



Voting Policy report

Fiscal year 2024

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As part of the responsible investor approach defined in its SRI Charter, Ircantec implements an active voting rights policy at general meetings of companies whose securities it holds in the form of equity.

Why?

Being an active shareholder is a way to encourage companies to be more transparent but also to encourage them to adopt better governance and more effectively consider the social and environmental impacts. Under its Voting Policy adopted in 2013 and regularly updated based on new priorities, Ircantec has decided to make specific commitments on certain subjects:



**The independence and rate of women
in Boards of Directors**



Support for the EET¹



**Company
climate strategies**



**Socially acceptable compensation
of executive officers**



**Transparency of financial statements
and fiscal responsibility**



A responsible dividend policy

¹ Energy and ecological transition.

How?

The exercise of voting rights associated with the securities held by Ircantec is assured by the asset management companies in accordance with Ircantec's Voting Policy and Voting Rules, for all equity stocks held in the portfolio.

Ircantec also specifically monitors 30 companies in its portfolio. Each resolution proposed at these general meetings is individually monitored to ensure that the voting rules are uniformly and consistently applied. Therefore, in addition to the latter, Ircantec assumes a unique and definitive position on each. The exercise of voting rights associated with the securities held by Ircantec is assured by the asset management companies in accordance with Ircantec's Voting Policy and Voting Rules, for all equity stocks held in the portfolio.

Initially, the companies subject to this enhanced monitoring were the top thirty in the portfolio in terms of market value. In 2018, with a view to better integrating aspects of the energy and ecological transition, this list was updated to include the twenty largest stakes held by Ircantec, the five largest emitters of CO₂ and the five largest holders of stranded assets². Since 2022, further changes have been made to reflect the Scheme's new climate policy³.

To respond to the climate emergency, Ircantec strengthened its engagement to ensure its reserves are on a trajectory compatible with a 1.5°C scenario as defined by the Paris Agreement. Amongst others, these decisions imply stricter exclusions on the operation and development of thermal coal-related activities⁴ or non-conventional activities (shale gas and oil, oil sands, extra-heavy oil, etc.).

The list now includes the main stakes in financial institutions involved in controversial practices such as thermal coal or non-conventional energies without a credible exit plan. An engagement will also be formed with these financial institutions. Note that these securities are intended to replace stranded assets that have progressively disappeared from Ircantec portfolios following the implementation of the new climate policy.

Furthermore, to remain consistent with these new engagements, Ircantec will expect the following from companies whose stock it owns:

- The adoption of a strategy to achieve a 1.5°C global warming scenario with validation by a scientific body such as Science Based Targets, or to align with an annual decarbonization trajectory of greenhouse gas emissions of 7% on average (in terms of intensity);
- The implementation of quantitative targets for reducing CO₂ emissions for all Scopes for companies in high climate-impact sectors⁵;

² Assets whose value is depreciated, for example by environmental restrictions.

³ https://www.ircantec.retraites.fr/sites/default/files/Annexe_ISR-PolitClimat%2823%29_0.pdf.

⁴ These exclusions will not be applied to companies presenting a credible exit plan from coal by 2030 for the whole world.

⁵ Sectors with high climate impact are defined using the NACE classification, which is recommended for the Paris Aligned Benchmark (PAB).

2024 voting report for general meetings

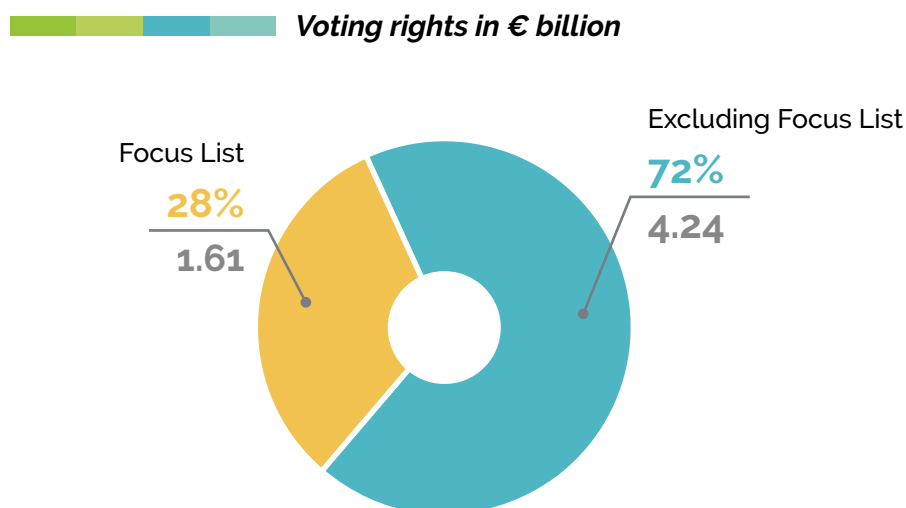
- The definition of intermediate targets (short, medium and long term) to ensure a sufficient reduction in greenhouse gas emissions in order to comply with the 1.5°C global warming scenarios;
- For companies involved in the mining, production and use of coal, the implementation of a plan to exit coal before 2030, alongside a conversion plan for activities and employees (just transition).

Ircantec will also ensure the establishment of regular voting on the implementation of the climate strategy and the regular publication of a climate strategy update, in accordance with the recommendations of the Task Force on Climate-Related Disclosure (TCFD).

Note that this year, in addition to the 30 initial stocks, the Scheme has analyzed the Engie Group based on its commitment to Engie under the Climate Action 100+ initiative.

Figures in brief

The voting rights attached to securities held by Ircantec in company equity represent €5.93 billion at December 27, 2023. This includes €1.69 billion outstanding for companies on the Focus List (representing 28.6% of the Equity portfolio).

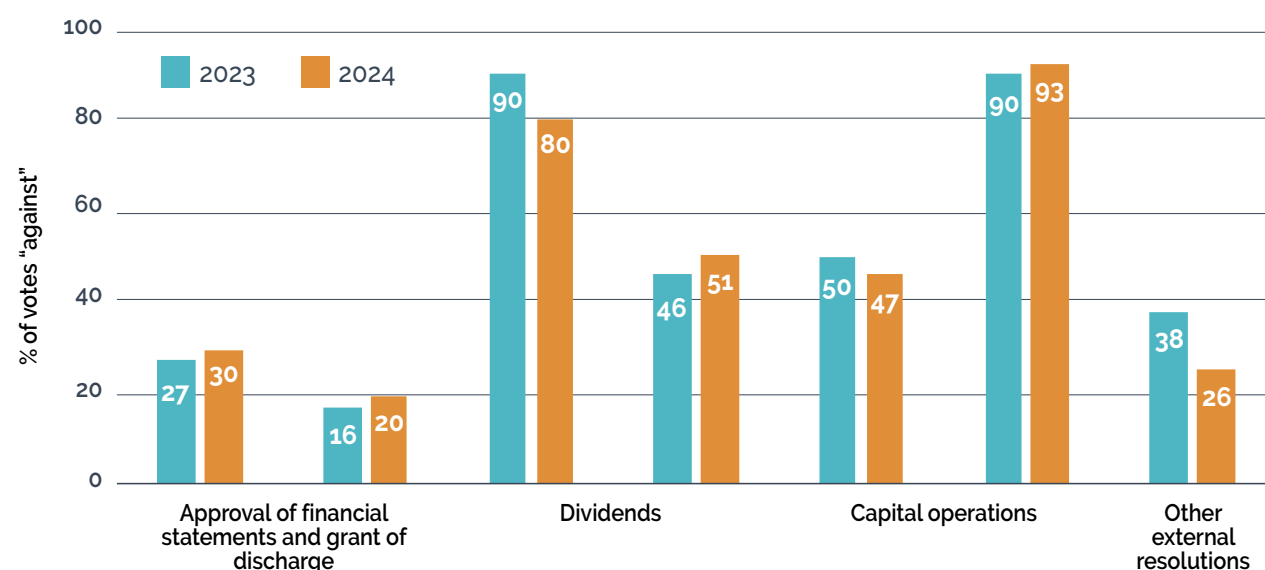


2024 report

Principal trends across all "Equity" securities in the portfolio

- The number of resolutions submitted to vote rose in relation to the previous year (18,000 in 2023 compared to 15,995 in 2024). This can be explained primarily by changes of mandates within Ircantec reserves.
- A slightly lower global opposition rate (falling from 46.25% in July 2023 to 43.09% in July 2024).
- The opposition rate remained stable in terms of companies on the Focus List (51% in 2023 against 52.2% in 2024, with 746 resolutions put to the vote).

Focus List: changes in opposition rate according to category of resolution



The fall in the opposition rate concerning the dividend is explained by the fact that proposals were overall more acceptable in 2024.

Focus List: reasons for opposition

"Executive officer compensation": opposition rate of 90% (vs 89 % in 2023)

Ircantec aims to promote the equitable distribution of value created within a company to all its stakeholders (shareholders, employees and management).

Reasons for opposition concerning executive officer compensation

Executive compensation above the socially acceptable maximum*: 49%

Variable portion of compensation considered too high or too discretionary: 24%

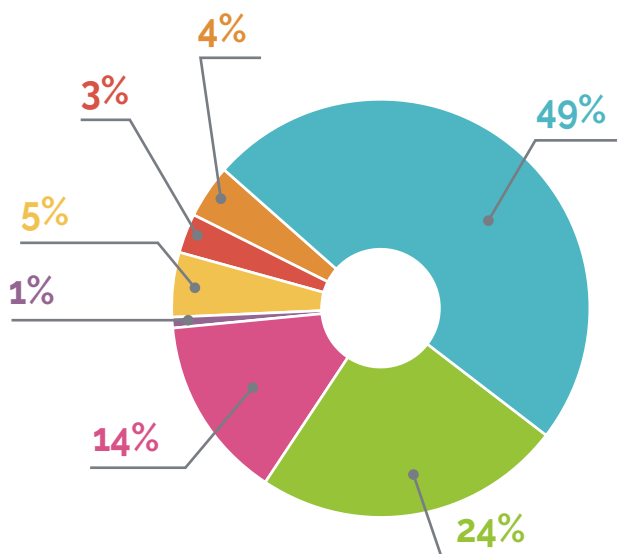
Lack of transparency of financial statements and questioning about degree of fiscal responsibility: 14%

Dividends and share buybacks considered too high "socially": 1%

Post-employment benefits considered incompatible with social cohesion within the company: 5%

Lack of ESG criteria used to determine the level of long term compensation: 3%

EET support policy considered to lack ambition: 4%



* For companies with a head office in a country that imposes a minimum wage, Ircantec considers that the "socially acceptable maximum" of the executive officer's total annual compensation must not exceed 50 times this minimum wage. For countries with a head office in a country where local law does not impose a minimum wage, the ratio between the total annual compensation of the executive officer and the median annual compensation of company employees must not exceed 25 times.

The rise in the opposition rate can be explained by the inclusion of American companies in the Focus List. Ircantec voted against all resolutions on compensation for US-based securities.

"Dividend distribution": opposition rate of 79% (vs 90 % in 2023)

Ircantec aims to promote earnings allocation policies that attempt to ensure a sustained balance between investment capacity, employee compensation and shareholder returns.

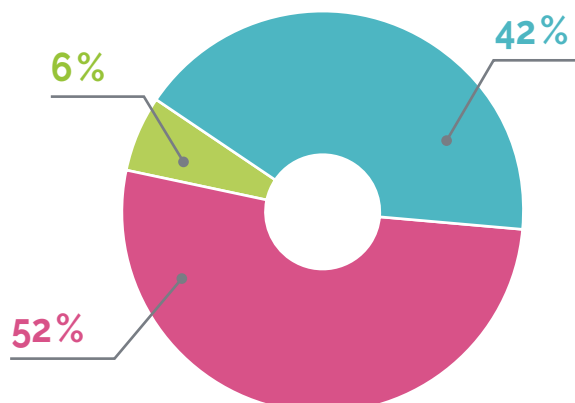
Reasons for opposition concerning resolutions on dividends

Social cohesion check* negative: 42%,

Distribution above 50% of net earnings: 52%,

Other (dividend not covered by Free Cash Flow, loss-making exercise, debt check, etc.): 9%,

* Social cohesion check: in this case it is considered that the change in dividend over the past three years diverges significantly from changes in average employee compensation.



Note that Ircantec abstained on several of these resolutions last year, but not this year. This can be explained by the increased opposition in relation to the previous year (up from 79% to 90%).

"Director appointments": opposition rate of 51% (vs 46 % in 2023)

The board of directors is a strategic body for a company. Ircantec is therefore very attentive to a balanced composition, the expected characteristics of its members, and its operation.

Reasons for opposition to appointments

Number of women members of Board of Directors too low: **51%**

Excessive accumulation of director mandates or dual functions as Chairman/Chief Executive Officer: **22%**

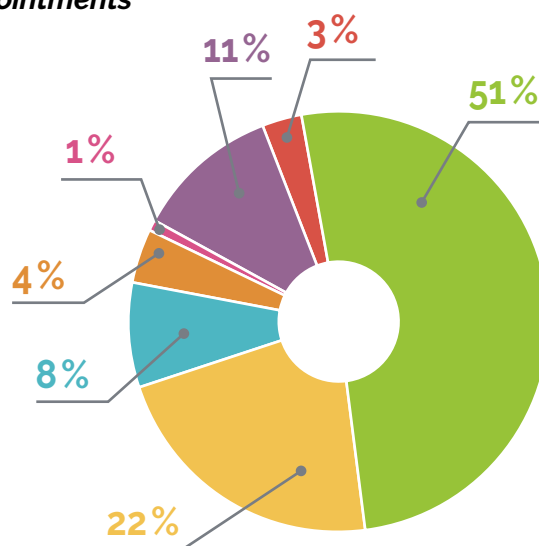
Level of revenue independence too low: **8%**

Number of board members considered too high: **4%**

Failure to execute following presentation of an unconvincing EET strategy: **1%**

Responsibility for compensation policy or lack of diversity or of independent directors on the board: **11%**

Responsibility for a committee not observing Ircantec rules//Penalization of Chairman of the Board if failings identified in multiple committees: **3%**



"Approval of financial statements" (company financial statements, consolidated statements and grant of discharge): opposition rate 30% (vs 27 % in 2023)

The lack of transparency of financial statements is penalized if certain technical information is not published or if the information provided does not comply with the reference corporate governance code.

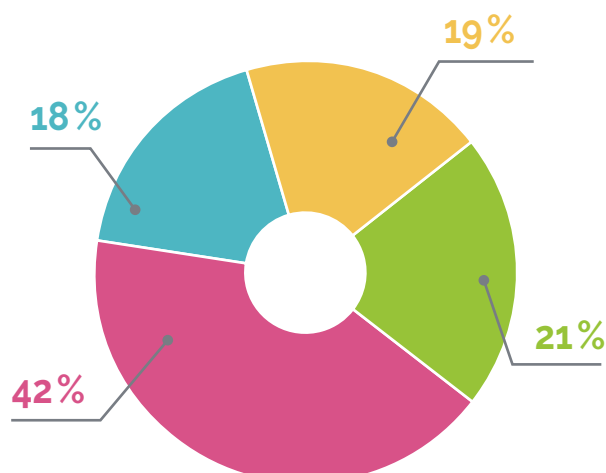
Reasons for opposition against resolutions on the approval of company and consolidated financial statements

EET support check: **19%**

Inclusion of grant of discharge not mandatory: **21%**

Financial reporting considered incomplete*: **42%**

Tax optimization considered excessive: **18%**



*Companies from the financial sector, mining and e-commerce must provide financial statements for each country where they operate.

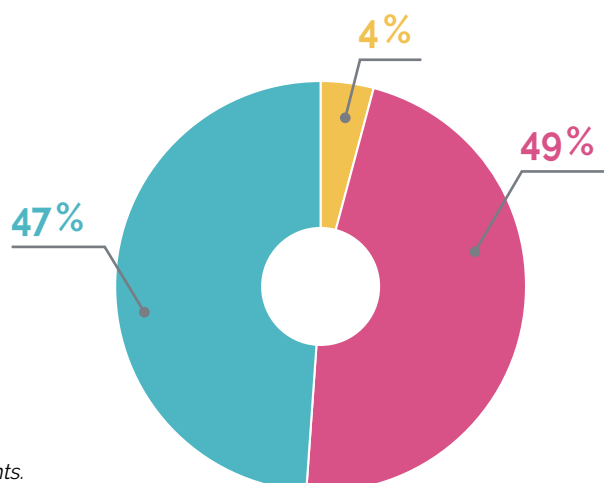
"Capital transactions": opposition rate of 47% (vs 49 % in 2023)

Reasons for opposition to resolutions concerning capital transactions

Opposition to direct and indirect compensation of shareholders considered excessive in terms of company social cohesion: **58%**

Conditions of capital transactions considered non-compliant in relation to minority shareholder rights*: **42%**

Use of instruments considered non-compliant by Ircantec: **4%**



* For example, Ircantec opposes resolutions that authorize an excessive downgrade risk, or which allow a capital increase for over 10% of the capital value without preferential subscription rights.

"Support for the Energy and Ecological Transition (EET)"

One of the priorities of Ircantec's investment strategy is to invest in a carbon-neutral economy. This is why, prior to the round of general meetings, the Scheme conducts an analysis of the EET strategy of several portfolio companies that are considered critical. This year, this preliminary analysis was carried out on 14 companies. Of the 14 companies analyzed, the EET strategy was assessed favorably for seven companies, while the strategies of three others were found to be under-developed (four abstentions were also issued).

For the companies where Ircantec opposed their EET strategy, a letter has been sent specifying to each of them the reasons why their EET strategy was not considered to be sufficiently convincing. A lack of ambition concerning the exclusion thresholds applicable to fossil energies, in particular non-conventional, as well as the lack of publication of a sustainability report before the general meeting, are some of the points leading the Scheme to issue a negative opinion. The purpose of this approach is above all to inform companies on the assumption that it may be useful to them in their current and future efforts on these issues.

Furthermore, since 2016, a mechanism dedicated to assessing company climate strategies systematically incorporates this aspect in the exercise of voting rights. This assessment of support to the EET impacts four categories of resolutions which may be subject to an opposing vote if one or more components of the EET strategy are considered unsatisfactory: approval of financial statements, dividend distribution, executive officer compensation and the re-election of executive officers (vote "against" the re-election of the Chairman of the Board and/or the Chief Executive Officer if the global EET strategy and its deployment are not satisfactory).

In 2023, the contribution of companies to the EET was assessed via 182 resolutions. Ircantec voted against 22 of them:

- Resolutions to approve the financial statements were opposed if the EET strategy was observed to be insufficiently engaging;
- Dividend payment resolutions were opposed if investment in the EET and in R&D was considered insufficient;
- Resolutions concerning executive officer compensation were opposed where the structuring of the variable portion did not involve ESG and in particular environmental criteria;
- Resolutions concerning the re-election of executive officers were opposed where the EET strategy was assessed as insufficient during the previous mandate.

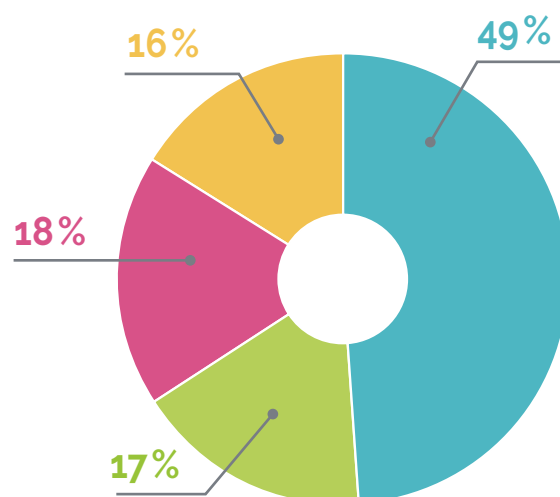
Resolution topics related to the EET

Executive officer compensation (opposition if no ESG indicators applied for the variable portion or a lack of EET support shown): **49%**

Company financial statements and distribution of attendance tokens (opposition if the EET strategy of the company is insufficiently developed) : **17%**,

Executive officer appointments (opposition if lack of engagement in an EET strategy): **18%**,

Payment of dividend (opposition if investment in the EET is insufficient) : **16%**,



This year, one resolution was opposed only on the basis of a lack of strategy relating to the energy and ecological transition: it concerned the approval of financial statements of companies in the financial sector. The lack of sufficiently limitative thresholds for the financing of target fossil energies led to the Scheme adopting this position.

This year, we monitored the Say on Climate events of global portfolio companies to ensure a vote aligned with Ircantec expectations. **Votes were cast on the following SOC:**

- Unilever: Opposed, mainly due to the carbon neutrality ambition which excludes a significant part of Scope 3 and the lack of quantified reduction targets after 2030.
- National Grid: Approved, mainly due to the SBTi validation of intermediate objectives and the *Net Zero 2050 ambition*.
- SSE: Approved, mainly due to the SBTi validation of intermediate objectives and the *Net Zero 2050 ambition*.

Moreover, this year, management companies were also asked to report their **resolutions related to biodiversity** to ensure voting was compliant with Ircantec expectations. The following resolutions were voted on:

- **PepsiCo**: Shareholder resolution to publish a report on the risks impacting biodiversity and the loss of natural habitats. Ircantec voted for the resolution.
- **The Home Depot Inc**: Shareholder resolution to disclose an assessment of dependency and impact on biodiversity. Ircantec voted for the resolution.

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131-133, avenue de Choisy CS 31459 75647 - PARIS CEDEX 13

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