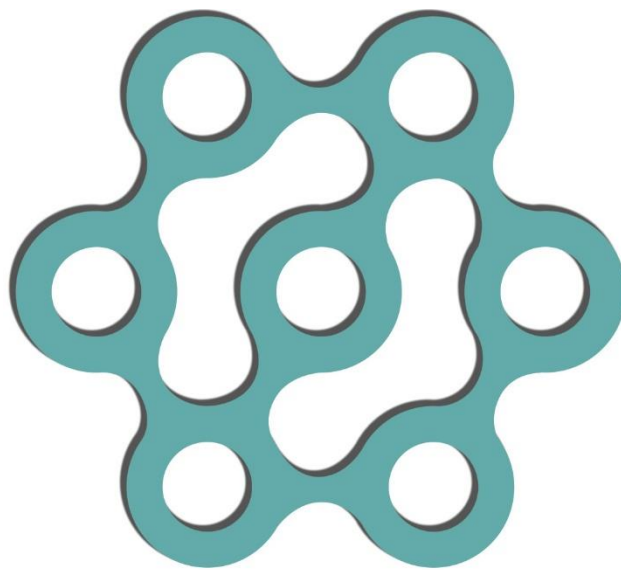


# **ELEVA Capital**

## **Voting and Engagement Report**

### **2023**



## Foreword

ELEVA Capital is an independent management company established in 2014. 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.

This report summarises our voting and engagement activities throughout 2023. Voting and engaging with companies are two essential pillars of our responsible investment approach. To learn more about our global **ESG approach**, please refer to our Transparency Code. Information about our voting and engagement principles are disclosed in our **Voting and Engagement Policy**. Both documents are available here: <https://www.elevacapital.com/en/our-responsible-approach>.

Our **Voting and Engagement** activities aim to help companies improve on their ESG (Environmental, Social and Governance) practices.

When responsible for proxy voting, ELEVA Capital **systematically exercises its voting rights** at the shareholder meetings of every equity holding. As “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 with investee companies** 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.

## 2023 voting and engagement activities in a nutshell

|                                                                                     |                                                                                       |
|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| Participation in 164 general meetings                                               | 16.5% opposition rate                                                                 |
|  |  |
| Individual engagement with 90 companies                                             | 263 areas of improvement shared with companies                                        |
|  |   |

# Contents

- 1. Voting review ..... 3
  - 1.1 Voting policy perimeter ..... 3
  - 1.2 ELEVA Capital’s voting policy in brief ..... 3
  - 1.3 Exercise of voting rights in 2023 at ELEVA Capital ..... 4
  - 1.4 Exercise of voting rights in 2023 at funds’ level ..... 6
  - 1.5 Dialogue with companies in the context of annual general meetings ..... 8
- 2. Engagement review ..... 9
  - 2.1 Engagement policy perimeter ..... 9
  - 2.2 Presentation of the engagement policy..... 9
  - 2.3 Application of the engagement policy at ELEVA Capital ..... 10
  - 2.4 Application of the engagement policy at funds’ level ..... 12
  - 2.5 Examples of engagement ..... 13

## 1. Voting review

### 1.1 Voting policy perimeter

Voting allows us to exercise our responsibility as “co-owners” of companies, on behalf of our clients and to send signals on what is acceptable or not when it comes to governance issues, but also to environmental or social issues, such as climate change and working conditions as these topics are increasingly discussed at annual general meetings (AGM). When responsible for proxy voting, ELEVA Capital is therefore committed **to exercising its voting rights for all the equities held in its portfolios**. In order to ensure vote consistency, the same vote is instructed for all the holdings of ELEVA Capital in a given company.

### 1.2 ELEVA Capital’s voting policy in brief

ELEVA Capital Voting and Engagement policy defines the guidelines followed by the investment team while they vote at annual meetings or when they engage on ESG topics with investee companies.

ELEVA Capital pays a lot of attention to good corporate governance practices and believes that voting at AGMs is the right way to bring about positive changes. In particular, we believe that Board composition is of paramount importance to ensure checks and balances. ELEVA Capital therefore encourages boards to have a significant proportion of independent directors. We encourage skillset, geographic, age and gender diversity on 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.

On executive compensations, ELEVA Capital wants the compensation schemes to be transparent, simple and understandable. We expect these schemes 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.

ELEVA Capital is also attached to equal treatment of shareholders. Thus, we support the general principle of “one share, one vote” as we expect shareholders’ voting rights to mirror their economic interest in each company.

More details about our voting policy can be found in ELEVA Capital’s Voting and Engagement policy, available in full here: <https://www.elevacapital.com/en/our-responsible-approach>

### 1.3 Exercise of voting rights in 2023 at ELEVA Capital

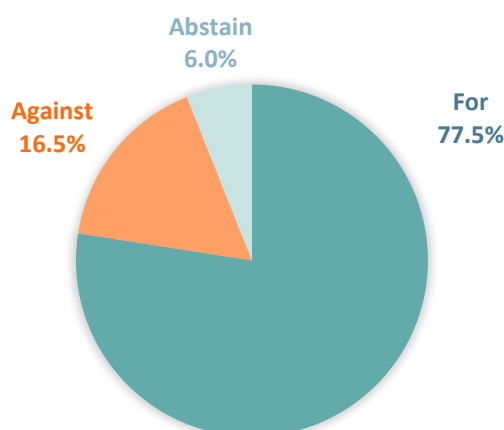
In 2023, ELEVA Capital voted at **164** distinct general meetings, representing 100% of general meetings for which we owned voting rights. Some companies are held by several ELEVA portfolios but their AGMs are only accounted once in the aggregated ELEVA vote statistics (i.e. no double counting).

These 164 annual meetings totalised **2 778 resolutions** (of which 146 were non-voting items) – an average of 17 resolutions per shareholder meeting. Similarly, there is no double counting at the AGM level.

ELEVA Capital voted “AGAINST” 434 of the 2 632 voting resolutions, i.e. a **16.5% AGAINST rate** (stable vs. 2022).

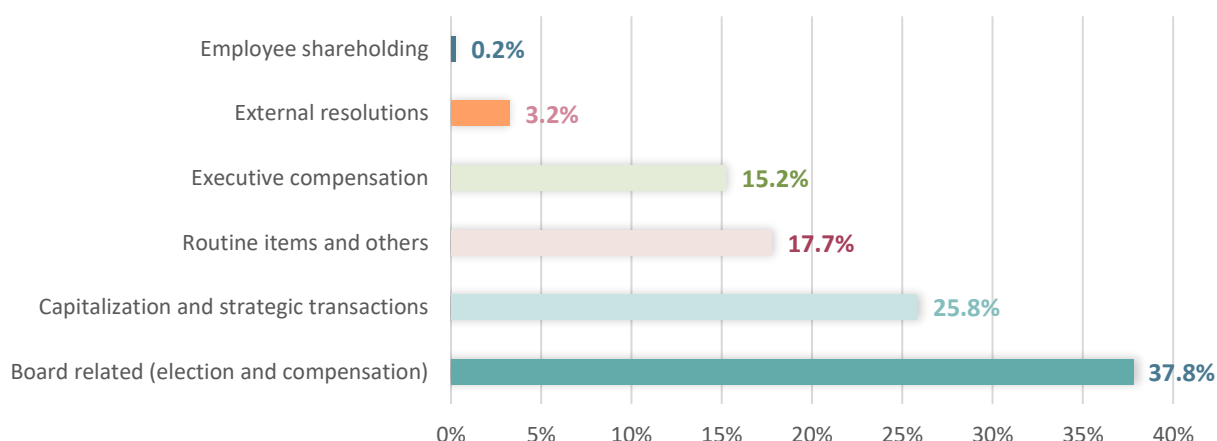
The **opposition rate is also 16.5%** considering the low volume of external resolutions (28 in 2023). As a reminder, the opposition rate includes the votes AGAINST resolutions supported by management, plus the votes FOR resolutions not supported by management).

#### BREAKDOWN OF VOTING DECISION



The resolutions that drew the most of AGAINST votes from ELEVA Capital were Board related (37.8% of total AGAINST votes) followed by those related to capitalization and strategic transactions (25.8% of total AGAINST votes).

#### BREAKDOWN OF VOTES AGAINST BY THEME



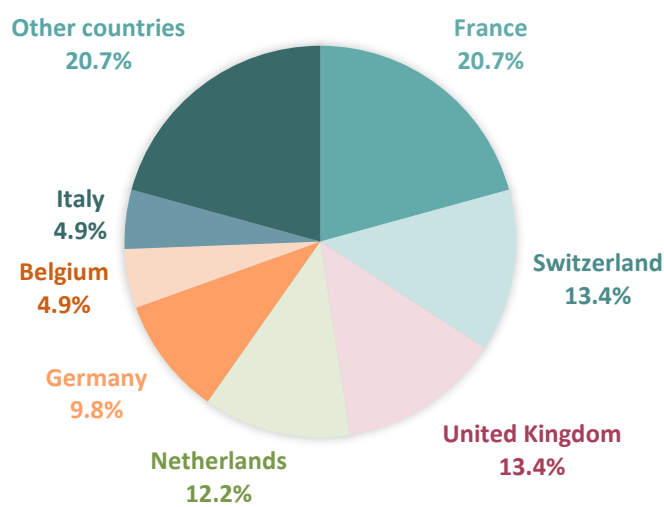
Regarding the specific resolutions on environmental and social topics, ELEVA Capital supported 9 resolutions in total:

- 2 resolutions to approve companies climate transition strategy,
- 5 approvals of non-financial information statements,
- 2 external resolutions from shareholders to require more transparency regarding Gender pay gaps and risks related to Human Rights Concerns.

For each SRI-labelled fund, ELEVA Capital publishes the full inventory of votes on the dedicated webpage of each fund.

The geographical distribution of our votes in 2023 is as follows:

**BREAKDOWN OF SHAREHOLDERS MEETINGS BY COUNTRY**



## 1.4 Exercise of voting rights in 2023 at funds' level

When responsible for proxy voting, ELEVA Capital commits to exercise its voting rights for all the equity holdings in its portfolios at the time of the AGM. The table below shows voting information for each of our SFDR Article 8 and 9 funds in 2023.

In view of the very short application period of the ELEVA Absolute Return Dynamic Fund (Article 8 fund launched in mid-December 2023), no voting right has been exercised for this fund in 2023.

The voting rights exercised by ELEVA for other portfolios which were not categorised under Article 8 and 9 of the SFDR regulation as of 2023 as well as mandates and delegations which are not subject to product-level disclosures are accounted for in the ELEVA statistics disclosed in this report.

|                                          | % of voted AGMs | Number of voted AGMs | Number of voted resolutions | % of votes "against" |
|------------------------------------------|-----------------|----------------------|-----------------------------|----------------------|
| ELEVA Euroland Selection                 | 100%            | 41                   | 715                         | 14.3%                |
| ELEVA European Selection                 | 98%             | 54                   | 1 014                       | 13.4%                |
| ELEVA Leaders Small & Mid Cap Europe     | 100%            | 69                   | 947                         | 17.5%                |
| ELEVA Absolute Return Europe (long book) | 100%            | 51                   | 921                         | 13.5%                |
| ELEVA Sustainable Impact Europe          | 100%            | 53                   | 865                         | 16.8%                |

ELEVA European Selection fund did not reach 100% of voted AGMs due to a technical issue for 1 annual meeting. More specifically, the vote instructions were transmitted to the proxy voting agency while shares were being sold).

Some companies are held by several funds. More information and voting statistics can be found in the annual ESG report of each fund available in the funds' dedicated webpage.

#### *Case study 1 – Opposed resolution: D’leteren’s Remuneration Report*

D’leteren is a holding company engaged in automobile distribution, vehicle glass repair and replacement, and other industrial activities related to spare parts. At the 2024 AGM, ELEVA Capital voted against:

(1) the approval of the Remuneration Report due to insufficient transparency: we regretted the insufficient disclosure under both the Short- and Long-term incentive plans (STIP & LTIP) notably the lack of disclosed weights, targets or achievements for the performance metrics, the lack of rationale for the 6% increase of the CFO's base salary; and lack of responsiveness to high minority shareholders' dissent (previous compensation was approved by only 84% of expressed votes).

(2) the authorization given to the Board to issue shares in the event of a public tender offer or share exchange offer as it could be used as an anti-takeover mechanism. As co-owners of the company, shareholders should be given the opportunity to decide on the merits of takeover offers.

#### *Case study 2 – E&S resolution: Schneider Electric’s Climate Transition Plan*

Schneider Electric – the digital automation and energy management company – put its Climate transition action plan to a shareholder advisory vote at the 2023 AGM. Eleva Capital supported this resolution as we considered the disclosures above market standards with a detailed roadmap, satisfying timeframe, and external validation.

As a reminder, Schneider has set 2030 and 2050 targets that have been validated by the Science Based Target initiative (SBTi). These targets include a 76% reduction of absolute scope 1 and 2 GHG emissions, a 25% reduction of absolute scope 3 emissions and a 100% sourcing of renewable energy by 2030 (vs. a 2021 baseline). By 2050, Schneider Electric contemplates reaching Net Zero across its whole value chain and a 90% reduction of absolute scope 1, 2 and 3 GHG emissions. This resolution was approved with 97.7% of favorable votes.

#### *Case study 3 – Shareholder proposal: Oracle on Gender Pay Gap*

Oracle Corporation is a leading business software publisher based in the US. From 2017-2020, Oracle received 4 proposals on gender pay equity, which averaged 40% shareholder support. At the 2023 AGM, ELEVA Capital supported an external shareholder proposal related to the disclosure of the median gender and racial pay gap. Several shareholders requested the company to report on both quantitative median and adjusted pay gaps across racial and gender dimensions, including associated policy, reputational, competitive, and operational risks, and risks related to recruiting and retaining diverse talent. The filers wrote that minorities comprise 41% of Oracle’s US workforce and 35% of managers, and women represent 32% of its global workforce and 27% of managers. We believed additional disclosure would help shareholders better evaluate the effectiveness of the company's diversity and inclusion efforts and its management of any related risks.

## 1.5 Dialogue with companies in the context of annual general meetings

Annual general meetings usually give an opportunity to have a constructive dialogue on governance topics and resolutions presented at the AGM.

These discussions can take place before the AGM, on ELEVA Capital's team request or on companies' own initiative to exchange on the resolutions that will be submitted to vote. This dialogue may also occur after the AGM, usually at the initiative of ELEVA Capital, to explain why we did not support certain resolutions. This aims to help companies shape their resolutions in a better way or improve their practices for the next AGM.

### *Case study 4 – Pre-AGM ESG engagement: Wavestone on Board composition*

Wavestone is a leading independent management and transformational consultancy firm. We recognise the specificities of the governance structure (controlled company thanks to the concert and double voting rights) but, as part of a pre-AGM meeting with Wavestone in November 2023, we shared feedback on the composition of the Board and the structure of the audit committee in the context of the Q\_Perior merger announced in July 2023. We notably believed that the number of Board seats should be reduced, and the independence of the Board improved, especially within the audit committee.

(1) Our view is that having a Board with too many members can negatively impact the quality of board discussions. This seems to be the case at Wavestone with 11 members plus the 3 employee and employee shareholder representatives. The Board notably included several non-independent members including the founder, 3 executives, and a former Q\_PERIOR partner.

(2) In 2024, the overall Board independence rate was expected to reach 45% excluding employee and employee shareholder representatives – which is satisfactory considering the shareholding structure. However, we regretted that the lead director and chairwoman of the audit committee would soon not be considered independent anymore due to tenure (12-year tenure to be reached in 2024). This means the independence rate of the audit committee would soon be inferior to our expectation (33% vs. 50%). As a reminder, we believe a predominantly independent Audit committee is critical for efficient controls.

## 2. Engagement review

### 2.1 Engagement policy perimeter

Engaging with companies on ESG issues is also an integral part of our responsible investment policy. As active shareholders, we are committed to helping companies improve on their sustainability journey. We can influence companies to adopt better ESG practices, or at least to relinquish poor practices. We believe that companies improving their ESG credentials will better manage their risks. As a result, **we systematically engage on ESG topics with investee companies held by SFDR Article 8 & 9 funds**, following each ESG analysis and/or on an ad hoc basis. We then track the progress they have made over time. Engagement is usually conducted on a one-to-one basis but can also take the form of collective engagement, by joining forces with other asset management firms.

### 2.2 Presentation of the engagement policy

ESG analysis conducted internally is the starting point for a focused and relevant individual engagement. This first step enables us to identify a company's strengths and weaknesses on ESG topics. Following 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 can monitor over time.

Collective engagement is another way of dialogue with investee companies, and may mainly take two different forms :

- It can be an escalation measure, when, for a given company, we do not see enough progress on ESG topics that are critical to us. Partnering with other shareholders often gives more weight in discussion.
- 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...).

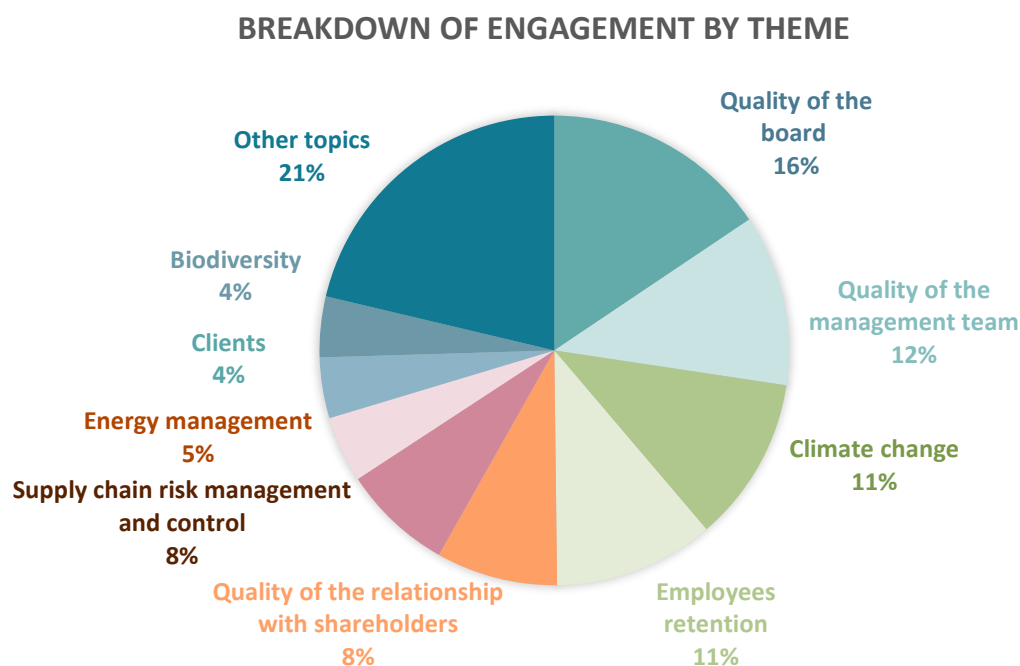
Through our individual and collaborative engagement approach, we seek to :

- 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.

More details about our engagement policy can be found in ELEVA Capital's Voting and Engagement policy, available in full here: <https://www.elevacapital.com/en/our-responsible-approach>

## 2.3 Application of the engagement policy at ELEVA Capital

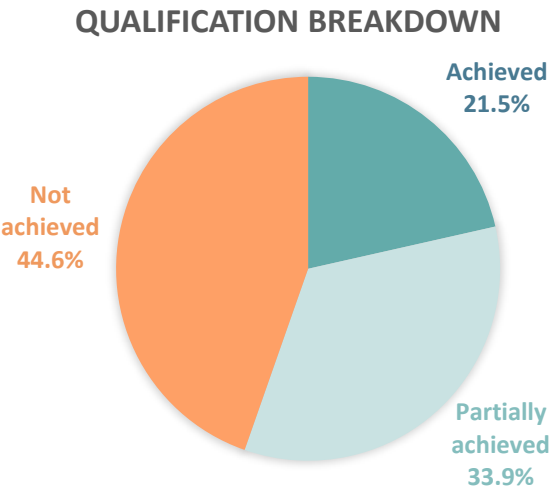
Over the course of the year, we engaged with a total of **90 companies** and shared with them **263 areas of improvement** (vs. respectively 84 companies and 248 areas of engagement in 2022). The main topics of engagement are shown in the below pie chart.



We monitor companies' progress to assess the degree of achievement over time. 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.

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 past topics were “achieved” or have become less relevant, they can be replaced by new engagement topics.

In 2023, we updated the ESG analysis of companies scored for the first time with ELEVA Capital’s proprietary methodology at least 2 years earlier and still held in the portfolios. In this context, we assessed the achievement of the post-ESG analysis engagement topics sent previously for 62 companies, representing a total of 177 engagement areas. Results are presented in the following chart.



Obviously, we cannot claim the full merit of a successful engagement, as many other stakeholders may have conducted similar engagement and contributed to this achievement.

Also, the share of “Not achieved” has increased from 19.2% in 2022 to 44.6% in 2023. This significant variation is arguably explained by (1) the larger population (62 companies in 2023 vs. 19 in 2022); and (2) by the fact that the first 2022 qualifications mostly involved the holdings of the ELEVA Sustainable Impact Europe fund and that the companies invested by this fund are perhaps more responsive to investor feedback compared to the companies invested by the other ELEVA funds. In any case, ELEVA is committed to maintaining a constructive dialogue with companies invested by all funds, and escalation measures are envisaged when relevant.

## 2.4 Application of the engagement policy at funds' level

As we commit to engaging with all companies held in our SFDR Article 8 & 9 funds, the table below shows the figures regarding our engagement activity broken down by fund, as of 29/12/2023.

In view of the very short application period of the ELEVA Absolute Return Dynamic Fund (Article 8 fund launched in mid-December 2023), engagement statistics are not reported for this fund in 2023.

For the ELEVA Absolute Return Dynamic Fund and for other portfolios which were not categorised under Article 8 and 9 of the SFDR regulation in 2023, as well as mandates and delegations which are not subject to product-level disclosures: engagements have been conducted with companies also invested by the ELEVA SFDR Article 8 & 9 funds. These engagements are accounted for in the ELEVA statistics disclosed in this report.

|                                          | % of companies engaged in the fund as of 29/12/2023 | Number of areas of improvement shared in 2023 | Main engagement themes                                                                                                                                                                       |
|------------------------------------------|-----------------------------------------------------|-----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ELEVA Euroland Selection                 | 95%                                                 | 101                                           | <ul style="list-style-type: none"> <li>– Quality of the board (19%)</li> <li>– Climate change (12%)</li> <li>– Supply chain risk management and control (10%)</li> </ul>                     |
| ELEVA European Selection                 | 96%                                                 | 107                                           | <ul style="list-style-type: none"> <li>– Quality of the board (15%)</li> <li>– Climate change (11%)</li> <li>– Quality of the management team (10%)</li> </ul>                               |
| ELEVA Leaders Small & Mid Cap Europe     | 98%                                                 | 127                                           | <ul style="list-style-type: none"> <li>– Quality of the management team (15%)</li> <li>– Quality of the board (14%)</li> <li>– Climate change (13%)</li> </ul>                               |
| ELEVA Absolute Return Europe (long book) | 96%                                                 | 119                                           | <ul style="list-style-type: none"> <li>– Quality of the board (16%)</li> <li>– Climate change (13%)</li> <li>– Quality of the management team (11%)</li> </ul>                               |
| ELEVA Sustainable Impact Europe          | 97%                                                 | 53                                            | <ul style="list-style-type: none"> <li>– Quality of the relationship with shareholders (15%)</li> <li>– Employees retention (13%)</li> <li>– Quality of the management team (11%)</li> </ul> |

The companies held by these funds which have not been engaged at the end of 2023 have been engaged in 2024.

## 2.5 Examples of engagement

### *Case study 5 – Individual engagement: UniCredit*

UniCredit is one of the leading European banking groups. We conducted an ad hoc engagement with UniCredit in November 2023, notably on CEO compensation policy, climate strategy, and controversies:

(1) Despite the high dissent recorded by the bank in the previous years (only 69.1% in favor of remuneration policy in 2023 and 75.2% in 2022), we regretted that the remuneration policy includes significant qualitative assessment for the variable compensation and well as discretionary components for the short- and long-term incentive plans. We also regretted that the TSR component was removed from the LTIP which now only focuses on ROTE with CET1 as part of the financial criteria. During the engagement, the company explained that the improvement of the compensation policy is subject to constant discussion at the Board and that the discretionary component only exists to be able to take into account extraordinary situations.

(2) Regarding UniCredit's climate strategy, we discussed the interest in a Science-Based Target validation which seems to suffer from a lack of credibility in the banking industry. Unicredit explained they will continue to focus on sector pathways rather than SBTi. As part of UniCredit's commitment to the Net-Zero Banking Alliance (NZBA), the next sector policies are expected to include the Steel and Real estate sectors by October 2024.

(3) Finally, regarding the group's controversies, we discussed the lawsuits over alleged manipulation of bond prices in the government-sponsored bond market – considered to be isolated by Unicredit. We also covered the historical fraudulent sale of diamonds as an alternative investment which is still reported by ESG rating agencies for all the major Italian banks, but which should be considered concluded according to Unicredit.

### *Case study 6 – Controversy engagement: Technip Energies Russian exit controversy*

Technip Energies is an engineering and technology company specialised in both onshore and offshore energy infrastructure projects. Following an article released by Le Monde in October 2023, we engaged with the executive management, and we organised a meeting in November 2023 with two Board members as well as IR, Legal, P&C and Sustainability representatives.

We shared our concerns regarding the alleged breach of EU sanctions due to the continued supply of equipment to the Arctic LNG 2 project in Russia. The company explained they have proactively engaged with the relevant authorities and restated that the company has remained compliant with both the international sanctions and their contractual obligations.

They also highlighted that (1) no official investigation nor legal proceedings have followed the Le Monde article; (2) that MSCI considers the controversy is minor; and (3) that the company's ESG ratings have remained stable. They explained the controversy will probably be concluded if it remains inactive over a few months.

## Disclaimer

This report has been prepared for information purpose only and should not be considered as a marketing material nor an investment advice for ELEVA CAPITAL products.

The sources used to carry out this report are considered reliable, however ELEVA Capital declines all responsibility for any omission, error or inaccuracy. ELEVA Capital accepts no responsibility for any direct or indirect losses caused by the use of the information provided in this document.

The information presented in this document is simplified, for more information please refer to the KIID and the prospectus of the relevant UCITS available on our website ([www.elevacapital.com](http://www.elevacapital.com)).

The Fund's management company is ELEVA Capital S.A.S., a French société par actions simplifiée, registered with the Paris Trade and Companies Register under number 829 373 075 having its registered office at 61 rue des Belles Feuilles 75116 Paris, France. ELEVA Capital is a French portfolio management company, duly authorised under number GP 17000015 and regulated by the French “Autorité des Marchés Financiers”.



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