



**Voting  
&  
Engagement policy**

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## Foreword

ELEVA Capital is an independent management company established in 2014, based in Paris and London. As a signatory of the Principles for Responsible Investment since our inception, we are convinced that the asset management industry has an essential role to play in protecting the environment and participating in the emergence of a fairer society. As responsible investors, we owe our clients and stakeholders clarity and transparency. This document is a summary of our rigorous voting and engagement process, two essential pillars of our responsible investment approach. To learn more about our global ESG initiatives and our proprietary ESG methodology, please refer to our Transparency Code (available here: [www.elevacapital.com](http://www.elevacapital.com)).

**Voting and Engagement** are essential facets of our responsible investment process, which aims to help companies improve on their ESG (Environmental, Social and Governance) practices. This policy intends to explain our approach to Voting and Engagement and ensure consistency of our approach to responsible investment.

ELEVA Capital **systematically exercises its voting rights** at the shareholder meetings of every company we invest in. The voting process is directly conducted **by the analyst or fund managers** for the companies under their supervision for both financial and ESG performance. This person votes for all the holdings of ELEVA Capital in that company. As responsible investors and “co-owners” of companies, we believe that **voting is a strong and efficient way to send signals to companies** on what is acceptable or not regarding their ESG practices.

**Systematic engagement and dialogue with companies** we hold in our portfolios is also an integral part of our responsible investment policy. As active shareholders, we are committed to **helping companies progress** on their sustainability journey. We believe that companies improving their ESG credentials will better **manage their risks**. We internally track the improvements made over time and firmly believe in **the value creation attached** to better ESG practices. As investors, we are keen to capture this upside.



## List of funds covered by this Voting & Engagement policy

- ELEVA European Selection Fund
- ELEVA Euroland Selection Fund
- ELEVA Absolute Return Europe Fund (long book only)
- ELEVA Leaders Small and Mid-Cap Europe Fund
- ELEVA Sustainable Impact Europe Fund
- Any equity portfolio managed by ELEVA Capital for which it is responsible to exercise voting rights

## Managing conflicts of interest

ELEVA Capital's "Voting and Engagement policy", implies direct contact with the companies we invest in (investee companies). This active management may lead to an exercise of effective influence on their practices and, potentially on their performance.

With the objective to avoid any risk of conflict of interests, ELEVA Capital shall exercise its voting rights and conduct shareholder engagement only in the interest of its clients and in compliance with the terms of the General Management Agreement.

To minimize the risk of conflicts of interest and to deal with such conflicts if necessary:

- Any direct or indirect, existent or potential connection with investees is identified within our internal Conflicts of Interests Map. The related risks are managed according to our general Conflicts of Interests policy, disclosed on our website: [www.elevacapital.com](http://www.elevacapital.com)
- ELEVA Capital monitors all votes cast by its funds' managers and analysts and pays particular attention to votes that are contrary to its voting policy.

## Declaration of commitment

This "Voting & Engagement policy" takes into consideration the provisions of articles of the French Decree N° 2019-1235 as of 27th November 2019 transposing the (EU) SDR II Directive and its requirements into the French financial market regulation (namely, Articles L522-22 and R533- 16 of the French Financial and Monetary Code). Our policy is consistent with:

- The United Nations' Six Principles for Responsible Investment (PRI), to which ELEVA Capital has been a signatory since its inception
- The frameworks of the French and Belgian sustainable finance labels for the relevant funds.

To ensure transparency and in compliance with regulations, ELEVA Capital also issues the following documents:

- "Voting and Engagement report" (available here: [www.elevacapital.com](http://www.elevacapital.com)) which provides information on the exercise of our voting rights at the shareholder meetings of the investee and the implementation of our engagement approach.
- Exhaustive inventories of the votes at the shareholder meetings of the issuers in the SRI-labelled funds over the past year (available here: [www.elevacapital.com](http://www.elevacapital.com)).

ELEVA Capital may update this document at any time and at least once a year to ensure it takes into account the latest market practices.



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# 1. Voting at shareholder meetings

## 1.1 Scope for the exercise of voting rights

ELEVA Capital systematically exercises its voting rights for all the companies it invests in. ELEVA Capital's votes reflect the present Voting policy that aims to push companies' practices to the highest ESG standards.

In the case of "share-blocking events" (in Switzerland, Norway, or Luxembourg, for example), ELEVA Capital may decide to partially vote in the event in the best interest of its clients (i.e. keep strong risk management and manage the liquidity of the portfolio).

## 1.2 Who votes at shareholder meetings?

The voting process is directly conducted **by the analysts or fund managers** for the companies under their supervision for both financial and ESG issues.

Analysts or fund managers are quite close to the companies they invest in and therefore understand the key issues at stake at shareholder meetings. This helps them to make the best voting decisions, as minority shareholders, for the company and our clients. In order to ensure vote consistency, one single person **votes for all the holdings of ELEVA Capital** in a given company.

If needed, analysts or fund managers **receive the support of the ESG team**.

## 1.3 Voting process

ELEVA Capital exercises its voting rights and channels its voting instructions to the local custodians through the ISS (Institutional Shareholder Services) voting platform.

Our voting policy is implemented in the ISS systems, which the analyst/fund manager can access through an electronic platform. For each shareholder meeting, the analyst or fund manager in charge will see for all the relevant information for the vote: the Management recommendation, the ISS recommendation, and the voting recommendation derived from ELEVA Capital's policy, which must be applied.

The person in charge of the vote is responsible for reviewing the recommendation provided by ELEVA Capital's policy and votes accordingly. One of the following three actions is usually displayed:

- Vote FOR, when resolutions are aligned with the voting policy,
- Vote AGAINST, when resolutions go against ELEVA Capital's voting policy,
- or REFER: this action arises for resolutions requiring a case-by-case analysis (e.g. resolutions related to management remuneration or directors appointments). The person in charge of the voting must decide between FOR and AGAINST, as the ELEVA Capital policy does not provide a clear-cut voting decision.

An analyst/fund manager might exceptionally decide to go against the ELEVA Capital voting policy. In that case, a rational explaining the reasons for that deviation must be documented on the ISS voting platform.



## 1.4 Engagement at shareholder meetings

Engagement with companies can be made prior to or after their shareholder meetings.

Engagement prior to the shareholder meeting can be a necessary step to understand some resolutions and guide the company on what a responsible investor would expect.

Engagement post-shareholder meeting is an opportunity to discuss our votes and explain the rationale behind our voting decisions. This engagement could be a good basis for the company to prepare for the next shareholder meeting and avoid contentious resolutions in the future. Over time, we believe this practice contributes to a better alignment between the interests of the company and the interests of its stakeholders.



## 2. Voting policy principles

### 2.1 Approval of annual accounts

#### *Financial statements approval*

ELEVA Capital generally approves financial results unless material concerns about the information are presented by the auditor (qualified auditor's report or concerns on the account/audit procedure).

#### *Discharge of directors*

ELEVA Capital generally disapproves the discharge of directors including a member of the management and supervisory board. The legal consequences of the discharge resolution depend on the company's legal form. In some situations, the discharge resolution leads to the company waiving possible claims for damages against the director, at least to the extent that the underlying facts were known at the time of the discharge resolution. ELEVA Capital would abstain in countries where voting for discharge is compulsory.

#### *Appointment of Auditors and Auditor Fees*

European Directive 2014/56/EU and Regulation 537/2014 which came into effect in June 2016, introduced the mandatory rotation of audit firms after a maximum of 10 years. In line with the regulation, ELEVA Capital generally approves the appointment/renewal of auditors if their tenure does not exceed 10 years (or 24 years in the case of joint audit).

ELEVA Capital wants auditors to be remunerated for their auditing work. Therefore, ELEVA Capital will not support the appointment of auditors and/or their remuneration if the fees paid to the auditors for non-audit services exceed 70% (excluding exceptional services such as services related to an IPO) of the audit fees. Auditor remuneration must be disclosed.

#### *Allocation of the profit*

Capital allocation is analysed in the context of the company's performance and strategy. ELEVA Capital generally votes in favour of the distribution of dividends. Nevertheless, a pay-out considered excessive, at the expense of growth investments or leading to excessive indebtedness can be reasons to vote against the proposal.

#### *Related-party transactions*

The Related party transactions (RPTs) may be subject to conflicts of interest and are analysed by ELEVA Capital on a case-by-case basis. Based on auditors' reports, ELEVA Capital will notably assess the nature of the transactions, their pricing, and the views of independent directors.

## 2.2 Governance related resolutions

The appointment/reappointment of board members requires a detailed analysis of the different profiles and is generally dealt with on a case-by-case basis. The quality of a Board of Directors can be seen in the balance of its membership as well as in the skills, diversity, and ethics of its members.

### *Separation of management and supervisory functions*

ELEVA Capital does not have a preference between a unitary board structure (Executive directors and non-executive directors sitting on a single Board of Directors) or a two-tier board structure (Supervisory Board and Management Board).

When a company is governed by a Board of Directors, we are in favour of the separation between the functions of CEO and Chair of the Board. When companies chose to combine those roles, we pay close attention to the measures put in place to counterbalance this concentration of powers (a majority of independent directors, the appointment of a Lead Independent Director, etc.)

### *Independence*

In line with the French AFEP-MEDEF code, ELEVA Capital considers that a director is “independent when he or she has no relationship of any kind whatsoever with the corporation, its group or its management that may interfere with his or her freedom of judgment.”

Accordingly, an independent director is understood to be any non-executive director of the corporation or the group who has no particular bonds of interest (significant shareholder, employee, etc.) with them. The following eight criteria are taken into consideration to assess the independence of a director:

- **Employee corporate officer within the past 5 years.** Not to be and not to have been within the previous five years: an employee or executive officer of the company or related companies.
- **Cross directorship.** Not to be an executive officer of a company in which the Corporation holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive officer of the Corporation holds a directorship.
- **Significant business relationship.** Not to be a customer, supplier, commercial banker, investment banker, or consultant.
- **Family ties.** Not to be related by close family ties to a company officer.
- **Auditor.** Not to have been an auditor of the corporation within the previous 5 years.
- **Period of office exceeding 12 years.** Not to have been a director of the corporation for more than 12 years. Loss of the status of independent director occurs on the date of the 12th anniversary.
- **Status of non-executive officer.** A non-executive officer cannot be considered independent if he or she receives variable compensation in cash or in the form of securities or any compensation linked to the performance of the corporation or group.
- **Status of major shareholder.**

Whether the company is controlled or not, we encourage them to have a significant proportion of independent directors, not only for compliance reasons but also because we are convinced that a good level of



independence ensures checks and balances and is a precious input for the executive team to deliver on group strategy.

- **For non-controlled companies.** ELEVA Capital expects more than 50% of independent directors.
- **For controlled companies.** We consider a company controlled when one or several shareholders acting in concert, hold 50% or more of the outstanding capital. ELEVA Capital requires at least 33% of independent directors.

ELEVA Capital pays attention that significant shareholders are not overrepresented in the Board of Directors and that they have a proportion of Board seats consistent with their holdings in the capital/voting rights.

ELEVA Capital expects the company to propose for election/re-election members individually (versus bundled elections) to prevent the all-or-nothing choice skewing power disproportionately towards the board and away from shareholders.

### *Diversity*

We encourage skillset, geographic, age and gender diversity at the Board of Directors. We believe that an efficient board strikes the right balance of different profiles, blending people knowledgeable on the key issues in a company's sector and bringing a different and valuable perspective. To ensure gender diversity, ELEVA Capital requires that companies comply with their countries' law or market practice on gender diversity. For companies incorporated in countries where there are no such laws, we require at least 30% of board members to be women.

### *Attendance*

ELEVA Capital analyses the availability and attendance of directors for re-elections and expects any attendance rate below 75% to be justified.

### *Duration and accumulation of mandates*

We encourage the disclosure of the term of the mandate of directors to be elected or re-elected and will vote against director terms above four years as we believe that directors should be accountable to shareholders on a regular basis. ELEVA Capital will generally vote against a candidate for election or re-election if he/she hold an excessive number of board appointments (more than four, or, if one of these mandates is an executive one, more than two).

## 2.3 Executive compensation

Executive compensation should be transparent, simple, and understandable. We expect compensation policies to use KPIs aligned with companies' strategy and to be challenging enough so they enable a good alignment of interests between top management and their shareholders.

In line with the French AFEP-MEDEF code, we believe "the compensation of these directors must be competitive, adapted to the company's strategy and context and must aim, in particular, to improve its performance and competitiveness over the medium and long term, notably by incorporating one or more criteria related to social and environmental responsibility."

We encourage companies to set up an independent compensation committee responsible for reviewing and proposing to the Board all the elements determining the compensation and entitlement accruing to the company executive.

ELEVA Capital remuneration principles are well aligned with the AFEP-MEDEF:

- **Comprehensiveness:** the determination of the compensation must be comprehensive. All the components of the compensation must be taken into account when determining the overall compensation level
- **Balance between the compensation components:** each component of the compensation must be clearly substantiated and correspond to the corporate interest
- **Comparability:** this compensation must be assessed within the context of a business sector and the reference market. If the market is taken as a reference, it cannot be the only one since the compensation of a company officer depends on the responsibilities assumed, the results achieved, and the work performed
- **Consistency:** the company officer's compensation must be determined in a manner consistent with that of the other officers and employees of the company
- **Understandability of the rules:** the rules should be simple, consistent, and transparent. The performance criteria used must correspond to the company's objectives, and be rigorous, explicit, and, to the greatest extent possible, long-lasting
- **Proportionality:** the determination of the compensation components must be well balanced and simultaneously take into account the corporate interest, market practices, the performance of the officers, and the company's other stakeholders.

### *Alignment with performance*

ELEVA Capital expects transparency regarding:

- The amounts allocated,
- The caps put upon the compensation,
- The different performance criteria used, quantitative and qualitative,
- Their respective weightings,
- The calculation methodology and the targets,
- The level of achievement for each of the performance criteria.



A proper remuneration scheme ensures that the interests of executives and shareholders are well aligned thanks to the compensation policy over the long term. That is why ELEVA Capital supports:

- Financial and ESG indicators that are consistent with the company's strategy and specific long-term objectives in accordance with its strategic plan.
- Performance criteria that are measurable, consistent, challenging, and aligned with companies' short and long term financial guidance.
- Long vesting periods for the long-term incentive plan, i.e. at least three years.
- Remuneration in shares, as this enables the management to have "skin in the game" and to further strengthen their alignment with shareholders' interests.

We do not expect the Board to use discretion to amend remuneration policy or to adjust formulaic outcomes.

## 2.4 Capital related resolutions

### *Capital increase with pre-emptive subscription rights*

ELEVA Capital will vote in favour of capital increases with pre-emptive subscription rights as long as the shares issued do not represent more than 50% of share capital.

### *Capital increase without pre-emptive subscription rights*

ELEVA Capital will vote in favour of capital increases without pre-emptive subscription rights as long as the shares issued do not represent more than 10% of share capital (or a lower limit) and as long as share issuance authorities' periods are clearly disclosed.

### *Share repurchase plans*

ELEVA Capital will vote in favour of share repurchase programs representing up to 10% of share capital (15% in the United Kingdom, where this threshold is market practice) provided that the company's treasury stock does not already exceed 10% (or 15% in the UK) of outstanding capital. For a non-controlled company, ELEVA Capital will vote against share repurchase programs that could be continued during a potential takeover period.

### *Dividends*

ELEVA Capital generally votes in favour of the distribution of dividends. Nevertheless, a pay-out considered excessive, at the expense of growth investments or leading to excessive indebtedness can be reasons to vote against the proposal.





## 2.5 Minority shareholder rights

Equal treatment of shareholders is one of the fundamental principles of good corporate governance. All shareholders of the same class should be treated equally.

### *Application of the “One share = one vote” principle*

ELEVA Capital supports the general principle of “one share, one vote.” We want the voting rights of shareholders to mirror their economic interest in the company.

Therefore, we would oppose to the restriction of voting rights, the existence of several share classes with different voting rights attached, preference shares granting more voting rights than ordinary shares, and any mechanism inducing a distortion between capital ownership and voting rights. We will not support companies that submit resolutions allowing the implementation of double or superior voting rights.

### *Change of legal form*

The legal structure of a company can have a considerable influence on the minority shareholders rights. ELEVA Capital is opposed to resolutions aiming at changing the legal form to a limited partnership business entity such as a “Société en Commandite par Actions” (SCA) in France or a Kommanditgesellschaft (KGaA) in Germany, in which the minority shareholder delegates almost all its powers to a partner.

### *Anti-takeover measures*

We do not support measures likely to discourage a takeover bid unless these measures have received prior authorization by the shareholders at a general meeting during the bid period. ELEVA Capital will therefore vote against any anti-takeover measure, such as share buybacks implemented following a takeover offer or the granting of securities giving access to capital exclusively to a category of shareholders.



## 2.6 Other

### *Changes to the Articles of Association*

ELEVA Capital will vote on a case-by-case basis and support the bylaws amendment only when they are in line with the ELEVA Capital policy. For example, we would support changes introducing the “one share = one vote” principle and vote against the introduction of a new share class with different voting rights.

### *Resolutions on environmental and social issues*

As responsible investors and a PRI signatory, we welcome the ability to express our opinion on environmental or social topics, whether they are presented by the management or through a shareholder resolution. Through the exercise of our voting rights on these topics, we believe we can encourage companies to improve their environmental and social practices.

Resolutions on environmental and social issues are analysed on a case-by-case basis. We cast our vote based on the conclusions of our ESG analysis.

In particular, we are in favour of a wider adoption of Say on Climate resolutions. We would like Say on Climate to become a market practice, as it has been the case for Say on Pay.

For Say on Climate resolutions, we can leverage our ESG analysis. Whatever the company sector, we systematically analyse exposure to climate risks, companies’ targets, and past performance regarding CO2 emissions. We pay particular attention to:

- The relevance of climate targets in the company’s sector
- Which of the three scopes the targets are related to, as the three scopes are not of the same importance for all the companies/sectors
- The level of credibility/ambition embedded in the company’s targets, in light of past performance
- The timing of those targets, which should combine both short and long term horizons (i.e. roadmap)
- The existence of a credible action plan to reach those targets
- Their validation by the Science-based target initiative when possible
- Their alignment with the Paris agreement.

Resolutions on social issues are less frequent. However, we will support resolutions (among others):

- To push companies to increase disclosure on social key performance indicators
- To validate companies’ roadmaps enhancing diversity, equality, inclusiveness
- To impel companies to strengthen duty of care in their supply chains.

## 3. Engaging with companies

Establishing a constructive dialogue on ESG issues with companies of which we are shareholders is an integral part of our investor responsibility. We are convinced that companies that make progress on ESG topics, because they improve their risk management and become more attractive employers, are more resource efficient and more attractive to their consumers, giving themselves the means to improve their financial performance. They also become investable for an increasing number of investors. Our engagement efforts are twofold and are set to intensify over time.

### 3.1 How we engage with companies

#### *Individual engagement*

ESG analysis conducted internally allows us to properly identify each company's ESG strengths and weaknesses. This is the starting point for a focused and relevant engagement. Thus, after each analysis, we share with investee companies, two to three areas of improvement on which we encourage them to progress. These are concrete actions, focusing on material issues for the company, which we are able to monitor over time. There are many opportunities to engage with companies of which we are shareholders throughout the year. We take advantage of these meetings to remind managers and investor relations teams of the engagement areas we have submitted to them and on which we expect improvements. Updating the ESG analysis, which takes place about every two years when we are still shareholders of a company, helps to verify whether the engagement has borne fruit.

#### *Collective engagement*

Collective engagement mainly takes two different forms:

- It can be an escalation measure, when, for a given company, we do not see enough progress on ESG topics that seem critical to us. Partnering with other shareholders often gives more weight in discussions. These collective engagement actions may be at the initiative of ELEVA Capital or other asset managers that we decide to join when their engagement proposals are relevant to us.
- It can also be initiatives, often launched by NGOs or coalitions, targeting several companies in the same sector or sharing common characteristics (e.g. biggest GHG emitters, companies not disclosing information to the CDP...).

### 3.2 How we monitor our engagement

All information related to individual and collaborative engagement actions are registered in a proprietary database. Each engagement topic sent to investee companies is tagged with 1) the stakeholder it addresses (Shareholder, Planet, Employees, Suppliers, Civil Society) and 2) the specific topic within each stakeholder category (such as "Quality of the board" in the Shareholder pillar, "Safety and Security" in the Employees pillar or "energy management" in the Planet pillar, for example). When reviewing our ESG scores (at least every two years), we also review the engagement topics previously shared with the company and we monitor their degree of progress. We track which topics have been "achieved", "partially achieved" or "not achieved." This sets the basis for re-engaging with the company. The re-engagement could be a reiteration of formerly





discussed topics, or, if topics were “achieved” or not relevant anymore, can be replaced by new engagement topics.

All engagement information is accessible to anyone needing it internally (analysts, fund managers, risk managers, ...).

### **3.3 How we react to unsuccessful engagement**

Engagement can sometimes be unsuccessful for various reasons: a company's failure to respond adequately, an unsatisfactory response, a lack of responsiveness or improvement despite promises made.

When engagement topics are about incremental improvements that are not deemed critical, ELEVA Capital may not necessarily implement escalation measures and may just allow more time and follow up with the company.

However, for matters considered to be of utmost importance, ELEVA Capital can set up an escalation process to try and obtain a strong and concrete result.

Escalation measures may include one or several of the following actions:

- Require a meeting with the top management including the CEO
- Require a meeting with a Board member
- Set up or join a collective engagement with other asset managers
- Use of our voting rights at the AGMs, if a specific resolution relates to one of the engagement topics
- Propose or support shareholders’ resolutions at AGMs, if they are in relation with our engagement matter
- Sell, partially or totally, our stake in the company.



## 4. Engagement policy principles

### 4.1 Engagement principles and objectives

Through our individual and collaborative engagement approach, we seek to:

- Encourage companies to be more transparent
- Influence the behaviour of companies towards best practices in terms of governance, compliance with international standards and social and environmental responsibility, particularly in the fight against climate change and biodiversity loss.

To maintain a constructive relationship with the company we invest in:

- We try to set, as much as possible, realistic, measurable and time-bound objectives. This allows precise monitoring over time and ensures that the impact of our engagement is measurable.
- We monitor the improvement of companies on engagement topics shared with them and reassess their progress at least every two years when reviewing their ESG score.

### 4.2 Illustration of engagement themes

We aim to focus our engagement efforts on the most material issues arising from our ESG analysis. Engagement themes are therefore varying from sector to sector and from company to company. Our voting policy and the governance principles it sets are a good starting point for engagement, notably on Governance issues. In addition, we may engage with companies on the following topics linked to the five stakeholders of our ESG analysis framework:

#### *Shareholders*

- CEO remuneration scheme
- Diversity of the board of director
- Board Independence
- Board members' skillset
- ...

#### *Planet*

- Targets & commitments on climate change, energy, water, waste, ...
- Biodiversity commitments and results
- Energy management performances
- ...

#### *Employees*

- Employee retention, training
- Risk management & accident prevention
- Women's empowerment
- ...

#### *Suppliers*

- Risk monitoring in the company's supply chain
- Audits and control of the supply chain



- Child labour
- ...

### *Civil Society*

- Customer satisfaction and product quality
- Cyber risk management
- Fiscal behaviour
- ...







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