



ENGAGEMENT AND VOTING REPORT

SICAV PHITRUST ACTIVE INVESTORS FRANCE



2021

PHITRUST
Investir pour agir



Since its creation in 2003, Phitrust invests in large listed companies to help them improve their Environmental, Social, and Governance (ESG) practices (Phitrust Active Investors), as well as in innovative social enterprises to give them the financial and human resources to scale up and deploy their impact (Phitrust Partenaires). Two activities, one single mission translated into the company's 'raison d'être': Invest to act and contribute to the growth of companies that integrate human development and the preservation of our planet at the heart of their strategy.

- The decisions of large companies on the distribution of the wealth created and on capital allocation in the economy have an impact well beyond their scope. They have become key players in the search for solutions to social and environmental challenges. By mobilizing institutional investors, Phitrust fully exercises its role as a committed, constructive and demanding shareholder. With a single objective: to alert companies of the risks and support them in changing their business models. **With more than 18 years of experience and direct relations with the management of major companies, Phitrust is the only independent asset management company to have filed over 46 resolutions at General Meetings.**
- More over, by mobilizing private and institutional investors towards innovative, committed and inclusive entrepreneurial projects, Phitrust opens a new space between private equity and philanthropy: beyond financial contribution, we seek to create a network of experts and committed investors around the entrepreneurs who will accompany them over the long term in order to enhance their impact on society. The economic viability of their model is a guarantee of their sustainability. Patient capital, support and partnerships are an integral part of our work to create an economy that integrates, without opposing, the issues of inclusion and the environment. More than 30 social enterprises are supported by our teams, including Simplon, Lita, LemonTri, Alenvi, La Varappe, Kelbongoo, etc.

In November 2020, the Phitrust Active Investors France SICAV obtained the **SRI Label**, which endorses Phitrust's specific approach of shareholder engagement. Shareholder engagement is finally becoming a recognized SRI strategy. This label is the result of extensive work carried out by the team to review and integrate the outcomes of 15 years of concrete shareholder engagement actions.

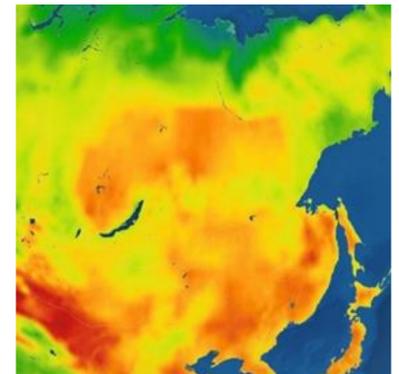
In June 2021, Phitrust becomes a mission-driven company (Entreprise à mission).

EDITORIAL

2021: INVESTMENT AS A LEVERAGE FOR ACTION

Corporate business model transition: it's time for shareholders to change their ways!

Heat domes in Canada, Spain, Maghreb and western United States, historic floods in Russia, Germany and Belgium, record temperatures in one of the coldest regions on the planet, Siberia - the effects of global warming are being felt all over the world and increasingly in Europe. Climate change and the loss of biodiversity must be tackled head on. Is it not time to change the software of our capitalism which, although it has proved its efficiency, still does not integrate the valuation of finite resources into its model? The « Meadows Report » (The Limits to Growth) was published in 1972; the first part of the IPCC Report published this summer only confirms the most worrying scenarios!



The idea nowadays is no longer to simply integrate E,S,G data into company management. Shareholders have a strong responsibility! That of accompanying the complete change in the business model of companies. It is no longer a question of limiting the energy consumption of buildings, but rather of integrating the ecological dimension into the entire value chain. It is no longer a question of having a sustainable development department or developing teaching within specialised masters' programmes, **but rather of placing these issues at the core of the company, of education, of our behaviours, while of course including the human dimension.** This transition will not be possible without training, a fair distribution of value and a long-term vision.

Never have the responsibilities of the financial sector, and hence of shareholders, been so crucial. The vast power of money, and its aim, are at the heart of the issues at stake for the protection of the planet and the development of human beings.

Is it still normal that groups as powerful as Coca Cola, Amazon or Facebook take such a weak position on these issues, when the strength of their brands could be a tremendous lever for action? Is it normal to have allowed active fund management to be reduced to such a small portion that shareholder investors are no longer involved in their votes? What are the motivations to act of each of these players in the asset management industry - institutional investors, savers, wealth management advisers, asset management companies, pension funds, etc.?

The recent "Danone" affair has raised many scattered and diverse issues, mixing governance problems, questions about strategy and the adoption of the status of mission-driven company. This last point, while unrelated to the governance crisis that the group went through, reflects the extent to which the "raison d'être" resonates today. Is it necessary to define "mission-driven shareholders" to finance and support committed companies that must invest heavily to make this transition? Does this

responsibility need yet another regulatory framework or a taxonomy that will take time to define, with the risk of standardizing SRI practices at a lower cost? We must intervene now and exercise our power to act as committed and long-term shareholders to support these companies.

Shareholder engagement is a very effective responsible investment strategy, as Novethic noted in its study last year. It is by acting on corporate governance, by challenging the composition, expertise, independence and capacity of decision-making bodies to carry out long-term strategies, that environmental and social issues will be properly considered. This is what we have been defending for more than 18 years - and what we defended again this year with the executives and boards of Danone, Total, Carrefour,

This year, our shareholders have chosen to affirm Phitrust's status as a 'mission-driven company' and have defined its 'raison d'être': Invest to act and contribute to the growth of companies that put human development and the preservation of our planet at the very core of their strategy. We are more than ever rooted in this community of active and committed investment and management players. We are still too few and not strong enough. Major investors are required, keen on not reliving another « Kodak case » (which failed to anticipate a transition to digital and went from a leading position to bankruptcy), to join us and strengthen our capacity to invest in order to act! Thank you to all our shareholders, current and future, who will join us to promote this commitment together.

Olivier de Guerre
Chairman

Denis Branche
Managing Director

ENGAGEMENT STRATEGY

2021

**CARRY, IN TIMES OF CRISIS, A DEMANDING VISION OF OUR
RESPONSIBILITY AS A SHAREHOLDER COMMITTED TO THE
BUSINESS MODEL TRANSITION OF LARGE COMPANIES**

2020-2021

SUMMARY AND KEY FIGURES

Our investment universe: all of the CAC40 Index companies.

Why large companies: the decisions of large companies on the distribution of the wealth created and on the allocation of capital in the economy have **an impact well beyond their scope**. They have become key players in the search for solutions to social and environmental challenges. **How they integrate these issues into their strategic thinking is a key indicator for investors, shareholders and stakeholders**. We are convinced that **investors have a responsibility to ensure that companies and their managers accelerate the transition of their business model** and put social and environmental issues at the core of their strategy.

Main issues and desired impacts :

- Acting as a committed shareholder of listed companies by using all the levers of shareholder engagement to **change their governance, business model and environmental and social practices**.
- Acting to **change shareholder engagement practices** so that the questions and votes of minority shareholders are heard.

In 2020 / 2021, our engagement action has quantitatively materialized by:

40 letters sent to executives, chairmen of boards of directors or supervisory boards and lead independent directors, prior to the General Meetings, covering all E, S and G issues. Each theme is weighted / enriched according to the sector and the company's situation.

Our objective: to measure the evolution of our engagement, to decide on the annual themes of our engagement campaigns with the Board of Directors of our Phitrust Active Investors France Sicav, and to regularly weight our portfolio securities according to the responses obtained.

24 interviews with executives and **14** written responses received prior to the AGMs. **6** companies did not provide any written or oral response.

Participation and votes at the 39 CAC40 General Meetings (Pernod-Ricard's general meeting will be held in November 2021), i.e. for **100%** of the companies in our voting perimeter, with a total of **942** resolutions voted on:

- We voted in favour of **638** resolutions;
- We voted against **304** resolutions.

3 Public initiatives: Danone (item included on the agenda of the general meeting on governance issues), Carrefour (written questions on social issues) and Total (written questions on environmental issues).

Advocacy: We have participated in numerous working groups (FIR, Finance for Tomorrow, AFG, Fair/Finansol....) on the place and definition of impact finance. Our advocacy has mainly taken the form of **a conference-debate in November 2020 on the role and responsibility of shareholders of listed companies**. Hosted by two Agefi journalists, it brought together H. Rodarie, President of AF2i, A-C. Husson-Traore, CEO of Novethic, A. Masse, Chairman of the Forum for Responsible Investment, P-A. de Chalendar, CEO of Saint-Gobain, A. de Romanet, CEO of Aéroports de Paris, C. Weber, CEO of Middenext and C. Ruellan, President of SONJ Conseil. The debates focused on the application of the European directive on shareholders' rights, the role of minority shareholders in the light of the crisis, the extent to which companies are listening to increasingly active and committed shareholders, and the way in which boards of directors and managers are taking on environmental and social issues,....

OUR COMMITMENT POLICY

RAISE AWARENESS, ALERT, ACT

Phitrust's approach is eminently constructive. Our dialogue takes place at the strategic level of the company, with direct, informed and ongoing exchanges with the managers and chairmen of the boards of directors whom we have been meeting for over 18 years.

This dialogue takes many forms. It is a gradual build-up, from direct dialogue to public action. As an active - and non-activist - shareholder, we are committed to respecting each of these steps.

Our principles for responsible shareholder engagement :

- Engage in direct dialogue with the managers of the companies all year round before launching any public action, including the filing of resolutions.
- Hold shares on the long-term.
- Do not make share loans.
- Do not sue companies, believing that shareholders could, together, "make themselves heard"... This allows a permanent search for a consensus, as the directors, and therefore the corporate representatives, are elected by shareholders.

We use **ALL** the levers of engagement

- **Private initiatives** (letters, interviews, private information reports)
- **Public initiatives** (written questions, tabling of resolutions, interventions in General Assembly)
- **Individual or collaborative approaches:** Co-filing of resolutions, PRI platform, etc.
- **Targeted approaches** to a company or themes regarding strategy.
- And of course, systematic **votes** at all the AGMs of CAC40 companies

THE IMPORTANCE OF DIALOGUE WITH COMPANIES, BEFORE ANY PUBLIC ACTION



EXCLUDE TO ACT?

The line between the need to encourage and support companies in their transition and the sanction vote is a complex issue. A draft European directive on taxonomy is currently being drawn up and will impose new constraints on institutional investors to justify their investments in companies that are not moving fast enough on decarbonisation. Many asset managers may have to exclude a number of companies, particularly energy companies, to avoid writing compliance reports and explaining their choices to clients... This disengagement could then benefit non-European investors, among which some are less scrupulous on climate issues. There is a major risk to the sovereignty of our companies, which provide our energy supply. Instead of excluding, it seems to us preferable - and more effective - to accompany and challenge the managers of companies in the implementation of their transition strategy.

OUR PRINCIPLES OF COMMITMENT

FROM REGULATION TO INTENTIONALITY

Historically, the concerns raised by shareholders were on governance topics relating to shareholder rights, to the election and organization of the board of directors, to the certification of accounts, and to capital transactions... Gradually, questions of executive remuneration have become an essential element of shareholder questioning. It was only after the intensification of media coverage of climate-related issues, followed by the Paris Agreement in 2015, that institutional investors with a long investment horizon finally understood that the value of their assets will be affected by the way companies respond to climate and ESG challenges.

For those still in doubt, the global crisis linked to the COVID 19 pandemic accelerated the realisation of managers, employees and shareholders that they must now take into account the growing impact of these issues on the business models of their companies. Furthermore, the prospect of a crisis following the shock inflicted on economies by COVID 19 should reinforce the movement already initiated by some companies and encourage them to review their value chain and reorganise their production methods.



Social and environmental issues have become crucial to companies and therefore to their shareholders, no longer as a reporting obligation within the framework of CSR, but to be placed at the core of their business models, as a guarantee of their long-term sustainability.



*Denis Branche
Managing Director Phitrust*

Our engagement strategy encompasses this vision. With the notion of impact at its core.

Exercising our responsibility as shareholders implies, together with the managers and stakeholders of companies, to:



Implement the necessary evolution of their business model with **identified and future social and environmental issues** at the centre of their strategy;

Take into account the development of strategies that integrate the common good of the territories where they **operate**. Companies also contribute to the development of the territories, through their investments, the remuneration of their employees, the contracts with their suppliers and customers, and their fiscal strategy;

Adjust their governance to best meet these challenges with their shareholders and all their stakeholders;

Promote dialogue with institutional investors before and during voting at General Meetings.

The status of a 'mission-driven company', even if it opens up a new model of society, does not imply a real change in corporate governance, which depends on the goodwill of managers and shareholders. And yet, it seems that this status still frightens the CAC 40 companies since none, except Danone, seems to consider adopting it.

OUR ENGAGEMENT APPROACH

GOVERNANCE AT THE CORE, AS A LEVER OF BUSINESS MODELS TRANSITION

Analyzing companies from a strategic governance perspective

We have always analysed companies from the point of view of their strategic governance: good governance practices are the prerequisites for the proper functioning of a company in view of creating long-term value. Governance is a growing and central issue for all the company's stakeholders. The quality of this governance determines its capacity to effectively operate the transition of its business model, while respecting the balance between the various parties involved with the company. It is likely that boards of directors and administrators will be increasingly held accountable for the consequences of their strategic decisions.

The changes in the statutory purpose of companies are a first step. The Pacte law thus allows for the strengthening of the board's responsibility in determining strategy. After more than a year of Covid-19 pandemic, major French companies have chosen to change the composition of their boards of directors (*). The CAC40 companies have taken the measure of the societal issues that have become increasingly important during these months of crisis. Considering the increased environmental pressure, linked to the acceleration of global warming, they have integrated a significant proportion of experienced profiles linked to sustainable development (39%).

Improved corporate governance will make it easier for active and engaged issuers and shareholders to work together at a time when companies have never needed strong and engaged stakeholders more than in an increasingly competitive and complex world. Corporate governance has become a topic which cannot be overlooked.

(*) (Heidrick & Struggle study June 2021)

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Focus on VIVENDI: Governance, minority rights and strategy, a long-term « case »

Since the arrival of Vincent Bolloré at the head of Vivendi's Supervisory Board in 2014, Phitrust has been alerting shareholders at General Meetings about the risks of a takeover by the Bolloré Group. First in 2015 by asking for the maintenance of the simple voting right. Then in 2019 with the early termination of the mandate of the Chairman of the Supervisory Board, Yannick Bolloré - being also the CEO of Havas, a subsidiary of Vivendi. More recently, the link between the sale of UMG and the public tender offer for more than 50% of the capital raises many questions about the group's strategic vision, and indirectly about the strategy of the Bolloré Group: the latter has committed not to apply for the AMF's passive threshold crossing exemption but, nevertheless, did not exclude the possibility of launching a takeover bid in the event of crossing the threshold of 30% of the capital or voting rights...

INDIVIDUAL ENGAGEMENT

CONFIRM AND STRENGTHEN OUR ACTION, AT A TIME WHEN
SHAREHOLDER ENGAGEMENT IS THE MOST EFFECTIVE RESPONSIBLE
INVESTMENT PRACTICE TO ENCOURAGE COMPANIES TO CHANGE
THEIR PRACTICES

GENERAL MEETINGS 2021

THE LIMITS OF 100% VIRTUAL

Corporate governance has returned to the forefront of corporate issues with the pandemic. This underlying trend had been in place for several years, but it has suddenly become apparent: being able to identify the areas of transformation and evolution necessary for companies to develop and even continue to exist has become essential. The way in which this year's General Meetings, places of shareholder democracy, were organised is very enlightening in this respect. In the tables on page 11, we have brought together the different formats and solutions for shareholder democracy proposed this year by CAC40 companies.

Behind closed doors

This year, the general meetings of CAC40 companies were once again held behind closed doors, due to the prolonged global health crisis. Although shareholders had more opportunities to express themselves compared to last year, the question remains as to the lack of deployment of solutions allowing the exercise of live voting rights. Most of the resolutions were voted at levels rarely reached. This is undoubtedly one of the consequences of virtual meetings. The closed session does not encourage shareholder engagement. Many concerns will probably be postponed until next year.

Significant differences from 2020

70% of CAC40 companies, i.e. 28, offered a digital platform for asking questions live (nine had done so in 2020). Regarding the format of General Meetings, almost all companies broadcasted the event live and then on replay; only three companies did not offer a replay of their General Meetings. In 2021, depositaries also developed new systems: postal voting via the Votaccess platform for private investors and live remote voting via the Lumi Technologies platform. How is this reluctance to involve shareholders justified, when Amundi (outside the CAC40) is the only listed company to allow live voting this year? Many companies have told us that there is not enough security today to ensure shareholder status, even though the technologies exist (notably the blockchain or shared registry)

and that it would have been possible to set it up.

Other breaches of shareholders' rights persist. The right to remove a director from office, the possibility of requesting an amendment to the agenda or to open a live debate are action levers to which shareholders still do not have access behind closed doors. Some companies have not found it useful to have their General Meetings chaired by the Chairman, the Chief Executive Officer or the Lead Independent Director; this was the case at EssilorLuxottica and Schneider Electric.

The 2021 season also opened the debate on the usefulness of written questions as a tool for dialogue and engagement with companies. Almost no companies provided live answers to the written questions sent in advance of the GMs. The majority of companies rather chose to answer questions asked directly during the GM, with written questions only being answered on the websites.

What about the future?

The health crisis will undeniably have a major impact on the governance and formats of future General Meetings of companies. The hybrid meeting, both in person and remote, is likely to become the norm in 2022. This type of format would allow members or attendees to choose whether to physically attend the meeting or to attend online, which should theoretically lead to higher participation and engagement. However, this meeting format requires technological innovations that companies and their depositaries must be able to deploy. In addition, particular attention will have to be paid to ensuring that there is no inequality in terms of rights and leverage between those who choose to attend general meetings remotely or in person. The choice of companies will be fundamental for the years to come: only virtual general meetings, or a mix of virtual and physical meetings, a real sign for shareholders of the willingness of company managers to allow them to participate actively and "without filter". Probably an additional criteria for the selection of companies in the future.

INCREASINGLY COMMITTED SHAREHOLDERS, IN A CONTEXT WHERE "REMOTE" FORMATS ARE BECOMING PREVALENT, SOMETIMES TO THE DISADVANTAGE OF SHAREHOLDER DEMOCRACY

CAC 40 company	AGM broadcast live	Digital platform for questions	Public Initiatives / Phitrust Written Questions	Phitrust participation GM 2021	CAC 40 company	AGM broadcast live	Digital platform for questions	Public Initiatives / Phitrust Written Questions	Phitrust participation GM 2021
Air Liquide	Yes	Yes	No	Yes	Orange	Yes	Yes	No	Yes
Airbus Group	Yes	No	No	No	Pernod Ricard	n/a	n/a	n/a	Nov-21
Alstom	Yes	Yes	No	Yes	PSA / Stellantis	Yes	Yes	No	Yes
ArcelorMittal	No	No	No	No	Publicis	Yes	Yes	No	Yes
Atos	Yes	Yes	No	Yes	Renault	Yes	Yes	No	Yes
AXA	Yes	Yes	No	Yes	Safran	Yes	Yes	No	Yes
BNP Paribas	Yes	Yes	No	Yes	Saint-Gobain	Yes	Yes	No	Yes
Bouygues	Yes	No	No	Yes	Sanofi	Yes	Yes	No	Yes
CapGemini	Yes	Yes	No	Yes	Schneider Electric	Yes	Yes	No	Yes
Carrefour	Yes	Yes	Yes	Yes	Société Générale	Yes	Yes	No	Yes
Crédit Agricole	Yes	Yes	No	Yes	STMicroelectronics	No	No	No	No
Danone	Yes	No	Yes	Yes	Teleperformance	Yes	Yes	No	Yes
Dassault Systemes	Yes	Yes	No	Yes	Thales	Yes	Yes	No	Yes
Engie	Yes	Yes	No	Yes	Total	Yes	Yes	Yes	Yes
EssilorLuxottica	Yes	No	No	Yes	Unibail Rodamco	Yes	Yes	No	Yes
Hermes	Yes	No	No	Yes	Veolia	Yes	No	No	Yes
Kering	Yes	Yes	No	Yes	Vinci	Yes	Yes	No	Yes
Legrand	Yes	Yes	No	Yes	Vivendi	Yes	No	No	Yes
L'Oréal	Yes	Yes	No	Yes	Worldline	Yes	Yes	No	Yes
LVMH	Yes	No	No	Yes					
Michelin	Yes	Yes	No	Yes					

Nb: no participation to the GM of French companies listed on foreign markets.

ASSESSMENT OF THE ENGAGEMENT ACTIONS

This year, as for the last 15 years, we sent a detailed letter to the managers and directors of the CAC40 companies before the GMs:

443 questions asked in letters sent in advance to the executives of CAC 40 companies between December 2020 and March 2021.

- 39% of the questions asked were related to **governance issues**,
- 23% to the **environmental impact of companies**,
- 21% to **social impact (of which 10% to the management of the covid crisis)**,
- 17% to **business ethics**.

Main themes of engagement 2021

SHAREHOLDERS' RIGHTS AND CONTROL OF THE COMPANY

Behind closed doors General Meetings, the elimination of double voting rights (which only favour shareholders who wish to take control of the company).

BOARD OF DIRECTORS / RESPONSIBILITY OF DIRECTORS

Separation of powers, independence and responsibility of directors. The format of the AGMs and dialogue with shareholders, The involvement and work carried out by the Board during the year.

REMUNERATION, ASSOCIATION OF MANAGERS AND EMPLOYEES IN THE CAPITAL

The sharing of value. The appropriateness of executive remuneration to the company's situation and that of its employees. The criteria for the allocation of variable shares. Dividend distribution.

ENVIRONMENTAL IMPACT

The importance of a climate change strategy. Support for the Science Based Targets initiative. The desire to move towards "regenerative" models. Impact on biodiversity. The composition of the CSR committee and its functions.

SOCIAL IMPACT

The impact of the health crisis and the measures taken by companies.

The distribution of the value created between the various stakeholders (managers, employees, shareholders).

The need to have good social practices with employees, and to have an eye on those of all stakeholders. The prevention of risks against modern slavery.

HUMAN RIGHTS AND BUSINESS ETHICS

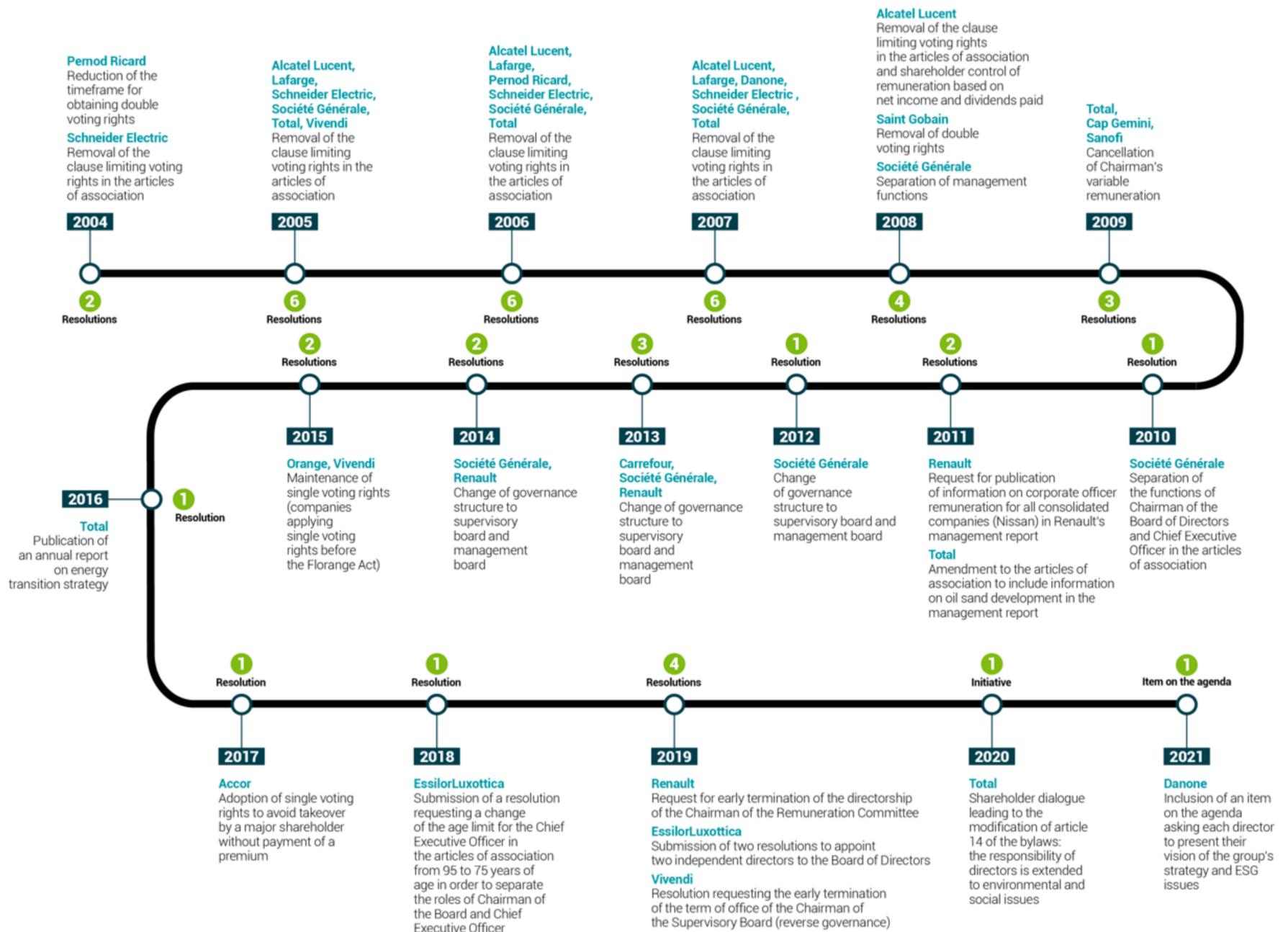
Control procedures and effective commitment against corruption. Management and protection of internal and external whistleblowers.

Monitoring and management of supply chain practices.

The implementation and application of a vigilance plan that respects human rights and diversity.

PUBLIC INITIATIVES

46 EXTERNAL RESOLUTIONS FILED SINCE 2003



18

Years of constructive dialogue and engagement with the leaders of European listed companies



Over 3,900

Private ESG initiatives: letters, meetings, dialogues with the executives & boards of directors of CAC40 companies



47

Public initiatives (oral interventions and written questions in the General Meeting)



46

External resolutions tabled since 2003, including 2 voted to amend the articles of association of listed companies

Several proposals have been adopted and implemented by some companies following our initiatives (creation of specialised committees, levelling of threshold crossing declarations, shifting of the dividend payment date, etc.). This in-depth work, which is part of a structured, long-term approach, demonstrates above all that assuming one's responsibility as an active shareholder requires a long-term vision, technical expertise, knowledge of the issues, trusting relationships and pugnacity in order to make progress on key issues.

PUBLIC ACTION

AGENDA ITEM - GOVERNANCE



The governance crisis that DANONE experienced between 2020 and 2021 highlighted both formal dysfunctions and substantive disagreements within the company's Board of Directors. An exemplary governance crisis! **Phitrust is one of the few management companies to have publicly expressed its concerns about the reasons for this crisis.**

Formally, leaks of the Board of Directors' deliberations took place and were repeated publicly, in violation of the rules of law (Art. L225-37 of the French Commercial Code), increasing the pressure on all the company's stakeholders. On the substantive issues, the Board of Directors, by voting on March 14, 2021 for the departure of Emmanuel Faber, then Chairman and CEO, showed its opposition to the way in which the strategy was being conducted, but it also appeared to be an opposition to the strategy in itself, even though the Board had the responsibility to oversee the direction of this strategy and in fact shared responsibility for it.

PHITRUST'S PUBLIC ENGAGEMENT INITIATIVES ARE GATHERING MOMENTUM

- **17/02/2021**: press release expressing the incomprehension of the shareholders of the Phitrust Active Investors France SICAV in the face of the demands expressed publicly by certain shareholders and by the "leaks" indicating dissensions within the Board of Directors.
- **3/3/2021** : Phitrust publicly questions in a press release the reasons for this crisis which, under pressure from certain minority shareholders, risks destabilizing one of the jewels of the French food industry. The implementation of a separation of functions within the group, which we have been asking for for many years, is a good evolution, which was to be implemented in 2022, once the "Local first" plan would've been in place and at the time of the renewal of certain members of the Board (including Franck Riboud's, the former CEO).

The timing of this decision, at the end of 2020, seemed to be completely inappropriate: either it came too early without leaving the necessary time for the deployment of the "Local First" plan presented by E. Faber in November 2020; or it was decided too late, as the Board did not implement it following the announced departure of Cécile Cabanis, former Deputy General Manager, for personal reasons.

- **16/3/2021** : Phitrust published a column on governance failures at the March 14 Board meeting - and leaks on the announced departure of Emmanuel Faber. What to think of a Board of Directors that "bends" to two minority shareholders who clearly did not have the same objectives as those validated by all shareholders at the general meeting? And what to think of a decision to revoke 15 days after an agreement that seemed in the opinion of many to be "balanced"?

GM 2021 REQUEST FOR INCLUSION OF AN ITEM ON THE AGENDA

The ousting of Emmanuel Faber has given rise to numerous comments, including **questions of governance, questions about a strategy approved by the Board of Directors, and questions about the compatibility of the status of a mission-driven company with a stock market listing.** While all investors talk about "impact" and Danone was the emblematic company trying to reconcile economic profitability with social and environmental mission, this "Danone affair", because that's what we'll have to call it, shows the great gap between "virtuous" discourse and business reality for many investors, company managers and directors.

On April 8th 2021, Phitrust, together with Mirova, Ircantec, CAVP (Caisse d'assurance vieillesse des pharmaciens), and OFI AM, which together held more than 0.5% of the share capital, successfully asked the Board of Directors of Danone to add an item to the agenda of the General Meeting of April 29, in accordance with the legal provisions in force. The objective was to allow each director to express his strategic vision for the Danone group by developing, in particular, his personal contribution on environmental issues and his approach to the organization of balanced governance. Only five of them, including the Lead Independent Director and the Chairman of the Board, spoke. We regret that Franck Riboud, the group's former CEO, did not speak, as did the other main directors. The intervention of Pascal Lamy, who heads the new Danone mission committee, was pre-recorded, with no opportunity for questions. The fact remains that the resolutions were voted for by more than 90%, which shows that the shareholders support the change of team. **We will remain vigilant on these governance issues, which are essential, as the proper implementation of the strategy and the achievement of environmental and social objectives depend on them. This is particularly true after the Group's announcement this summer of the agenda for the renewal of its Board of Directors, which will be effective by 2023.**

PUBLIC ACTION

WRITTEN QUESTIONS - SOCIAL



Social issues are less present in the GM. And indicators are less available. Carbon footprint methodologies have been slow to develop. In social matters, the data are still not available, the objectives to be achieved are not always clear and legislations often differ from one country to another. Yet the ecological transition cannot be achieved without taking social issues into account. Among the few indicators available is the CEO-to-worker pay ratio, for which Phitrust questioned the CAC40 companies, with biases in the answers depending on the scope studied.

The organization of Carrefour's governance has been the subject of repeated warnings by Phitrust and certain voting agencies. We have regularly denounced the joint leadership functions, the remuneration policies and raised questions about the social impacts of the group's reorganisations. In 2021, we continued our actions.

PHITRUST'S PUBLIC ENGAGEMENT INITIATIVES ARE GATHERING MOMENTUM

DRAFT AND FILINGS OF RESOLUTIONS

- **2013**: Resolution requesting a change in the company's governance structure to a supervisory board and management board.

WRITTEN QUESTIONS

- **2015**: Written questions on the separation of functions and the implementation of a succession plan.
- **2018**: Written questions on the non-competition indemnity of Mr Georges Plassat, on executive

remuneration policy, on the current reorganization, its social impact, the "Science Based Targets" initiative and the Group's climate ambitions.

- **2019**: Written questions on the separation of management functions, on executive remuneration, on company taxation, on double voting rights, on social issues of working conditions of subcontractors, duty of care and on the Science Based Targets initiative.

GM 2021 SEVERAL QUESTIONS WRITTEN TO THE BOARD IN ADVANCE OF THE GM

- On the **relevance of the defined benefit pension scheme or « retraite-chapeau » system**, for the benefit of the CEO, in a context that is neither favourable to employees nor to shareholders: Alexandre Bompard's annual remuneration for 2020 amounts to approximately 7 million euros; staff reductions are recurrent; and the evolution of the share price is unsatisfactory.
- On the **strategy** adopted by the group, which consists of passing many stores under **lease management**. This modus operandi results in **staff reductions** (about 10,000 employees since 2018), associated with a substantial loss of purchasing power (2,300 euros net per year per "outsourced" person). Phitrust questions this strategy, which admittedly allows for an immediate improvement in results, but which goes against Carrefour's culture of "social best practice" in the retail sector.

RESULTS

The General Meeting, held behind closed doors, reached a quorum of 64%. It was an opportunity for some minority shareholders to express significant opposition to many resolutions.

In particular, the following should be highlighted:

- The approval of Alexandre Bompard's remuneration for the last financial year by only **63.58%**.
- The approval of Alexandre Bompard's remuneration policy for the new financial year by only **63.25%**.

PUBLIC ACTION

WRITTEN QUESTIONS - ENVIRONMENT



Climate issues are now at the core of strategic business decisions and therefore of general meetings. There are two reasons for this. Firstly, investors and companies alike have become aware, especially since the Paris Agreement, that the status quo is no longer possible, that it has become essential to change business models or risk not being able to operate, or even exist, in the coming years. Secondly, in Europe, institutional investors have been obliged for the past two years to engage in shareholder engagement. This is a fundamental change that will put a lot of pressure on institutional investors and, by extension, on listed companies. Finally, the regulatory change comes at a time when companies are making a strategic shift. These two aspects point in the same direction. And ExxonMobil's loss against investors committed to the transition at the last general meeting shows that the movement is also taking place in the US.

BACKGROUND

From the NRE law of 2001 to the so-called "Duty of Vigilance" law in 2017, via the transparency commitments of the Grenelle Environment Forum, listed companies must now identify the risks of environmental or human rights violations induced by their direct and indirect activities. However, these commitments in favour of the climate or the environment were not obvious until a few years ago. In 2011, Phitrust launched the first environmental resolution in France, with the support of NGOs, which thus went beyond their usual mode of action. The idea was already to raise the awareness of shareholders, in a pioneering way, regarding environmental issues.

PROJECTS AND RESOLUTION FILINGS BY PHITRUST

- 2005, 2006, 2007: Removal of the statutory clause limiting voting rights
- 2009: Elimination of the variable compensation of the Chairman
- 2011: **First environmental resolution**: Amendment of the company's legal status to obtain information in the management report on tar sands development.
- 2016 : Publication of an annual report on the energy transition strategy.

RESULTS ACHIEVED 2011-2017

In 2011, Phitrust, together with 20 institutional shareholders and in partnership with Greenpeace France and the National Resource Defence Council (USA), attempted to file the first draft resolution on the environmental risks of tar sands development in Canada. However, the withdrawal, without explanation, of two major shareholders from the collective initiative did not allow to reach the legal threshold of 0.5% of the capital required to file the resolution at the General Meeting. In 2013, the group announces its withdrawal from two tar sands projects. In 2016, Total's Board of Directors decided to expand its management report with a description of the main risks and uncertainties facing the Group, in particular those related to climate change. The 2020 net results will be weighed down by asset impairments of \$8.5 billion - \$7 billion of which relates to the oil sands in Canada.

2020 A MAJOR STEP FORWARD

The objective pursued by Phitrust in 2019/2020: to concretize this dialogue by requesting the inscription in the statutes of a modification of article 14 by widening **the responsibility of the directors to environmental and social issues**. This is a step forward, including in relation to what the Pacte law requires: it is an issue that has become statutory and an obligation that is now imposed on the entire Board. Its proper application will be the responsibility of the directors, which in French law implies an important duty.

The resolution was passed by more than 98% of the votes. The role of Phitrust was highlighted by Patrick Pouyanné during the 2020 GM.

2021 TOTAL PROPOSES A "SAY ON CLIMATE" RESOLUTION.

This is a huge step forward for the group in recent years and **we voted for this resolution, as did the overwhelming majority of Climate Action 100+ investors.**

Of course, we can always ask for more because the energy transition never goes as fast as we would like. But we consider that the management and the Board of the group are now very aware of the issues and that they want to move in the right direction as quickly as possible. Some people are criticising the Group for continuing to develop natural gas, but this is an obligation to manage the transition. The group clearly does not have enough renewable energy capacity to replace fossil fuels. **The energy transition is a process. It is clearly being undertaken by the Total Group, renamed TotalEnergies, to emphasize that its model is no longer based solely on fossil fuels.**

ZOOM VOTING STRATEGY

SAY ON CLIMATE

The vote on several so-called Say-on-Climate resolutions is a real step forward in the ecological transition of large companies. While several resolutions of this type were voted on during this AGM season (Atos, Vinci, TotalEnergies, etc.), it is important to note that they are partly the result of a long-term shareholder engagement led by investors, either individually or in coalitions such as Climate Action 100+.

BACKGROUND

This type of resolution was first filed in 2020 by The Child Investment Fund (TCI) with the company Aena; the principle is to ask shareholders to vote on the companies' climate transition action plans.

2021 A MAJOR STEP FORWARD

This year, three CAC40 companies proposed Say-on-Climate resolutions to their shareholders:

- **Vinci:** Vinci had already been targeted by a TCI Say-on-Climate campaign in 2020; however, this was not successful. This year, on its own initiative, the group proposed a vote on its environmental transition plan. This resolution was passed with over **98%** of the vote. It is important to note that the number of abstentions was very close to the number of opposition votes (1.6% abstention and 1.8% opposition).
- **Atos:** Atos proposed at its Annual General Meeting a vote on the company's "Zero Net Emissions" decarbonisation ambition. This resolution was adopted by more than **97%** of the votes. The abstention rate on this resolution was higher than the opposition rate (13.3% abstention versus 2.9% opposition).
- **TotalEnergies:** TotalEnergies proposed to its shareholders a vote on the company's ambition in terms of sustainable development and energy transition towards carbon neutrality and its objectives in this area by 2030. This resolution was adopted by more than **91%** of the votes. The abstention rate on this resolution was higher than the opposition rate (9.9% abstention against 8.1% opposition).

The question of the usefulness of these resolutions raises debates, some investors fear that this type of resolution is used to promote strategies that are not ambitious enough and that, once validated, will be more difficult to criticize.

ENGIE: FILING A RESOLUTION AS A LEVERAGE FOR ACTION

At the end of March 2021, Phitrust co-filed a resolution with Climate Action 100+ on Engie Group's low-carbon strategy. The resolution aimed to provide shareholders with details on how Engie translates its purpose into action and plans to achieve carbon neutrality by 2050 at the latest, in line with the Paris Agreement, as well as the progress made in implementing this strategy.

Following the filing of this resolution, Engie responded to the co-applicants, assuring them that the group would present at the GM its roadmap towards carbon neutrality covering all scopes (1, 2 and 3), in line with a trajectory "well below 2°C". These announcements helped reassure shareholders about the group's climate ambitions; Phitrust and the co-applicants hence withdrew the proposed resolution.

VOTING SUMMARY

GM 2021

Attending and voting at general meetings is an integral part of our approach as an engaged and responsible shareholder. We believe that the GM is a unique place where executives (not just the Chairman or CEO) and board members have direct contact with shareholders and hear their reactions to proposed resolutions; a very important moment because directors are elected by shareholders and not chosen by the Chairman... And it is also the only place where they can meet them.

The voting scope of our open-end investment fund concerns all CAC40 companies, with **systematic effective participation in general meetings**.

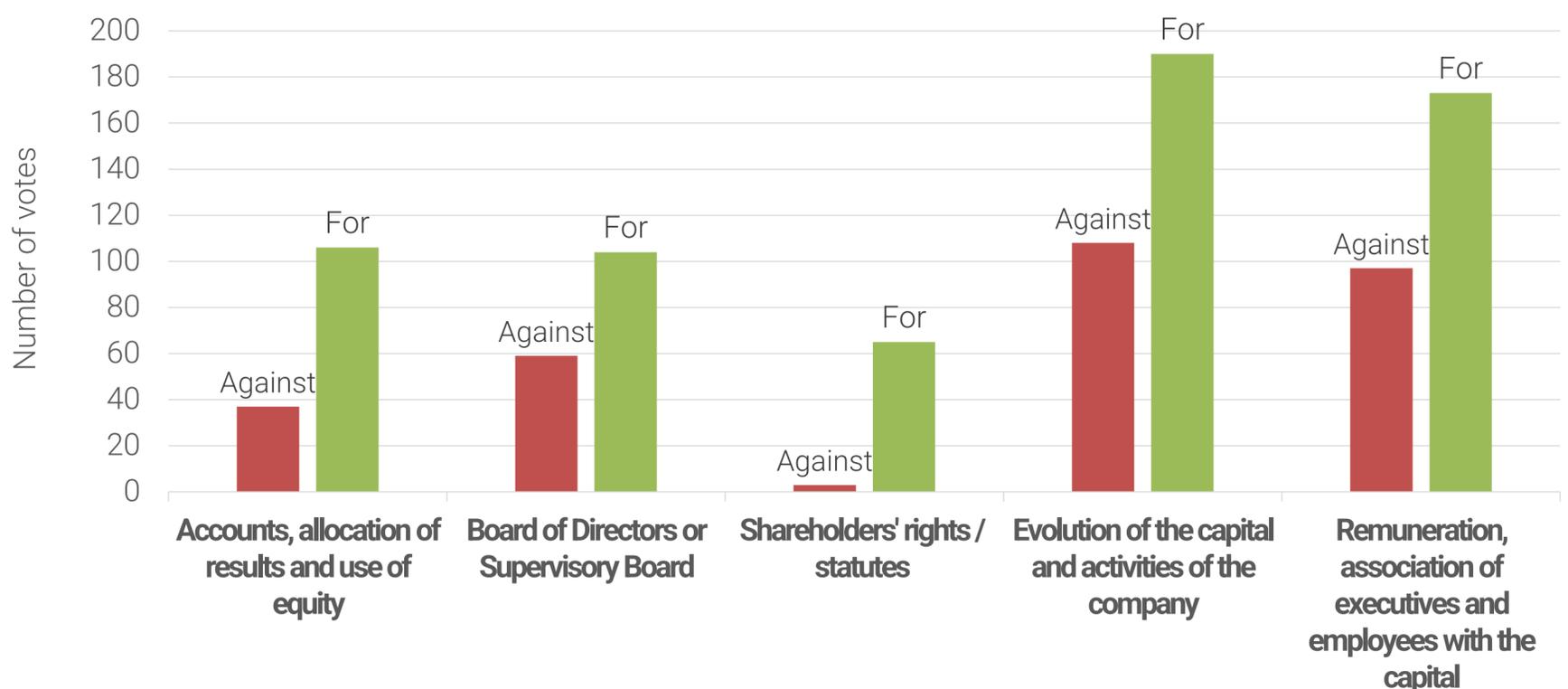
During the year 2021, we voted at **100%** of the general meetings of the securities in the portfolio (excluding Pernod Ricard in November 2021)

Voting at General Meetings in 2021

We followed the video broadcasts of the general meetings of 35 companies (4 did not broadcast live). There were no live broadcasts of the general meetings of non-French companies listed on the CAC40 (Airbus, ArcelorMittal, STMicroelectronics). We voted remotely on a total of **942** resolutions (excluding Pernod-Ricard).

Opposition votes concerned **32%** of the resolutions (i.e. 304 resolutions), on the subjects of executive remuneration, capital increases during a public offering period and the appointment of some directors (notably against multiple directorships).

Distribution of Phitrust votes by theme



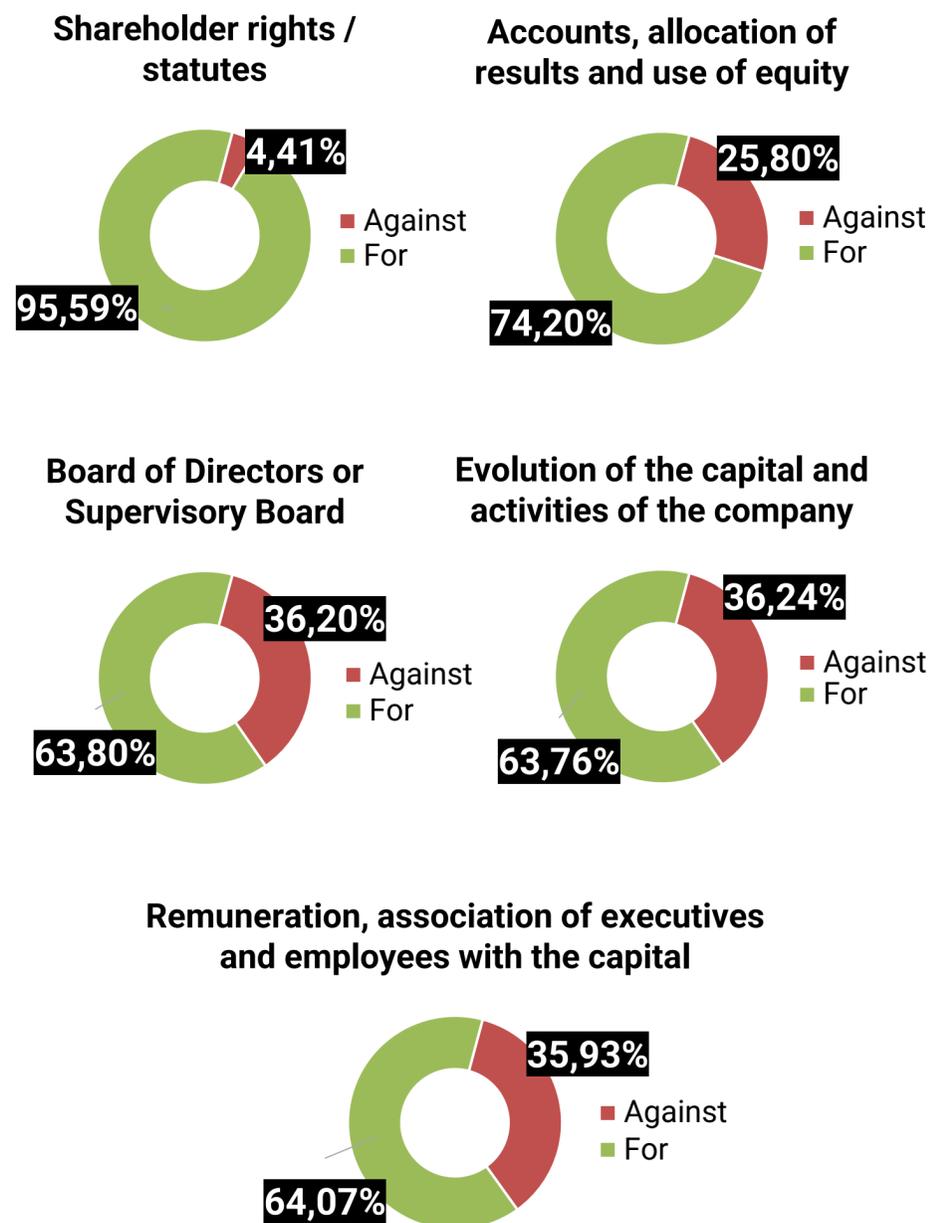
VOTING SUMMARY

GM 2021

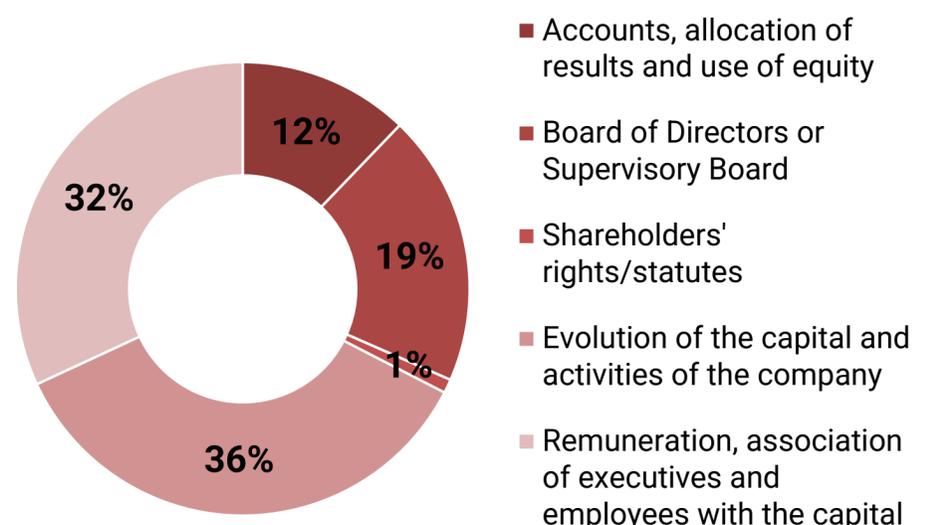
We have grouped the resolutions into 5 distinct categories:

- "Shareholders' rights / statutes ": resolutions relating to amendments of legal statutes as well as various ordinary resolutions;
- "Accounts, allocation of results and use of equity": resolutions relating to the approval of the accounts, allocation of results, discharge and appointment of the statutory auditors;
- "Board of Directors or Supervisory Board": resolutions relating to the appointment or renewal of boards;
- "Evolution of the capital and activities of the company": authorizations for capital increases, share buybacks, specific growth operations, regulated agreements and extraordinary resolutions;
- "Remuneration, association of executives and employees with the capital": resolutions relating to the approval of the 2019 and 2020 remuneration of corporate officers and Board members as well as transactions reserved for executives and employees.

Phitrust vote distribution



Distribution of votes « against »



Conflicts of interest :

As a totally independent management company, Phitrust does not depend on any financial institution that could be a source of conflict of interest.

THEMATIC FOCUS

VALUE DISTRIBUTION

A topic of discussion at GM for years to come

With the prolongation of the health crisis, the subject of value distribution has become a central issue for companies. We have discussed this subject with all CAC40 companies. In 2020, several executives had given up part of their remuneration; and had chosen to reduce or not to pay dividends. This year, we observe a return to normal even though the health crisis persists. We have grouped the data on page 21.

Resumption of dividend payments

Some companies have chosen not to pay dividends for 2020 (Airbus, Renault, Unibail Rodamco Westfield and Worldline), others to lower their dividends compared to 2019 (Danone or Dassault Systèmes). But this is a minority of companies within the CAC40: 28 companies have increased them.

We are thus observing dividend payments resuming for most companies, some of them proposing an increased or stable dividend despite negative results or even a sharp decline. We have therefore decided to vote against these resolutions, as the health crisis and the need to invest in the environmental and social transition are more important than ever.

For this reason, Phitrust voted against the dividend resolutions of 20 companies (ArcelorMittal, Atos, Axa, Bouygues, Carrefour, Crédit Agricole, Engie, EssilorLuxottica, L'Oréal, LVMH, Michelin, Publicis, Safran, Saint-Gobain, Schneider Electric, Societe Generale, Thalès, TotalEnergies and Veolia)

Contested executive remuneration

Executive remuneration remains a sensitive issue, particularly in a context of uncertain future, redundancy plans and very uneven business recovery. In 2020, 10 CAC40 executive remunerations increased while the average salaries of employees stagnated or even declined over the same period (see table p.21).

This disequilibrium led us to vote against the remuneration of directors of over 30 CAC40 companies. The 2020 remunerations, proposed at the 2021 GM, marked a strong rebound compared to a previous year that was off the charts, but the favourable vote scores were on average 5 points lower for the CAC40. For example, the resolutions on remuneration at Carrefour, Stellantis, Saint-Gobain, STMicroelectronics, Teleperformance, Thalès, Total, Veolia, Vivendi and Worldline were only voted for by 64% at best.

Arbitrations for future GM

The question of value sharing will be at the core of the choices that the shareholders will have to make in the years to come regarding the decisions made by the Boards of Directors that they have elected. What priority should be given between short-term profitability and investments related to the environmental and social transition of business models? The pace of implementation of the latter will lead to lower profitability before benefiting from the related value creation...The transition must be fair, otherwise it will not be shared or supported by European citizens.

Taxes and transition, another aspect of value sharing

Another aspect that has not been discussed much this year is the tax rate for large companies - and its optimisation. The announcement last July that 19 of the richest countries and the European Union would create a global minimum tax of at least 15% by 2023 for companies with a turnover of more than €750 million, and the redistribution of 20 to 30% of the "surplus" profits of the 100 largest and most profitable multinationals to so-called "market" countries where they do business without having a base (including all the GAFAs), will make it possible to rebalance certain practices. There is still the issue of CO₂ pricing and its acceptance by companies so that this fiscal tool can also lead to a real decarbonisation of our economies.

THEMATIC FOCUS

VALUE DISTRIBUTION

Value sharing

CAC 40 company	Decline in sales	Increase in executive remuneration	Dividend increase	Decline in average employee wage
Air Liquide	Yes	No	Yes	No
Airbus Group	Yes	Yes	No	Yes
Alstom	No	No	Yes	Yes (Bombardier merger)
ArcelorMittal	Yes	No	Yes	No
Atos	Yes	Yes	Yes	Yes
AXA	Yes	No	Yes	Yes
BNP Paribas	Yes	No	Yes	Yes
Bouygues	Yes	No	Yes	Yes
CapGemini	No	No	Yes	No
Carrefour	Yes	Yes	Yes	Yes
Crédit Agricole	No	Yes	Yes	No
Danone	Yes	Yes	No	No
Dassault Systemes	No	No	No	No
Engie	Yes	No	Yes	No
EssilorLuxottica	Yes	No	Yes	Yes
Hermes	Yes	No	No	Yes
Kering	Yes	No	No	Yes
Legrand	Yes	No	Yes	No
L'Oréal	Yes	No	Yes	No
LVMH	Yes	No	Yes	Yes
Michelin	Yes	No	Yes	Yes

Value sharing

CAC 40 company	Decline in sales	Increase in executive remuneration	Dividend increase	Decline in average employee wage
Orange	No	No	Yes	No
Pernod Ricard	n/a	n/a	n/a	n/a
Peugeot SA / Stellantis	n/a	n/a	n/a	n/a
Publicis	Yes	Yes	Yes	No
Renault	Yes	Yes (new leader)	No	Yes
Safran	Yes	No	Yes	Yes
Saint-Gobain	Yes	Yes	Yes	Yes
Sanofi	No	Yes (new leader)	Yes	No
Schneider Electric	Yes	No	Yes	Yes
Société Générale	Yes	No	Yes	Yes
STMicroelectronics	No	Yes	Yes	No
Teleperformance	No	Yes	No	No
Thales	Yes	No	Yes	No
Total	Yes	No	No	No
Unibail Rodamco	Yes	No	No	Yes
Veolia	Yes	No	Yes	Yes
Vinci	Yes	No	No	Yes
Vivendi	No	No	No	No
Worldline	No	No	No	Yes (Ingenico merger)

Source: Proxinvest, 2021; Scope: Group

THEMATIC FOCUS

MERGERS BETWEEN EQUALS AND GOVERNANCE, HISTORY REPEATS ITSELF...



EssilorLuxottica: a new governance body that confirms the end of the pact and the takeover

EssilorLuxottica's General Meeting, held behind closed doors in May, adopted a major change in governance, without the participation of the Chairman and main shareholder, L. del Vecchio, and the CEO, F. Milleri... A "recording room"...

Since the merger of the two groups, it was announced that there would be an equal marriage with complementary management teams. Unfortunately, the latest GM once again shows that this merger between equals is nothing but a sham. The pact ensuring a balance of power for both sides despite the "shareholder imbalance" has expired. The Italian reference shareholder, the founder of Luxottica, Leonardo Del Vecchio (32% of the capital and 40% of the voting rights), today non-executive Chairman of the group, thus takes the upper hand.

Several factors could have concerned Essilor's shareholders at the time (different businesses, management and governance on opposite sides of the world, etc.). How many years will it take for the French listed company to remove the Essilor brand from its name and transfer its headquarters to Luxembourg or the Netherlands? The unexpected arrival of the BPI or rather its "Blue Lake" fund in the capital and the appointment of a director representing them will probably delay this deadline, but for how long?

Another example of a French company - after Lafarge - that developed with agility without an immediate need to merge with a competitor and that was bought out without paying an acquisition premium... And besides, isn't it reminiscent of a very recent merger between equals in the automotive world, the new company being based in the Netherlands with a governance that is now "balanced" and the BPI and its "Blue Lake" fund as arbitrators?



Stellantis: first GM of a group now based in the Netherlands

The PSA General Meeting in January 2021 validated the merger of PSA with FCA, which was then renamed Stellantis, a company based in the Netherlands. 40 minutes of a General Meeting behind closed doors for a vote already known by PSA's managers: unheard of for a merger. For PSA, as for Lafarge, two or three shareholders decide on the future of a company even though they are a minority, all thanks to the double voting rights they have, they already know that they will have almost the 66% necessary to vote for such a merger.

Last April, the first Stellantis GM (PSA did not have a GM for its accounts because it was absorbed by Stellantis at the beginning of January) was also held behind closed doors, with many pre-recorded speeches and the possibility of asking questions live, but not of voting. With the head office now in the Netherlands, where the fixed remuneration is not communicated to the shareholders, no "Say on Pay" could be voted concerning the remuneration of Carlos Tavares. Only the remuneration report, for which Phitrust voted against, was submitted to a consultative vote of the shareholders, and was approved by only 55.82% of the votes. Phitrust voted against 6 of the 9 resolutions put to the vote.

It is said that history never repeats itself... but these examples are symptomatic of a French capitalism that develops without a strong domestic shareholder base. Without pension funds or strong family shareholding, history could repeat itself...

COLLABORATIVE ENGAGEMENT

ACT FOR A COLLECTIVE AWARENESS OF SHAREHOLDER
RESPONSIBILITY

KEY COLLABORATIVE ACTIONS

OUR NETWORK OF PARTNERS

Engagement partners



Phitrust, a PRI signatory since 2007, has distinguished itself since 2017 among asset management companies, by obtaining the highest rating (A+ and A) in the "PRI Assessment Report" on the Strategy & Governance, and Direct & Active Ownership modules on the "listed shares" asset class. Developed since 2006, the PRI brings together more than 3,140 signatories who are committed to applying the six main principles of responsible investment.



Expert Corporate Governance Service (ECGS Ltd) is a network of local, independent players in the analysis of corporate governance and general meetings, including Proxinvest (France), Ethos (Switzerland), DSW (Germany) Shareholder Support (Netherlands), Frontis Governance (Italy) and Corporance (Spain).



Founded in 1995 and led by investors representing \$54 billion in assets under management, the ICGN is a leading authority on global standards for corporate governance and investor management



Carbon4 Finance is a spin-off of Carbone 4, a leading energy and climate change consulting firm. Carbon4 Finance provides carbon data to help asset managers, pension funds, banks and index manufacturers develop and implement their 2°C compliant financing and investment solutions.

Institutional partners

- Our professional associations partners



- Many French and foreign professional investors.

In these public initiatives, we have been supported by many French professional investors, both institutional and asset managers. Similarly, several Anglo-Saxon, Australian and continental European pension funds and asset managers have supported us.

For understandable reasons, not all of them can be mentioned in this publication.

It should be noted that investors who have purchased shares of the SICAV Phitrust Active Investors France are de facto involved in our resolution filings, but in a confidential manner, without having to reveal themselves publicly. Buying shares in our fund and sitting on its Board is a way of taking decisions upstream and participating in campaigns to promote better strategic corporate governance. When dealing with listed companies, managers and investors must act together to make their voices heard and to change practices.

KEY COLLABORATIVE ACTIONS

INVOLVEMENT WITH PROFESSIONAL ASSOCIATIONS

Since 2003, Phitrust has played a role as a long-term constructive shareholder for a better governance of CAC 40 companies, for the benefit of all stakeholders and the reputation of the Paris financial market. **This year, Phitrust has initiated and participated in market studies on :**

Governance topics

- Haut Comité Juridique de la Place Financière de Paris (HCJP): Working group on adapting corporate governance to times of crisis

The Haut Comité Juridique de la Place Financière de Paris has set up a working group on "adapting corporate governance to times of crisis", chaired by Alain Couret and Anne Outin-Adam. Within this framework, Phitrust has been interviewed in order to bring the point of view of a management company, active in shareholder engagement. This working group should lead to the creation of a report that will be submitted to the Chancellery.



- Phitrust and Agefi : Shareholder responsibility

On November 17, 2020, Anne-Catherine Husson-Traore, CEO of Novethic, Alexis Masse, President of the French Forum for Responsible Investment, Hubert Rodarie, President of the French Association of Institutional Investors, Caroline Ruellan, President of Sonj Conseil and of the Cercle des administrateurs, Caroline Weber, CEO of Middlednext, Pierre-André de Chalendar, CEO of Saint-Gobain, Augustin de Romanet, CEO of ADP Group, Aéroports de Paris and Chairman of Paris Europlace, Olivier de Guerre and Denis Branche, Chairman and CEO of Phitrust debated in front of more than 200 participants on the responsibility of shareholders, particularly in a period where companies have to rethink their business models. What are the prospects for action when the distinction between active and activist shareholders is difficult to make? Will the application of the European directive on shareholders' rights be sufficient to change the situation? What role do minority shareholders want and can they play in light of the current crisis? These questions are all the more crucial as there is a unique opportunity to strengthen the role of engaged shareholders in the transition of companies.

The debates, moderated by Bruno de Roulhac and Olivier Pinaud, journalists at Agéfi, are [available here](#)



Social topics

- FIR: Participation in several events and discussions with unions, NGOs concerning CAC40 companies

Phitrust has participated in numerous FIR meetings and conferences on social issues, notably the Investor Brief on the TotalEnergies case and human rights in Burma with the FIDH and Info Birmanie; the Investor Brief on forced labor in the Uighur region with the Collectif Ethique sur l'étiquette, Sycomore and Meeschaert as well as the Investor Brief with Engie's CFDT (a french trade union).



KEY COLLABORATIVE ACTIONS

INVOLVEMENT WITH PROFESSIONAL ASSOCIATIONS

Environmental topics

- AFG: Working Group on Fossil Energy

Phitrust, in collaboration with actors of the Paris financial market, participates in the working group launched by the AFG on fossil fuels. As the issue of investments in fossil fuels and the alignment with the Paris Agreement is being debated, the objective of this group is to be proactive by proposing a framework for this type of investment, analyzing the risks and opportunities as well as the best practices and actions to be taken beyond the simple exclusion strategy. This working group is underway and a deliverable should be produced by the end of October ahead of COP26.



- IGCC: Signing of the 2021 Global investor statement to governments on the climate crisis

457 investors managing more than \$41 trillion in assets have issued a new joint statement to all the world's governments, calling for a global race to the top on climate policy and warning that laggards will lose billions of dollars in investment if they act too slowly. The joint statement on the climate crisis is the strongest call since 2009 for governments to raise their climate ambitions and implement meaningful policies. In particular, the statement calls for not only improved, but mandatory, climate-related financial reporting and clearly recognises the "climate crisis". It also reflects the devastating impacts of the COVID-19 pandemic and calls for resilient economic recovery plans that support a just transition

The press release is [available here](#).

Various topics on impact finance

- FAIR (ex Finansol), AFG and Finance 4 Tomorrow: Impact working groups

Phitrust has participated in several working groups on impact finance, with the objective of developing a common and shared vision of impact finance within the Paris financial center, which can be taken to the international level.



CONCLUSION

Several proposals have been adopted and implemented by companies following our initiatives (creation of specialised committees, levelling of threshold crossing declarations, shifting of the date of payment of dividends, etc.).

This in-depth work, which is part of a structured, long-term approach, demonstrates above all that assuming one's responsibility as an active shareholder requires a long-term vision, technical expertise, knowledge of the issues, trusting relationships and pugnacity in order to make progress on key issues.

The coming years will be decisive in many ways.

Environmental and social issues will be more than ever subjects of shareholder engagement: transition of business models to be still "alive" in 10 years, design of products and services taking into account the protection of biodiversity, including the social, societal and environmental impacts of the digitization of models,...

Our partnership with Carbon4 Finance in 2021 will enable us to act even more effectively on these increasingly complex issues.

The topic of value sharing to maintain/recover a sense of "being part of society" remains more than topical, at a time when the crisis may be ending, as are the topics of employability and training. The impact of regulations on taxation is also part of this theme, underlining the commitment of companies to their ecosystem.

The organization of strategic governance and of an efficient and responsible management style, including the independence and competence of boards and their members, are of course, and more than ever, at the core of our analysis, as a guarantee of the implementation of strategies that integrate the preservation of our planet and the development of human beings.

Buying shares in the SICAV Phitrust Active Investors France and joining its board allows you to:

- Decide upstream and participate in engagement campaigns for better strategic governance of companies and their E, S and G transition.
- Create long-term value for our mutual fund's shareholders (financial performance), for the companies with which we dialogue and act (ESG performance), for the market organisations and all shareholders (alerts, awareness-raising and active lobbying on certain subjects, etc.)
- Invite all stakeholders, and in particular institutional investors, to collaborate with Phitrust to develop a solid hub of shareholder engagement and thus allow, in the face of social and climate challenges :
 - to promote a European vision of engagement;
 - to support the environmental and social transition of companies.

APPENDICES

PHITRUST ACTIVE INVESTORS France SICAV

The mutual fund participates and votes at the GM of CAC40 companies

The fund overweights companies with good governance thanks to its unique engagement methodology on the French market today

FINANCIAL STRATEGY OF THE MUTUAL FUND

The Phitrust Active Investors France SICAV is essentially invested in equities included in the CAC40 index. It may contain other listed shares from the euro zone. The portfolio is composed of at least 90% of Eurozone equities. The financial objective is to outperform the CAC40 index with dividends reinvested, by investing in all companies in the index.

A proprietary quantitative methodology over- or underweights the portfolio's securities; these weightings take into account, among other things, the responses of company executives to the fund manager's commitment initiatives, the quality of companies' corporate governance and a quantitative analysis of companies' governance events.

EXTRA-FINANCIAL STRATEGY OF THE MUTUAL FUND

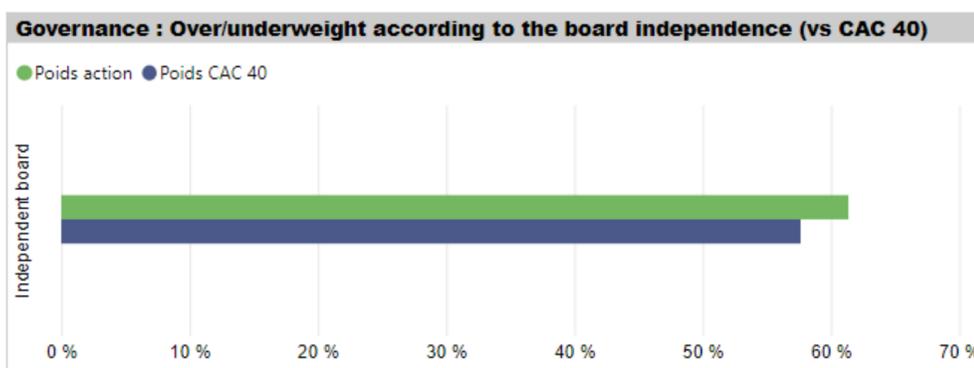
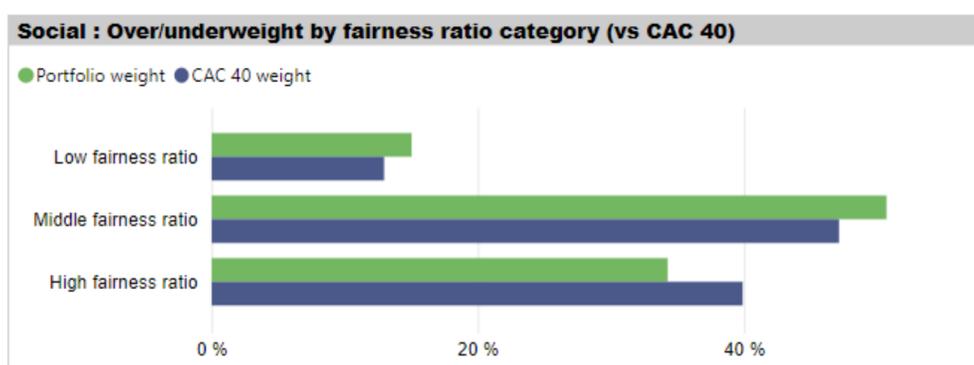
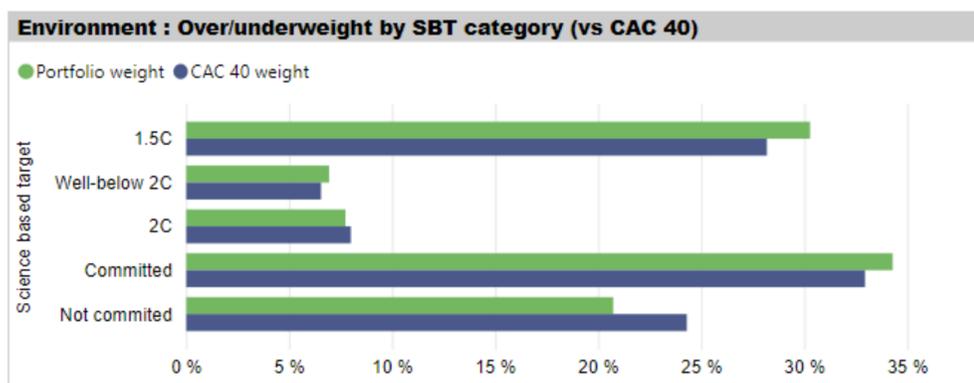
Studies have shown that improvements in corporate governance ultimately led to **higher company valuations**. Conversely, governance failures in large European companies have had a significant impact on their stock market valuation. The fund therefore seeks to **identify governance improvements** and initiatives that could be taken with portfolio companies **to improve their governance** and ultimately their stock market valuation.

The mutual fund has defined its own governance guidelines, which are based on the principles adopted by major institutional investors and most published guidelines.

A **Technical Committee**, comprising the fund manager and the voting advisory firm Proxinvest, proposes to the fund's Board of Directors **initiatives to improve governance and environmental and social strategies** that could be implemented in portfolio companies. The fund's Board of Directors selects the initiatives, in order to maintain a constructive and sustainable dialogue with the management of these companies.

The management aims to overweight companies that meet the best global governance standards and are responsive to their shareholders' initiatives. Conversely, companies whose governance is not evolving positively, and which are not responsive to the fund's initiatives are underweighted in the portfolio.

Weightings by ESG criteria (30/06/2021)



* The fairness ratio is the difference in compensation between the top executives and the average employee compensation. An equity ratio is defined as low/high if it is ranked in the lower/upper quartile of the universe.

VOTING REPORT

This year, we voted at 39 General Meetings (Pernod Ricard's General Meeting being in November 2021). We voted on 942 resolutions, as detailed in the table below: **68% in favour of the proposed resolutions and 32% in opposition.**

The majority of the proposed resolutions were approved at the General Meetings, with the exception of the approval of the consolidated financial statements of Atos, resolutions on the appointment of directors

representing employee shareholders at BNP Paribas and Schneider Electric, as well as resolutions on capital increases at Safran, Kering and Orange.

The other resolutions rejected at Orange concern external resolutions proposed by the FCPE which were not supported by the Board.

Companies	No. Resolutions For	% For	No. Resolutions Against	% Against	Total	Rejected resolutions
Air Liquide	17	89%	2	11%	19	0
Airbus Group	3	23%	10	77%	13	0
Alstom	19	68%	9	32%	28	0
ArcelorMittal	9	60%	6	40%	15	0
Atos	14	64%	8	36%	22	1
AXA	22	79%	6	21%	28	0
BNP Paribas	18	75%	6	25%	24	3
Bouygues	15	47%	17	53%	32	0
CapGemini	17	81%	4	19%	21	0
Carrefour	17	57%	13	43%	30	0
Crédit Agricole	28	82%	6	18%	34	0
Danone	22	79%	6	21%	28	0
Dassault Systemes	14	58%	10	42%	24	0
Engie	17	85%	3	15%	20	1
EssilorLuxottica	21	66%	11	34%	32	0
Hermes Intl.	14	52%	13	48%	27	0
Kering	18	72%	7	28%	25	1
Legrand	17	100%	0	0%	17	0
L'Oréal	18	78%	5	22%	23	0
LVMH	12	39%	19	61%	31	0
Michelin	16	94%	1	6%	17	0
Orange SA	26	70%	11	30%	37	8
Pernod-Ricard						
Stellantis / Peugeot	3	33%	6	67%	9	0
Publicis Group	18	69%	8	31%	26	0
Renault	15	68%	7	32%	22	0
Safran	19	61%	12	39%	31	5
Saint-Gobain	17	63%	10	37%	27	0
Sanofi	17	63%	10	37%	27	0
Schneider Electric	15	58%	11	42%	26	3
Société Générale	19	83%	4	17%	23	1
STMicroelectronics	7	58%	5	42%	12	0
Teleperformance	15	75%	5	25%	20	0
Thales	12	67%	6	33%	18	0
Total	13	76%	4	24%	17	0
Unibail-Rodamco	24	83%	5	17%	29	0
Veolia	18	72%	7	28%	25	0
Vinci	14	64%	8	36%	22	0
Vivendi	13	43%	17	57%	30	0
Worldline	25	81%	6	19%	31	0
TOTAL	638	68%	304	32%	942	23

THE PHITRUST ACTIVE INVESTORS FRANCE TEAM



Olivier de Guerre, *President*

- 30 years of Finance and Private Equity: Indosuez Group
- Founder Cristal Finance
- Former Managing Director Credit Suisse Asset Management
- Founded Phitrust in 2003, based on the idea that the shareholder should exercise his responsibility.



Denis Branche, *Managing Director*

- Was in charge of international financing at Coface and Abn Amro Group.
- Financial analyst at Abn Amro and Crédit Lyonnais Securities Europe.
- Founded SGP Branics in 1998, the first ethical management company, which became Phitrust.



Stéphanie de Beaumont, *Development Director*

- 15 years as an investor relations consultant. Head of financial communications at Essilor, then Head of Communications at Edmond de Rothschild (France)
- Director of development of Prophil, then Head of the philanthropy division of the Fondation Apprentis d'Auteuil



Alix Ditisheim, *ESG Analyst*

- MSc. in International Sustainable Development at ESCP Business School and BSc. in Management at Warwick Business School.
- Several experiences as an ESG analyst at Oddo BHF and BNP Paribas AM.



Julien Lefebvre, *Quantitative Analyst and Manager*

- Master's degree in finance (major in quantitative finance) at Imperial College, London and a degree in mathematics (Paris VI).
- He joined Phitrust in July 2018, after an internship as a financial engineer at La Française Investment Solutions



Isabelle Guénard-Malaussène, *Consultant*

- Development and ESG Analysis
- Experience: 20 years of experience in market finance as an Equity Fund Manager

MAIN MEDIA OUTCOMES OF PUBLIC ACTIONS IN 2020-2021

OBJECTIVE: TO REMIND SHAREHOLDERS OF THEIR RESPONSIBILITY

ACTIONS TAKEN - PRESS RELEASES ISSUED BY PHITRUST

- December 15, 2020: Stellantis press release (PSA-FCA Group merger), an unjustified 50-50 merger <https://www.phitrust.com/communique-de-presse-stellantis-fusion-groupe-psa-fca-une-fusion-a-50-50-injustifiee/>
- February 16, 2021: Danone press release: Is the situation so critical for minority shareholders? <https://www.phitrust.com/communique-de-presse-danone-la-situation-est-elle-si-critique-pour-les-actionnaires-minoritaires/>
- 02 March 2021: Danone press release, is there a hidden agenda? <https://www.phitrust.com/communique-de-presse-danone-existerait-il-un-agenda-cache/>
- April 07, 2021: Agenda item Danone: <https://www.phitrust.com/danone-crise-de-gouvernance-phitrust-avec-quatre-grands-investisseurs-demandent-aux-administrateurs-de-danone-dexposer-leur-vision-strategique-pour-le-groupe-lors-de-la-prochaine-ag/>
- April 09, 2021: Press release: How to share value in a crisis context, points of vigilance for the holding of general meetings <https://www.phitrust.com/communique-de-presse-quel-partage-de-la-valeur-en-contexte-de-crise-points-de-vigilance-pour-la-tenue-des-assemblees-generales/>
- May 04, 2021: Danone press release - 2021 Annual General Meeting - What conclusions? <https://www.phitrust.com/communique-de-presse-danone-assemblee-generale-2021-quelles-conclusions/>
- May 18, 2021: Written Questions Carrefour: <https://www.carrefour.com/sites/default/files/2021-05/R%C3%A9ponses%20aux%20questions%20%C3%A9crites%20AG%202021%20Carrefour.pdf>
- 18 May 2021: Written questions Total: https://www.totalenergies.com/sites/g/files/nytnzq121/files/documents/2021-06/AG2021_reponses-aux-questions-ecrites.pdf
- 18 June 2021: GA 2021 Season in Review <https://www.phitrust.com/bilan-de-la-saison-des-ag-2021/>

PRESS REVIEW (NON-EXHAUSTIVE MEDIA COVERAGE) AND CONFERENCE PARTICIPATION

1 - TOTAL RELEASE

- Shareholder engagement: Total, a textbook case? CSR Data News - March 12 <https://www.rsedataneews.net/article/article-finance-responsible-esg-isr-engagement-actionnarial--total-un-cas-decole--20210312-4427>

2 - PSA-FCA PRESS RELEASES

- PSA/Fiat Chrysler mega-merger: shareholders to vote on Monday 4 January, L'Est Républicain - 04 January <https://www.estrepublicain.fr/economie/2021/01/04/megafusion-psa-et-fiat-chrysler-les-actionnaires-se-prononceront-ce-lundi-4-janvier>
- Stellantis: Peugeot and Fiat marry to face a complicated future, France 24 - 04 January <https://www.france24.com/fr/info-en-continu/20210104-stellantis-peugeot-et-fiat-se-marient-pour-affronter-un-futur-compliqu%C3%A9-1>

3 - DANONE PRESS RELEASES

- Press release of February 16: Phitrust denounces the criticisms addressed to Danone, Challenges - February 16 https://www.challenges.fr/finance-et-marche/phitrust-denonce-les-critiques-adressees-a-danone_751361
- Phitrust denounces the criticism levelled at Danone, BFM Bourse - February 16 <https://www.tradingsat.com/danone-FR0000120644/actualites/danone-phitrust-denonce-les-critiques-adressees-a-danone-954235.html>
- Danone -Phitrust Active Investors france, which claims to be a shareholder of Danone, says it does not understand the demands expressed publicly by some shareholders, Zone Bourse - February 16 <https://www.zonebourse.com/actualite-bourse/DANONE-PHITRUST-ACTIVE-INVESTORS-FRANCE-QUI-SE-DIT-ACTIONNAIRE-DE-DANONE-DIT-SON-INCOMPREHENSION-F--32454598/>
- Phitrust denounces criticism of Danone, Reuters - 16 February <https://www.reuters.com/article/danone-gouvernance-idFRKBN2AG2DX>
- Danone: "Is the situation so critical for minority shareholders" asks Phitrust, Boursier - February 17 <https://www.boursier.com/actions/actualites/news/danone-la-situation-est-elle-si-critique-pour-les-minoritaires-s-interroge-phitrust-843460.html>

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- Danone-Artisan Partners wants to refocus the Waters and Dairy Products divisions, Les Echos - February 17 <https://investir.lesechos.fr/actions/actualites/danone-artisan-partners-veut-recentrer-les-divisions-eaux-et-produits-laitiers-1949672.php>
- Paris opening: Eramet jumps, Kering stumbles, Boursier - February 17 <https://www.boursier.com/indices/actualites/news/ouverture-paris-eramet-bondit-kering-trebuche-843483.html>
- Stocks to watch in Paris and Europe: Kering, Danone, M6 ... Boursorama - 17 February <https://www.boursorama.com/bourse/actualites/les-valeurs-a-suivre-a-paris-et-en-europe-kering-danone-m6-5892b583191f853e07bb49767e1e4027>
- Press release, March 02: Danone: De-escalation, Les Echos - March 02 <https://www.lesechos.fr/idees-debats/crible/danone-la-desescalade-1294756>
- Can listed companies escape the short term? La Croix - 02 March <https://www.la-croix.com/Debats/entreprises-cotees-peuvent-elles-echapper-court-terme-2021-03-02-1201143387>
- LIVE FROM THE MARKETS: Thales, Vivendi, Danone, M6, CNP, Lufthansa, Siemens Energy, Credit Suisse... Zonebourse - March 04 <https://www.zonebourse.com/actualite-bourse/EN-DIRECT-DES-MARCHES-Thales-Vivendi-Danone-M6-CNP-Lufthansa-Siemens-Energy-Credit-Suisse--32601030/>
- Danone: "Anti-Faber" funds, in conflict with the group's sustainable strategy, continue to defend their financial interests, Novethic - 05 March <https://lessentiel.novethic.fr/blog/business-case-3/post/danone-les-fonds-anti-faber-en-conflit-avec-la-strategie-durable-du-groupe-continuent-a-defendre-leurs-interets-financiers-518>
- Opinion column: What to think of the dismissal of Emmanuel Faber by the Board of Directors of Danone, Citywire - March 16 <https://citywire.fr/news/que-penser-de-la-revocation-d-emmanuel-faber-par-le-conseil-d-administration-de-danone/a1481632>
- Danone : behind the ousting of Emmanuel Faber, Unilever in ambush, Marianne - March 24 <https://www.marianne.net/economie/danone-derriere-leviction-demmanuel-faber-unilever-en-embuscade#comments>

5 - AGENDA ITEM DANONE

- Danone shareholders demand clarification of strategy at AGM, L'Agefi - Dow Jones - April 07 <https://investir.lesechos.fr/actions/actualites/des-actionnaires-de-danone-exigent-une-clarification-sur-la-strategie-lors-de-l-ag-1956684.php>
- Danone : shareholders ask directors to clarify their vision of the group, Les Echos - 08 April <https://www.lesechos.fr/industrie-services/conso-distribution/danone-des-actionnaires-demandent-aux-administrateurs-de-clarifier-leur-vision-du-groupe-1305335>
- Governance: five Danone shareholders ask the board to explain itself, AEF Info - 12 April <https://www.aefinfo.fr/depeche/650050>

6 – PRESS RELEASE ON VALUE SHARING

- The "crazy money" of the big bosses? L'Obs - 07 May <https://www.nouvelobs.com/chroniques/20210507.OBS43741/le-pognon-de-dingue-des-grands-patrons.html>

7 - PRESS RELEASE ON MERGERS BETWEEN EQUALS

- EssilorLuxottica : France is worried about its headquarters and jobs, Les Echos - May 21 <https://www.lesechos.fr/industrie-services/conso-distribution/essilorluxottica-des-inquietudes-en-france-sur-lemploi-et-la-delocalisation-du-siege-social-1317234>
- EssilorLuxottica suffers from a governance discount, L'Agefi - June 21 <https://www.agefi.fr/corporate/actualites/quotidien/20210621/essilorluxottica-souffre-d-decote-gouvernance-323465>
- "It was written in advance": how the flagship Essilor passed under the control of an Italian billionaire, Marianne - 02 July <https://www.marianne.net/economie/economie-francaise/cetais-ecrit-davance-comment-le-fleuron-essilor-est-passe-sous-la-coupe-dun-milliardaire-italien>

MAIN MEDIA OUTCOMES OF PUBLIC ACTIONS IN 2020-2021

8 - PRESS RELEASE ON THE RESULTS OF THE 2021 AG

- "SPAC reminds me of the LibertySurf adventure in the 2000s" (Olivier de Guerre, president of Phitrust), La tribune - 02 June <https://www.latribune.fr/entreprises-finance/banques-finance/industrie-financiere/le-spac-me-rappelle-l-aventure-libertysurf-dans-les-annees-2000-olivier-de-guerre-president-de-phitrust-885912.html>

9 - VIVENDI PRESS RELEASE

- Loeb Builds Vivendi Stake at Crunch Time for Bolloré's Empire, Bloomberg News - June 21 <https://www.bnnbloomberg.ca/loeb-builds-vivendi-stake-at-crunch-time-for-bolloré-s-empire-1.1619529>
- Vivendi investors approve Bolloré's UMG plans in activist rebuke, BNN Bloomberg - June 22 <https://www.bnnbloomberg.ca/vivendi-investors-approve-bolloré-s-umg-plans-in-activist-rebuke-1.1620121>

10 - PHITRUST BECOMING A MISSION-BASED COMPANY PRESS RELEASE

- June 30, 2021: Phitrust becomes a mission-based company <https://www.phitrust.com/communique-de-presse-phitrust-affirme-sa-raison-detre-et-devient-entreprise-a-mission/>
- Phitrust becomes a company with a mission, L'Agefi - July 06 <https://www.agefi.fr/asset-management/actualites/quotidien/20210706/phitrust-devient-entreprise-a-mission-324538>

11 - PARTICIPATION IN SPECIAL INVESTIR MAGAZINE 17 July 2021

- 70 leaders and personalities talk to us about performance - Itw Olivier de Guerre - Corporate governance at the heart of transition issues <https://investir.lesechos.fr/marches/analyses-opinions/70-patrons-et-personnalites-nous-parlent-de-performance-1972245.php>

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September 2021.

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