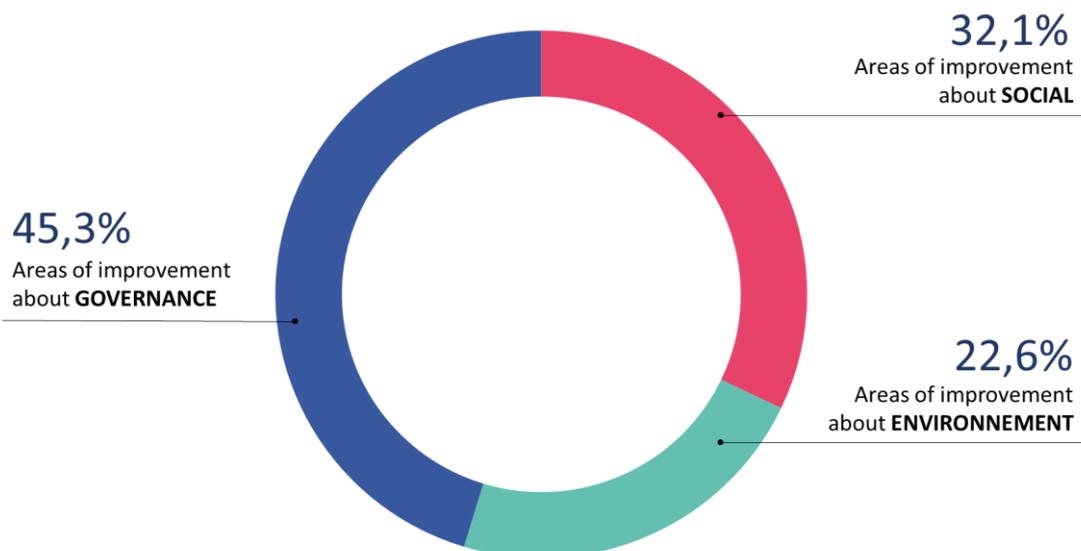
5.2 RESULTS OF INDIVIDUAL ENGAGEMENT ACTIVITIES IN 2019 FOR THE SRI UCITS

In **2019**, we engaged with **19 companies** of the Echiquier Positive Impact Europe and Echiquier Major SRI Growth Europe UCITS investment universes.

Geographically, this commitment breaks down as follows:



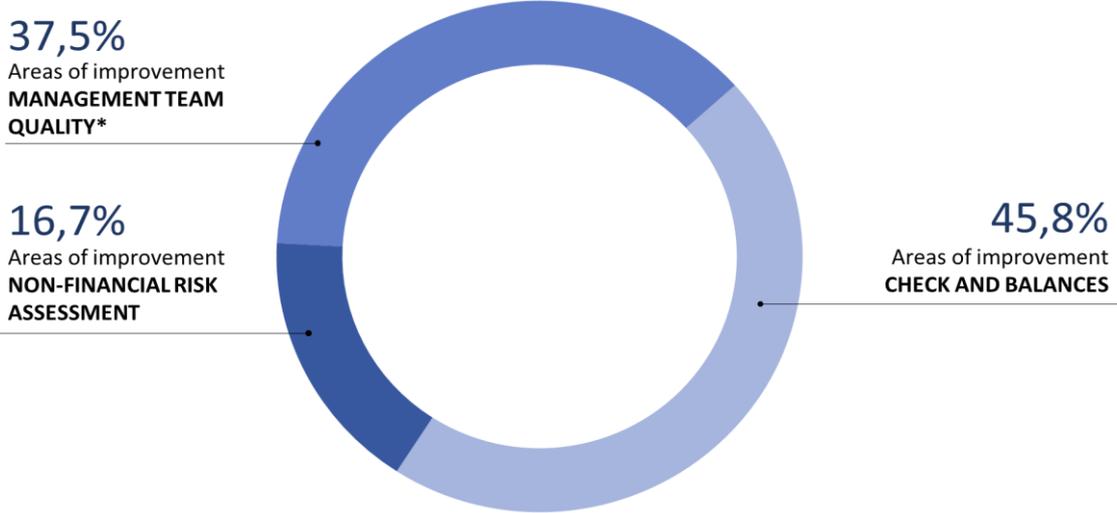
53 areas of improvement were passed on to companies, addressing environmental, social and governance issues, breaking down as follows:



Source: La Financière de l'Echiquier
Data at 31/12/2019

Within each of the pillars, the various themes discussed broke down as follows:

- **GOVERNANCE** themes:



Source: La Financière de l’Echiquier
Data at 31/12/2019

* The “management team quality” item includes issues about remuneration plans for company leaders, an area where we frequently make recommendations to companies.

The most widely addressed governance theme in our engagements with companies is that of **checks and balances**. We believe this to make sense in view of the importance we place on the balance of powers within the companies in which we invest. Examples of engagement proposals under this item include increasing the proportion of independent directors or the proportion of women on the board of directors or incorporating more international profiles or specific expertise.

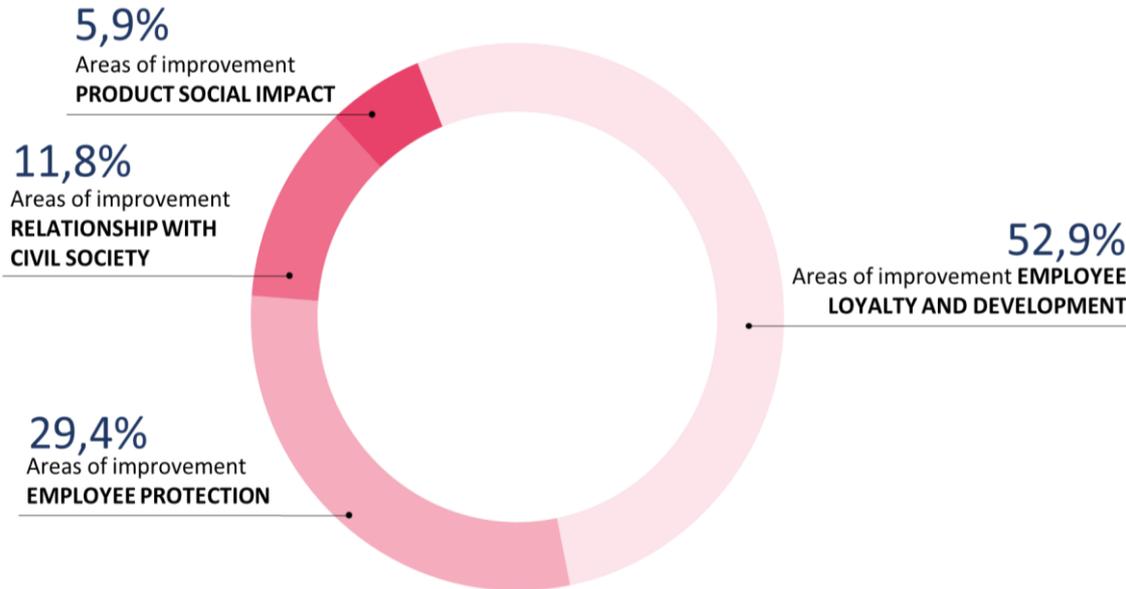
- **ENVIRONMENTAL** themes:



Source: La Financière de l’Echiquier
Data at 31/12/2019

The most widely addressed environmental theme in our engagements with companies is **Environmental Policies & Actions**. Most of the companies in which Echiquier Major SRI Growth Europe and Echiquier Positive Impact Europe invest are aware of the need to set environmental targets. Sometimes, however, these are lacking in ambition. Our role as a responsible investor and shareholder is to encourage these companies to adopt best practice by drawing up road maps with date-limited, quantified targets and breaking these down into milestones.

- **SOCIAL** themes:



Source: La Financière de l'Echiquier
Data at 31/12/2019

The most widely addressed social theme in our engagements with companies is that of the **Employee Loyalty and Development** within the company. We focus on this theme largely because we believe that good human resource management is a key success factor for a company. Examples of engagement proposals under this item include establishing a measure of employee satisfaction and sharing the main conclusions, establishing a policy (with dated and quantified objectives) geared towards reducing staff turnover or further broadening access to training for all employees.

5.3 INDIVIDUAL ENGAGEMENT: 2018 VS. 2019

The table below compares SRI UCITS engagement activity between 2018 and 2019 and its breakdown by theme:

	2018		2019	
	Number	In %	Number	In %
Number of companies we engaged with	30	-	19	-
Number of areas of improvement	81	-	53	-
ESG TRANSPARENCY	35	43,2%	20	37,7%
GOVERNANCE	36	44,4%	24	45,3%
x Management team quality	9	25,0%	9	37,5%
x Check and balances	23	63,9%	11	45,8%
x Respect of minority shareholders	0	0,0%	0	0,0%
x Non-financial risk assessment	4	11,1%	4	16,7%
ENVIRONMENT	22	27,2%	12	22,6%
x Policies and actions	8	36,4%	5	41,7%
x Results	2	9,1%	3	25,0%
x Supply chain monitoring	3	13,6%	2	16,7%
x Product environmental impact	9	40,9%	2	16,6%
SOCIAL	23	28,4%	17	32,1%
x Employee loyalty and development	15	65,2%	9	52,9%
x Employee protection	2	8,7%	5	29,4%
x Supply chain monitoring	3	13,0%	0	0,0%
x Product social impact	3	13,0%	1	5,9%
x Relationship with civil society	0	0,0%	2	11,8%

N.B. Each area of improvement is allocated to one of the themes (governance, environment or social). It may also be allocated to the "ESG transparency" theme if the recommendation is for the firm to be more transparent on the issue in question.

Source: La Financière de l'Echiquier

Note that La Financière de l'Echiquier's engagement activity has declined slightly since last year. This is due to the way our engagement process works. As we explain above, engagement takes the places during new ESG ratings (or updates every 2 years). Many companies were updated in 2018 which meant that there were fewer to review in 2019. We expect engagement activity to step up again in 2020. The main themes of engagement were largely unchanged. The number of areas of improvement aimed at prompting companies to be more transparent is down (37.7% in 2019, compared with 43.2% in 2018), which reflects an improvement in companies' CSR reporting practices, encouraged in recent years by regulatory developments in some European countries such as Sweden and Italy, and significant progress among small and mid-cap companies.

Since engagement data for our two established SRI UCITS - Echiquier Positive Impact Europe and Echiquier Major SRI Growth Europe - is presented jointly above, the table below details the engagement activities of each:

	Echiquier Positive Impact Europe		Echiquier Major SRI Growth Europe	
	2019	In %	2019	In %
Number of companies we engaged with	15	-	12	-
Number of areas of improvement	42	-	33	-

ESG TRANSPARENCY	14	-	13	-
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GOVERNANCE	19	45,2%	17	51,5%
x Management team quality	5	26,3%	8	47,1%
x Check and balances	11	57,9%	7	41,1%
x Respect of minority shareholders	0	0,0%	0	0,0%
x Non-financial risk assessment	3	15,8%	2	11,8%
ENVIRONMENT	10	23,8%	6	18,2%
x Policies and actions	5	50,0%	1	16,7%
x Results	1	10,0%	3	50,0%
x Supply chain monitoring	2	20,0%	2	33,3%
x Product environmental impact	2	20,0%	0	0,0%
SOCIAL	13	31,0%	10	30,3%
x Employee loyalty and development	7	53,8%	4	40,0%
x Employee protection	4	30,8%	4	40,0%
x Supply chain monitoring	0	0,0%	0	0,0%
x Product social impact	1	7,7%	0	0,0%
x Relationship with civil society	1	7,7%	2	20,0%

	2017	In %	2017	In %
RESULTS OF ENGAGEMENT FROM N-2	30	100,0%	20	100,0%
Areas of improvement achieved	10	33,3%	7	35,0%
Areas of improvement partially-achieved	7	23,3%	6	30,0%
Areas of improvement not-achieved	13	43,4%	7	35,0%

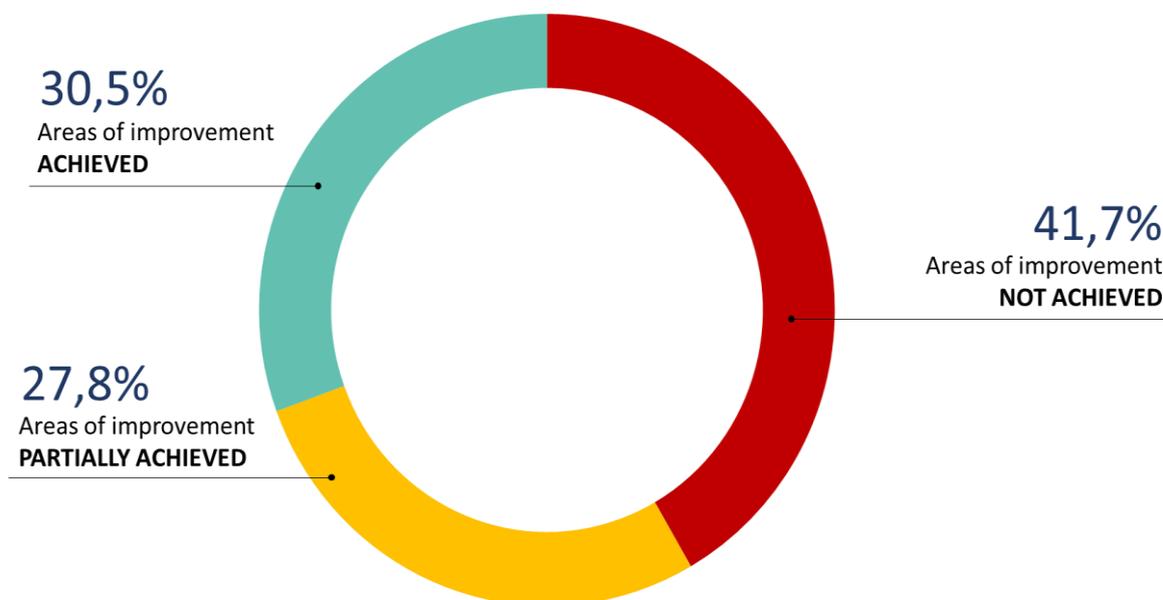
5.4 IMPACT OF OUR INDIVIDUAL ENGAGEMENT ACTIVITY

In a desire to continuously improve our engagement practices and measure their impact, we have decided to measure the success of our engagement activity through the achievement of the areas of improvement set for the companies of our established SRI portfolios.

This impact assessment concerns the companies present in the portfolios of Echiquier Positive Impact Europe and/or Echiquier Major SRI Growth Europe in 2019, and which saw their ESG rating updated in that year (ESG ratings are updated every two years). Our approach is to measure the achievement of the areas of improvement set for these companies at the time of their previous analysis. An area of improvement can therefore be:

- Either **“achieved”** if the company has adopted the recommendation,
- **“Partially achieved”** if the company has started to adopt the recommendation but the recommendation has not yet been fully implemented,
- Or **“not achieved”** if the company has not adopted the recommendation.

The results for all the companies in our scope are as follows:



Source: La Financière de l'Echiquier
Data at 31/12/2019

La Financière de l'Echiquier is satisfied with the progress made: approximately **58%** of the areas of improvement issued to companies have been achieved or are in the process of being achieved. This testifies to the sincerity and quality of the engagement made by La Financière de l'Echiquier with companies and the pertinence of the recommendations made.

We have chosen to illustrate some “engagement stories” about companies with which we have engaged over the long term to help them improve their ESG practices:

- ELIS -
A POSITIVE TREND ON ESG ISSUES

ELIS has been in the portfolio of Echiquier Positive Impact Europe since **2017**. Three areas of improvement were sent to company management during the ESG rating process in 2017. We reviewed progress made by the company as part of the update of the ESG rating.

Of these three areas, one was **achieved** (greater independence for audit and remuneration committee) and the other two were **partly achieved**: (1) improve the communication of quantitative environmental and social data by giving 3-year trailing figures to facilitate analysis and (2) appoint directors with international profiles. The company was very receptive to our recommendations. We encouraged it to continue its efforts on the partly achieved areas of improvement and took the opportunity to pass on new recommendations.

Engagement	Governance	Areas of improvement achieved	Environment	Social
Areas of improvement partly achieved				

- MICHELIN -
IMPROVING ACCIDENT MANAGEMENT

Three areas of improvement were identified at the time of **MICHELIN**'s ESG analysis in 2017. One was **stabilisation of accident figures**. Following its ESG analysis, La Financière de l'Echiquier's SRI team contacted the company on this issue, highlighting the importance of low and controlled accident rates, a critical issue for such a large-scale industrial company.

The company was very proactive on these non-financial issues, particularly on social issues and we were pleased to find during our 2019 ESG review that the company had made substantial progress on this issue.

Engagement	Social	Employee Protection	Areas of improvement achieved
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- SAP -
SIGNIFICANT PROGRESS ON TRANSPARENCY ON REMUNERATION
AND INTERNATIONALISATION OF THE BOARD

In 2017, during our meeting on ESG matters with **SAP**, Europe's leading software publisher, we encouraged the company to **improve transparency on the remuneration plan for its CEO and the level of internationalisation of its supervisory board**.

The update of our analysis in 2019 showed that our areas of improvement were achieved. Transparency on remuneration is now nearing best practice, while the supervisory board has improved its diversity and skill set. More than 44% of directors now have international profiles.

Engagement	Governance	Competence of the management team	Check and Balances
Areas of progress achieved		Transparency	

- LONZA -

TRANSPARENCY ON THE NON-FINANCIAL ROAD MAP

In 2019, we held our second ESG meeting with **LONZA**, a global leader in the development, manufacture and sale of chemical products. We took this occasion to analyze the areas of improvement identified during our previous meeting in 2017.

The first of these was related to the **publication of targets and follow-up of the 2015-2020 CSR action plan**. Defining a road map is very important as it acts as the starting point for reflection on best practice. It should be accompanied by monitoring of targets over time. Lonza stood out for the improved transparency manifested during our 2019 ESG rating process. We welcome these transparency and reporting efforts, which we believe are a step in the right direction.

There is still some way to go however. The other area of improvement on **publication of social indicators** (such as employee turnover, training and satisfaction surveys) have not been addressed. We therefore re-engaged on this issue with the company in 2019.

Engagement	Governance	Evaluation of non-financial risks	Transparency
Areas of improvement achieved	Social	Areas of improvement not achieved	

5.5 OTHER EXAMPLES OF INDIVIDUAL ENGAGEMENT

Besides our individual engagement process based on sharing areas of improvement, La Financière de l'Echiquier also frequently engages in a more discretionary way with companies in its portfolios or with a diverse and varied range of stakeholders (including non-financial rating agencies).

These engagements can take various forms including: (1) in-depth exchanges with companies on specific points that emerge from the areas of improvement or with consultants at companies' request, (2) sharing documentation produced by La Financière de l'Echiquier in its role as an investor using data provided by the company, (3) providing training to personnel of companies in the industry such as heads of CSR.

In 2019, there were multiple instances of this type of engagement. Here are **3** examples:

- VAISALA -

MEASURING CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT GOALS

During our meetings with **VAISALA**, a Finnish company which manufactures and sells meteorological and environmental measurement services, management reported on plans to measure the contribution of the group and, particularly, its products to meeting the UN sustainable development goals (SDGs). With a view to encouraging this positive process, we took the initiative of sharing with them our internal methodology for SDGs as well as the factors we consider when calculating our solutions and initiatives scores. In this way, we hope to have contributed to the company's positive initiative.

Engagement	Contribution to SDGs
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- ECO-ACT x HALMA -
REPORT ON HALMA STAKEHOLDERS

In January 2019, we were contacted by sustainability consultancy **EcoAct** to contribute to its study based on communication with the stakeholders of **HALMA**. As a shareholder of the English designer of health and safety equipment, we were questioned about our expectations on which environmental and social issues companies should be addressing. The ultimate aim was to draw up a materiality matrix for use in their CSR report.

We shared our opinions on the importance of human resources issues for the group, particularly during acquisitions (retention of talents, group culture, etc.) and in the supply chain. Both points related to the areas of improvement we had passed on to the company during our 2018 ESG analysis. We also reminded them of the importance of companies making themselves available to shareholders, an area where the group has sometimes fallen short. EcoAct included our recommendations alongside those of other stakeholders in a report sent to the company to help it prioritise the key issues its CSR process should be addressing.

Engagement Stakeholders

- ECHIQUIER POSITIVE IMPACT EUROPE -
SHARING THE FIRST ECHIQUIER POSITIVE IMPACT EUROPE IMPACT REPORT

Publication of the first impact report of the Echiquier Positive Impact Europe SICAV provided an occasion for us to share the report with all companies in the portfolio. We were able to remind them of the importance of making data available, particularly non-financial data. We received very positive feedback, for instance from the head of investor relations at **SPIE**: *“Many thanks for this report, which I have just distributed widely within the company. These issues are part of SPIE’s current priorities. We have also, following your recommendations, started to work with a consultancy on creating these types of metric.”* We are convinced that sharing reports like this is a good way to show companies the importance of the data they publish and how they can be used for positive purposes by responsible investors.

Engagement Stakeholders

For further information on the methodology for analysing contributions to SDGs used by Echiquier Positive Impact Europe, please refer to the Transparency Code on our website in the [“Responsible Investment”](#) section of the page [“To find out more”](#), under the heading “LFDE Documents – General approach”.

6. COLLECTIVE ENGAGEMENT IN 2019

Since 2019, besides the individual engagement approach with companies in portfolios, La Financière de l'Echiquier also decided to step up its role in collective engagement processes alongside other investors. These collective initiatives are crucial as they allow us to engage on themes that may be hard to address at individual company level or target all companies in a sector at one time. This method of engagement also means we can make our voice heard by some companies with whom individual engagement would not work.

In 2019, La Financière de l'Echiquier took part in **4** collective engagement initiatives, including:

- ACCESS TO MEDICINE FOUNDATION - COLLECTIVE SOCIAL ENGAGEMENT

In 2019, we joined a coalition of 95 investors with combined assets under management of \$13,500 billion to support the Access to Medicine Foundation. This independent NGO publishes the **Access to Medicine Index**, an independent ranking of pharmaceutical companies based on their strategy for providing access to medicines in developing countries. We engaged in a range of collective initiatives to encourage companies to contribute to Sustainable Development Goal 3 (good health and well-being). This engagement was motivated by quality of the Foundation's research. Its resources mean we have the opportunity to better understand, using LFDE's ESG analysis methodology, this issue which can be a difficult to evaluate.

Collective engagement | Social

- UN PRINCIPLES FOR RESPONSIBLE INVESTMENT - ENGAGEMENT AGAINST DEFORESTATION OF THE AMAZON

Preserving biodiversity is an imperative and in 2019 we engaged on countering **deforestation in the Amazon**, a region where the rate of deforestation jumped by +278% in a year. This engagement is conducted under the framework of the UN's Principles for Responsible Investment, to which La Financière de l'Echiquier has been a signatory since 2008. It led to international investors releasing a statement calling on companies to show their commitment to eliminating the deforestation caused by their activities and supply chains.

Collaborative engagement | Environment | Biodiversity

La Financière de l'Echiquier also took part in two other collective engagements in 2019, on:

- The **environment** via “**the Investor Agenda**”, an initiative in which 1,200 investors commit to taking concrete and transparent steps to support the climate and comply with the Paris Climate Agreement.
- **Social** issues via participation in the joint investor statement on gender equality in companies, launched by UN Women and the UN Global Compact. Besides calling for greater transparency, the aim of this statement is to invite companies to sign up to the “**Women's Empowerment Principles**”. These are 7 principles that companies can sign up to, to promote gender equality in their professional environment.

RAPPORT DU RCCI SUR LE CONTROLE DE LA MISE EN ŒUVRE DE LA POLITIQUE DE VOTE

Contexte

L'objectif est d'une part de s'assurer de la correcte participation de la société de gestion (via les Fonds) aux assemblées générales des sociétés dans lesquelles nous sommes investies ; d'autre part, de veiller à ce que le rapport sur l'exercice des droits de vote soit conforme aux obligations réglementaires.

Analyse

Les articles 321-132 et 321-133 repris en annexe définissent les obligations des sociétés de gestion quant à leur politique de vote.

Aujourd'hui, les gérants votent via une plateforme, ISS qui stocke toutes les données sur les votes. Il est possible de faire une extraction de cette plateforme pour procéder au suivi statistiques des votes.

Le document établi par l'équipe ISR et mis à disposition sur le site internet respecte bien les obligations suivantes :

- Description des modalités de participation au vote des sociétés dans lesquelles les fonds investissent
- Les modalités de vote et notamment la justification des votes « contre »
- Les informations relatives à l'exercice des droits de vote en 2018 :
 - o Participation au vote de 301 assemblées générales
 - o Participation à 100% des AG relatives à notre gamme de fonds « ouverts » Actions

Ce rapport a été mis en ligne dans les délais réglementaires.

Il convient de souligner que, par ailleurs, au-delà des obligations réglementaires et en lien avec la politique ISR, la société de gestion a entrepris une politique d'engagement passant par un dialogue avec les entreprises.

Annexe

Article 321-132

La société de gestion de portefeuille élabore un document intitulé « politique de vote », mis à jour en tant que de besoin, qui présente les conditions dans lesquelles elle entend exercer les droits de vote attachés aux titres détenus par les OPCVM dont elle assure la gestion.

Ce document décrit notamment :

1. l'organisation de la société de gestion de portefeuille lui permettant d'exercer ces droits de vote. Il précise les organes de la société de gestion de portefeuille chargés d'instruire et d'analyser les résolutions soumises et les organes chargés de décider des votes qui seront émis ;
2. les principes auxquels la société de gestion de portefeuille entend se référer pour déterminer les cas dans lesquels elle exerce les droits de vote. Ces principes peuvent porter notamment sur les seuils de détention des titres que la société de gestion de portefeuille s'est fixée pour participer aux votes des résolutions soumises aux assemblées générales. Dans ce

cas, la société de gestion de portefeuille motive le choix de ce seuil. Ces principes peuvent également porter sur la nationalité des sociétés émettrices dans lesquelles les OPCVM gérés par la société de gestion de portefeuille détiennent des titres, la nature de la gestion des OPCVM et le recours à la cession temporaire de titres par la société de gestion de portefeuille ;

3. les principes auxquels la société de gestion de portefeuille entend se référer à l'occasion de l'exercice des droits de vote ; le document de la société de gestion de portefeuille présente la politique de vote de celle-ci par rubrique correspondant aux différents types de résolutions soumises aux assemblées générales. Les rubriques portent notamment sur :
 - a) les décisions entraînant une modification des statuts ;
 - b) l'approbation des comptes et l'affectation du résultat ;
 - c) la nomination et la révocation des organes sociaux ;
 - d) les conventions dites réglementées ;
 - e) les programmes d'émission et de rachat de titres de capital ;
 - f) la désignation des commissaires aux comptes ;Tout autre type de résolution spécifique que la société de gestion de portefeuille souhaite identifier ;
4. la description des procédures destinées à déceler, prévenir et gérer les situations de conflits d'intérêts susceptibles d'affecter le libre exercice, par la société de gestion de portefeuille, des droits de vote ;
5. l'indication du mode courant d'exercice des droits de vote tel que la participation effective aux assemblées, le recours aux procurations sans indication du mandataire ou le recours aux votes par correspondance.

Ce document est tenu à la disposition de l'AMF. Il peut être consulté sur le site de la société de gestion de portefeuille ou au siège de celle-ci selon les modalités précisées dans le prospectus. Il est mis gratuitement à la disposition des porteurs de parts ou actionnaires de l'OPCVM qui le demandent.

Article 321-133

Dans un rapport établi dans les quatre mois de la clôture de son exercice, annexé le cas échéant au rapport de gestion du conseil d'administration ou du directoire, la société de gestion de portefeuille rend compte des conditions dans lesquelles elle a exercé les droits de vote.

Ce rapport précise notamment :

1. le nombre de sociétés dans lesquelles la société de gestion de portefeuille a exercé ses droits de vote par rapport au nombre total de sociétés dans lesquelles elle disposait de droits de vote ;
2. les cas dans lesquels la société de gestion de portefeuille a estimé ne pas pouvoir respecter les principes fixés dans son document « politique de vote » ;
3. les situations de conflits d'intérêts que la société de gestion de portefeuille a été conduite à traiter lors de l'exercice des droits de vote attachés aux titres détenus par les OPCVM qu'elle gère.

Le rapport est tenu à la disposition de l'AMF. Il doit pouvoir être consulté sur le site de la société de gestion de portefeuille ou au siège de celle-ci selon les modalités précisées sur le prospectus.

Lorsque, en conformité avec sa politique de vote élaborée en application de l'article 321-132, la société de gestion de portefeuille n'a exercé aucun droit de vote pendant l'exercice social, elle n'établit pas le rapport mentionné au présent article, mais s'assure que sa politique de vote est accessible aux porteurs de parts et actionnaires sur son site.



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