



Voting Policy

in the context of the SRI shareholder engagement

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Signatory of:

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I. Shareholder engagement

1. Part of Ircantec's SRI policy

In alignment with its SRI Charter, in which Ircantec expresses the wish to "have an active voting policy in general meetings and exercise its voting rights to improve the governance of companies of which it is a shareholder", this document sets out the voting policy of the Institution.

This policy applies the UN Principles for Responsible Investment (PRI)¹, fundamental to the scheme's responsible investor policy. PRI principle no. 2 states: "We will be active owners and incorporate ESG issues into our ownership policies and practices".

The commitment equally applies to the scheme's general investment policy, whose principal objectives are to act in the best long-term interests of its beneficiaries and maintain consistency with regard to certain values. Indeed, in exercising its voting rights, Ircantec seeks to encourage companies to improve their governance, which may contribute to improving their financial results in the long term and developing practices in accordance with broader societal sustainability goals.

Ircantec's shareholder engagement will take several forms:

- The exercise of voting rights concerning the delegated management of Ircantec's portfolios ;
- Inter-shareholder dialogue ;
- Participation in investors' groups with regard to collaborative engagement, regarding issues stated in the SRI Charter and Ircantec's Voting Policy.

In its SRI Charter, Ircantec requires companies in which it invests to comply with basic international standards, and particularly:

- The Universal Declaration of Human Rights ;
- The Conventions adopted by the International Labour Organisation² ;
- The objectives of the universal Agreement on the climate adopted in Paris in December 2015 ;
- The Rio Declaration on the environment and development ;
- The main conventions on the preservation of natural resources, biodiversity protection and waste management ;
- The United Nations Convention against Corruption.

In this Charter the scheme specifies the topics it considers to be priorities in the extra-financial assessment of companies, including:

- The independence and skills of directors ;
- Transparency in the way directors are remunerated ;
- Prevention of corruption and money-laundering ;
- Transparency in business ;

¹ Principles for Responsible Investment.

² And more specifically, Conventions nos. 87 on trade union freedom, 98 on the right to organise and collectively negotiate, 29 and 105 on forced labour, 111 on discrimination in employment, 100 on equal remuneration, 138 and 182 on child labour and 155 on decent working conditions.

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- The financial and non-financial situation ;
- Gender equality ;
- Non-discrimination policies ;
- Freedom from restriction for trade unions ;
- Tax evasion prevention and tax avoidance practices.

In addition, companies' ability to establish and implement policy directions on energy transition compatible with the objective of limiting climate change to 1.5°C is also accounted for.

In conformity with its value of intergenerational solidarity, Ircantec signed the Paris Pledge for Action, through which the Institution confirms its support for the ambitions stated in the Paris Agreement on climate. Through this commitment and its climate policy, Ircantec affirms its desire to limit the rise in temperature to 1.5°C, thereby reducing the risks associated with climate change.

Ircantec intends to incorporate these priorities in its Voting Policy.



2. Voting Policy objectives

The principles formulated in Ircantec's Voting Policy are intended to guide the vote on resolutions proposed to the shareholders in general meeting or to assist in defining questions to be asked or resolutions to be submitted.

As an active shareholder, Ircantec wishes to influence the strategy and governance of companies in which it invests:

- In the long term, in favour of transparency and respect for all interested parties ;
- In favour of sustainable development.

Through its Voting Policy, Ircantec wishes to:

- Align the principles defined in its SRI Charter with its position as a shareholder ;
- Apply the PRIs;
- Encourage companies in which it invests to adopt management policies and rules more advanced than under international law or the regulations of countries in which they operate ;
- Promote a suitable balance between management bodies, shareholders' rights and financial as well as non-financial information transparency ;
- Encourage reasonable levels of distribution of dividends and directors' remuneration. These policies favour long-term financial and extra-financial performance targets ;

- Promote dialogue between companies and their stakeholders ;
- Encourage companies to apply the best standards in terms of energy and ecological transition.

Ircantec's Voting Policy aims to represent the values of the scheme, stable over time and applicable in all geographical areas. It is inspired by existing and proven French or international guidelines, issued by investors. It takes into account the international organizations' practice. It will be reexamined annually by the scheme's Board of Directors.



3. Implementation of Voting Policy

3.1 Voting Policy and Operational Voting Rules

Ircantec's Voting Policy sets out its voting principles. For the sake of pragmatism, it is supplemented by Operational Voting Rules incorporating changes in regulations, geographical and sectoral specifics and campaigning experience acquired from earlier general meetings. These Voting rules are reviewed annually. The two documents - "Voting Policy" and "Operational Voting Rules" serve as a guide to investment management companies.

3.2 Delegation to asset managers

Ircantec's share investments are made via FCPs³ which are managed by asset managers. This organisation exercises voting rights pursuant to the French Monetary and Financial Code⁴: the investment management company has to exercise the voting rights attached to the shares held by the FCP it manages and must report

on its exercise thereof. Ircantec cannot therefore *stricto sensu* legally impose voting principles on investment management companies. Nonetheless, the FCPs' management instructions state: "voting rights attached to the FCP's financial instruments must from the start be exercised exclusively in the interests of Ircantec." If the subject of any resolution is not covered by the Voting Policy or the Operational Voting Rules, the asset managers are required to contact Ircantec.



³ Investment funds.

⁴ Article L.533-22.

II. Voting Policy principles

1. Corporate governance

With regard to governance, the general principle is to encourage the separation of powers, diversified membership of the Board of Directors and the independence and involvement of directors.

1.1 Separation of supervision functions from executive action

French law, like that of many other countries, does not restrict the organisation of executive and supervisory powers. In France, it is, for example, possible for some organisations to be governed by a Board of Directors and some by a Board of Directors and Supervisory Board. Furthermore, companies with a Board of Directors may choose between separating and uniting the offices of Chairman and Managing Director.

In addition, environmental performance will be taken into account in the re-election of the Chairman of the Board and Managing Director. Ircantec requires the company to present a convincing energy and ecological transition strategy with regard to the climate and environmental challenges facing the company and its sector. Thus, the Institution recommends, among other things, the adoption of a strategy compliant with achieving a temperature increase of no more than 1.5°C with validation by a scientific body, such as the Science Based Targets initiative (SBTi), or an alignment with a decarbonisation trajectory of an annual average of -7% in GHG emissions. It also requires that their carbon emission reduction targets be validated scientifically and that they publish annual progress reports on these targets.

1.2 Composition and organisation of governance bodies

The Board of Directors is a strategic body: its decisions bind the company and its members. Ircantec will therefore pay close attention to the balance of its membership, what is required of its members and its operation. These recommendations apply in the same way to the permanent representatives of legal entities and to individuals.

■ Reasonable number of members

Too many directors might diminish their responsibility and commitment in office. Ircantec therefore considers that their number should be limited.

■ Attendance of directors

Ircantec expects directors to attend Board and various committee meetings assiduously. Board attendance at Board and various committee meetings will affect the distribution of directors' fees and consideration of their reelection.

■ Independence

Board membership of a significant number of independent directors should improve the objectivity of analyses and therefore the relevance of decisions. Ircantec therefore favours their membership.

Ircantec defines as independent any person whose past or present experience enables him to guard against any potential conflict of interest.

■ Terms of office

As each member of the Board of Directors is answerable to all shareholders, his or her appointment must be regularly submitted to the vote of the general meeting.

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The Board of Directors' membership must be renewed regularly, in order to be able to examine the company's situation objectively and to foster the emergence of new ideas. Ircantec considers that too long an involvement in strategy diminishes objectivity and a critical outlook. For France, Ircantec recommends a maximum term of 4 years.

■ Multiple directorships

A candidate holding too many directorships⁵ might not be available for Board meetings.

Ircantec may therefore object to the candidacy of a director with too many directorships. Ircantec also disapproves of cross-directorships within a Board of Directors, whether directly or indirectly⁶.

■ Feminisation of Boards of Directors

In its SRI Charter, Ircantec favours investment in companies which encourage gender equality. The Institution therefore encourages companies, in the medium term, to adopt policies enabling them to have a Board of Directors that includes a significant proportion of women. In this way, Ircantec hopes to see companies reach at least 40% women on their Board of Directors.

Ircantec also objects to any appointment reducing the Board's rate of feminisation.

■ Establishment of specialised committees

Ircantec encourages the establishment of specialised committees, including, in addition to the audit committee, ones for remuneration and appointments.

These committees must not consist of administrators who are directors of the company, considered to be judge and jury. They must comprise a majority of independent members, of which a minority of directors are on the Boards of other companies. The committees may not be chaired by a director on the Board of another company.

■ Directors representing employees

To enable broader representation on the Board of Directors for legitimate stakeholders in the company, Ircantec favours the appointment of directors representing employees.



⁵ Directorships in listed groups and major organisations or executive directorships in a listed company with other non-executive directorships outside the main group.

⁶ For example, via persons with family ties.

2. Remuneration of directors and corporate officers

2.1 Employee share scheme

Ircantec considers employee share ownership desirable and believes that companies should maximize the authorized contributions. The employees benefit from a favourable tax regime and are at the same time subject to a holding obligation.

Regarding the other forms of participation of certain employees in company capital (notably the case of free shares), the practice of related resolutions is not recommended. Thus, it is preferable to deal with the cases of employees and directors in separate resolutions.

2.2 Remuneration of directors and share ownership

2.2.1 Policy for remuneration of directors

The general principle is that the remuneration of directors and corporate officers should be :

- Transparent ;
- Structured, so as to encourage directors and company representatives to pursue a financial and non-financial performance objective in the long term.

Ircantec considers that a company's performance should be assessed with regard to the consistency of its project with sustainable and responsible development.

Ircantec therefore intends to promote systems of remuneration encouraging directors to improve the company's practices in the social and environmental areas of its business as well as in the field of energy transition.

2.2.1.1 Transparency of remuneration

Transparency in pay policy is an essential condition enabling a company to have its shareholders' confidence.

Pay policy must be exhaustively and comprehensibly described, so that shareholders are informed of all

remuneration, can assess the balance between its different components and any distinction between the general interest and directors' performance.

Ircantec therefore encourages companies to have a transparent pay policy. Aligned with the « say on pay⁷ » principle implemented in various countries and in France from general meetings in 2014, Ircantec wants full information on the methods of calculation and directors' and corporate officers' pay.

Therefore :

- The pay policy, its principles, and quantitative and qualitative criteria as well as objectives, must be explicit ;
- The elements of remuneration must be based on transparent, precise and verifiable criteria; they must be consistent with local financial and sector practices ;
- The salary of each director and company representative must, annually and before the general meeting, be communicated in individual detail, stating all its constituents: fixed, variable, in cash and kind, and any shareholding benefit granted⁸. Changes in each pay component will be justified by the Board of Directors. Post-employment benefits, such as additional pension schemes, must be stated, in the form of their book value for the financial year.

⁷ Policy for directors' remuneration submitted to the votes of shareholders (whether restrictive or consultative).

⁸ Stock-options, free shares, pensions, « golden hellos », retirement compensation, etc.

To encourage directors to take sustainable development into account in company strategy, Ircantec encourages the inclusion of environmental, social and governance criteria in the components of variable annual remuneration.

2.2.1.2 Determination of remuneration

Ircantec wishes to contribute to the definition of rules for directors' pay in accordance with its objectives and its long-term socially responsible investor interests.

Therefore, the directors' income and its evolution must be included in the strategy and financial and non-financial performance objectives of the company in the long term.

To ensure strong social cohesion in the company, Ircantec encourages Boards of Directors to set an example in defining total pay. So, when annual income rises are limited for employees or the company plans substantial redundancies, directors' pay and any alteration therein must take these matters into account.

■ « Maximum socially tolerable »

The French State has decided to impose a ceiling on directors' income in public companies, invoking restraint in return for stable State shareholding. Inspired by this, Ircantec wishes to contribute to bring directors' pay in major listed companies to a "maximum socially tolerable" level.

This level is expressed as the difference between the minimum wage or the median pay of company employees (depending on the regulations implemented in the country) and the total annual remuneration of the director.

Ircantec considers that, for companies whose registered office is in a country with a minimum wage, the "maximum socially tolerable" ceiling for the annual overall pay⁹ of a director must not exceed 50 times the minimum wage.

For companies whose registered office is in a country without a minimum wage, there should be a "maximum socially tolerable" difference between the pay of the top director and the group's median pay. So, in a major listed company, Ircantec considers the difference between the group's median pay and the overall pay of the top director¹⁰ as excessive if it exceeds a ratio of 1:25.

Ircantec will express its disapproval of prospective pay policies exceeding this ceiling or difference, which constitutes the "maximum socially tolerable" level.

■ Fixed Remuneration

The fixed salary must by definition remain unchanged from one year to the next, except for possible revaluation limited to inflation. This also serves as the basis for setting other compensation components (annual target bonus, maximum annual bonus, value of long-term compensation plans at the grant date).

Ircantec considers that a director's fixed salary should not exceed the median of its comparative group.

If the Board of Directors decides to exceed this, it shall provide the shareholders with a precisely quantified justification of the criteria supporting this increase. The publication of remuneration may therefore have a weighted effect in wage negotiations, apart from the company's situation and the director's skills. It is therefore for the shareholder to ensure that the level of remuneration is fully justified.

⁹ Including everything : salary, benefits, options, free shares, contribution to top-hat pensions.

¹⁰ Short and long-term.

■ Variable remuneration

The variable remuneration includes annual and multiannual variable remuneration or any form thereof tied to performance. It should principally depend on long-term performance.

In order to avoid risk or excessive remuneration, Ircantec wishes that all variable remuneration awarded in short and long-term accounting periods does not exceed three times the fixed remuneration. The qualitative or discretionary portion should not be more than 20% of the target annual variable remuneration.

In general, the annual variable remuneration should only exceed the fixed remuneration in the event of exceptional performance over an accounting period. Thus, the target annual bonus should not exceed the fixed salary and the maximum bonus should never exceed 150% of the fixed salary. The processes for calculating variable remuneration¹¹ must be based on strict and verifiable criteria ; they must be transparent and permanent.

Ircantec also encourages companies to use non-financial criteria for calculating variable remuneration. Their directors will therefore be encouraged to attain the company's strategic objectives for sustainable development. It should be noted that one of the main risks identified is the environmental footprint of companies operating in high impact sectors¹². Therefore, Ircantec recommends that they include a performance criterion based on the carbon footprint.

In addition, compensation of various kinds (severance pay, variable bonuses, etc.) will be assessed according to the social context of the company.

Finally, Ircantec will object when the amounts paid to shareholders significantly exceed those allocated to payroll and investment expenses, or when the conditions for authorizing share buybacks are not deemed satisfactory.

2.2.2 Post-employment benefits

2.2.2.1 Observations

Ircantec recommends limited use of post-employment benefits for executive directors, supposedly summarily removable. These benefits should not be granted to a non-executive Chairman nor where a director has overall remuneration above the "maximum socially tolerable" level.

2.2.2.2 Retirement compensation

Executive directors are supposedly summarily removable. Ircantec does not, therefore, favour retirement compensation similar to "golden parachutes".

Ircantec may, however, support retirement compensation if the retirement is involuntary (for example, where the director succeeded in effecting a merger) and if the retirement compensation¹³ does not exceed one year's remuneration¹⁴, in the event of significant seniority, and provided the director's overall remuneration does not exceed the "maximum socially tolerable" level.

Lastly, Ircantec considers that retirement compensation which would increase their pension rights should not be paid to a director, in default of any prejudice thereto.

¹¹ Including the rate of realisation of each criterion.

¹² High climate impact sectors are defined through the NACE classification, which is recommended within the framework of the PAB (Paris Aligned Benchmark). Thus, this concerns the following sectors: Agriculture, Forestry and Fishing / Extractive Industries / Manufacturing Industrial / Production and Distribution of Electricity, Gas, Steam and Air Conditioning / Production and Distribution of water, Sanitation, Waste Management and Depollution / Construction / Trade / Repair of Motor Vehicles and Motorcycles, Transport and Storage, Real Estate.

¹³ Including non-competition compensation

¹⁴ Fixed and variable remuneration.

2.2.2.3 Non-competition clauses

Ircantec considers that non-competition clauses may protect companies, but should nonetheless not involve prohibitive compensation. The total sum paid to compensate departure¹⁵ should not exceed the equivalent of a year's remuneration¹⁶, except in the case of significant seniority. In addition, opposition will be necessary when a director benefiting from a non-competition clause asserts his rights upon retirement.

2.2.2.4 Supplementary pensions scheme: general

These schemes must strictly comply with the principles and rules fixed by the local corporate governance and codes of good practices:

- Transparency (taken into account in the remuneration process);
- Equity (beneficiaries not limited to company representatives);
- Consistency (seniority in post, calculation method).

2.2.2.5 « Additional contribution » defined benefit retirement schemes for directors

Ircantec does not support this type of retirement scheme, the cost of which is born by the company and its shareholders. Because of their remuneration level, executive directors can save for their retirement from their own resources.

2.2.2.6 « Additional contribution » defined contribution retirement schemes for directors

These schemes are considered acceptable, if the contributions are fairly divided between the beneficiary and the company.

2.2.3 Remuneration of directors by shares

The practice of combined resolutions is not recommended; it is preferable to treat employees and directors in separate resolutions for authorisation.

2.2.3.1 Granting stock options to directors

For major listed companies, Ircantec wishes that the granting of stock options will no longer be authorised. Experience shows that this device conflicts with the alignment desired between the remuneration of directors and the interests of long-term socially responsible investors.

2.2.3.2 Grant of BSA or BSARS¹⁷

The issue of subscription warrants is similar to that of options and is not recommended by Ircantec, even if these warrants are subscribed.

2.2.3.3 Grant of free or performance shares

The grant of free or performance shares is a satisfactory method of rewarding directors for long-term performance.

Regard must be paid to their cost; Ircantec therefore expects that companies authorising the grant of free shares for executive directors will inform the shareholders of the maximum number of free shares to be granted to each executive director and the conditions for the attribution. These conditions must be transparent and strict; they should take into account criteria measured over at least three years, to avoid short-term strategies.

In major international capitalisations, each director should only potentially receive annually a reduced percentage of the capital.

¹⁵ Non-competition and compensation clauses.

¹⁶ Fixed and variable remuneration.

¹⁷ Share subscription warrants and Reimbursable share subscription-warrants.

To encourage social cohesion in the company, Ircantec would like the distribution of free shares to be extended to all employees. Ircantec recommends that resolutions authorising the grant of free or performance shares to employees be distinct from resolutions making grants to the executive committee, in order to separate the issue of share ownership by a large number of executives or employees from the issue of directors' remuneration.

2.3 Remuneration of members of the Board of Directors or Supervisory Board

2.3.1 Directors' fees

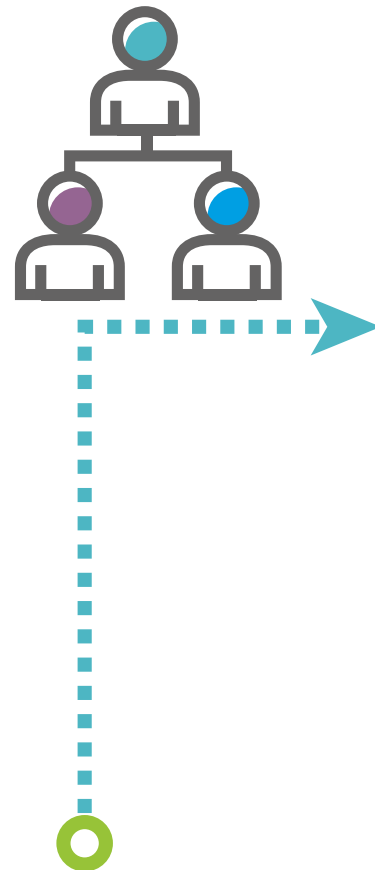
Ircantec approves the award of directors' fees if the methods and criteria for distribution are specific and comply with professional standards. The fees awarded must:

- Depend partly on the attendance at Board meetings;
- Be similar in amount to those awarded in companies of similar size;
- Not be so large as to give the director an economic interest in retaining office;
- Not present a significant increase without due justification.

2.3.2 Remuneration of a non-executive Chair of a Board of Directors

The remuneration of the Chair of the Board of Directors may take the form of directors' fees or of remuneration for specific tasks. It must not exceed that of other non-executive Chairpersons.

In addition, the Chair of the Board must ensure that the company integrates support for the energy and ecological transition.



3. Shareholders' rights

The general principle adopted by Ircantec is "one share, one vote". The principle of proportionality of voting rights is inseparable from the principle of equal treatment of shareholders with regard to risk, information and dividends. It prevents one group of shareholders to be favoured at the expense of other shareholders; it also does not impede takeover bids if they are favourable to the shareholders, independently of their impact on management.

3.1 Exercising shareholders' rights in general meetings

■ Discharge

The responsabilisation of directors is a major governance issue and no decision of the General Meeting must have the effect of eliminating any liability action brought against the directors for mismanagement of their mandate.

Ircantec therefore recommends that all shareholders' rights of recourse be maintained and therefore disapproves of requests for discharge, except in countries where this is a legal obligation. Ircantec is also opposed to the inclusion of a discharge clause for the directors in the resolution relating to the approval of the accounts.

■ One share, one vote

Ircantec, supporting the general principle of one share, one vote, is against the issue of non-voting shares, shares with double voting rights or with limited voting rights.

■ Combined resolutions

Ircantec recommends voting against a resolution if it combines several decisions, especially where it concerns proposals for appointment of members of the Board of Directors or presentation of related party agreements.

3.2 New share issues

Increases in capital may have weakening effects, especially for minority shareholders. This is particularly true when existing shareholders are not invited to subscribe and where new shareholders are offered a preferential price in comparison with the market price.

Ircantec therefore approves of new share issues while maintaining shareholders' preferential rights of subscription; the scheme is equally favourable to the application of limits according to the nature of the increase.

However, in the event of authorizations to issue without preferential subscription rights, a strict ceiling should be defined limiting all authorizations for increases requested to 10% of the capital.

In addition, any discount on the issue price in an operation in which the shareholders are deprived of their preferential subscription rights must be limited to a maximum of 5% below the market price.

3.3 Anti-takeover measures

While certain OPAs or OPEs¹⁸ may be a direct threat to employment and the survival of the company, the measures intended to impede significant changes in shareholdings may also affect the valuation of the company and harm minority shareholders. Ircantec therefore disapproves of anti-takeover measures not enabling minority shareholders to exercise their freedom of choice.

Outside takeover periods, Ircantec disapproves of any defensive anti-takeover measure. During takeover periods, Ircantec will define its position with the discernment required by simultaneously taking account of its interests as a responsible shareholder and of the bases of its Voting Policy.

¹⁸ OPA : takeover bid – OPE : public exchange offer.

4. Approval of the accounts and management

The general principles must be:

- Fair, honest and accurate accounting;
- A clear and stable strategy;
- Auditor's independence.

4.1 Approval of accounts

Company information must be available in time to enable all the shareholders to analyse the resolutions¹⁹; the information must be honest and consistent and the strategy clear and stable. Auditors' observations considered as significant or controversial changes in accounting methods may be voted against.

Overall, the proper analysis of resolutions requires detailed information sent sufficiently in advance to shareholders. Thus, several documents must be available and easily accessible, including:

- The annual accounts;
- The statutory auditors' report;
- The report of the Board of Directors to the General Meeting.

These reference documents must make it possible to measure the financial and non-financial situation of the company and to clarify investors' decisions.

When the agenda has to include the approval of non-deductible expenses, these should be specified and explained regardless of the amount.

Furthermore, Ircantec, by the nature of its affiliates, is committed to public service and its values. The institution is thus concerned by the development of tax evasion and the tax optimization practices by large companies which deprive States and communities of part of their revenue.

In line with changes to French legislation and the work done at the European level, Ircantec would like to see companies improve their financial transparency by publishing financial reports by country of operation. Ircantec could thus oppose the resolution to approve a company's financial statements if the latter does not publish separate financial reports for each country in which it operates. Depending on the priorities it sets itself, Ircantec may focus its transparency requirements on specific sectors of activity²⁰.

In addition, opposition may be required when the effective tax rate is relatively low and the company is unable to present a financial report for each country in which it or its subsidiaries operate.

Finally, the absence of policy directions, actions or reporting on the energy transition could lead to a negative vote.

4.2 Approval of related party agreements²¹

For Ircantec, related party agreements should be dealt with in separate resolutions; those made with individual directors should be separated from those concluded with legal entities or companies. They must be concluded in the interests of all the shareholders and be detailed and strategically justified.

¹⁹ Minimum of 21 days before the general meeting, according to the European Shareholder Rights Directive.

²⁰ It therefore initially focuses its attention on companies in the financial sector and on companies generating a large proportion of their income via the Internet for which the issue of financial transparency is particularly important.

²¹ Related party agreements record contracts signed with associated parties; the parties concerned are not authorised to participate, directly or indirectly, in the vote.

By voting on the auditors' special report, the shareholders rule on all the related party agreements, including those already approved and in execution; if there is a significant objection, the directors must amend or terminate the agreement.

Ircantec can therefore, by its vote, express its disapproval of the continuation of related party agreements, previously approved, but which do not comply with the principles of its Voting Policy²².

4.3 Auditors

The auditors audit the accounts and the accounting process; their role is essential, and they must be truly independent. The rules of appointment may differ depending on the country and it may be necessary to appoint two statutory auditors at the same time (this situation arises in particular in France). In this case, it is important to ensure that the two firms of statutory auditors are independent of each other, that they are alternated regularly and that the distribution of work between the two incumbent firms is not disproportionate.

Finally, the compensation of the statutory auditors must be proportional to the volume of the group's business and the consulting fees received for ancillary assignments must not exceed half of the certification fees accumulated over three years. In addition, the company must be able to communicate the nature of any consulting assignments for which the relative fees exceed 10% of the total fees for the financial year.

Ircantec therefore considers that:

- To remain objective, the auditors must be appointed for a limited period;
- To preserve their independence, they can only provide advisory services up to a limited value;
- Replacement auditors must not be in the same firm as the standing auditors.



²² Ircantec will be particularly attentive to related party agreements concerning retirement compensation.

5. Allocation of profit/loss and management of shareholder equity

Ircantec, with the goal of serving the general interest, intends, by investing in shares, to promote companies which incorporate the short, medium and long-term economic, social and environmental impact of their business into their strategies.

Ircantec's assessment of the performance of a company does not, therefore, rest solely on the analysis of its financial results; it rather depends on criteria measuring the relationship between the company's projects, and sustainable development, including energy transition issues.

5.1 Allocation of profit/loss

■ Distribution of dividends

Ircantec intends to promote policies for allocation of profit/loss, which maintain an appropriate balance between investment capacity, employees' income and shareholders' remuneration.

Ircantec thereby promotes the idea of "responsible dividends".

The policy for distribution of dividends must be consistent with:

- The company's financial structure and results;
- Company strategy and business sector practice;
- Concerns about responsible investment.

It should also take into account:

- Comparative changes in the remuneration of employees and shareholders²³ ;
- The impact of the policy for allocation of profit/ loss on the company's investment capacity.

Ircantec encourages a policy for distribution of dividends:

- In line with the company's strategy and prospects, including those for internal financing capacity;
- In phase with the distribution for its own business sector;
- In relation with changes in the company's payroll, to promote an equitable association of employees and shareholders in the long-term;
- Consistent with energy transition issues and the associated investments.

In particular, high-impact companies are required to commit to establishing a carbon neutrality objective before defining their distribution policy, in order to ensure that they have the necessary investment capacity in the energy transition.

■ Special benefits

Ircantec, as a responsible long-term investor, pays particular attention to the development of shareholder loyalty. Any proposal to encourage and reward shareholders to invest long-term is therefore welcomed.

Increased dividends may therefore be used to encourage and reward shareholders holding their shares for a number of years. Ircantec would, however, limit the incentive for an influential shareholder to abuse this kind of practice²³. Similarly, the possibility of opting for the dividend in shares may enable the shareholder equity to increase and to favour investment over distribution; the rules for distribution must be particularly transparent and the shareholder must have the option of payment in cash.

²³ The dividend's trajectory - over the past three years - must not diverged significantly from the average employee salaries.

■ Dividend in the event of loss

Ircantec accepts non-distribution of dividends in the event of loss, but disapproves of any distribution of dividends in excess of the profit.

5.2 Share buyback and capital reduction

In some cases, the buyback of shares can be considered a form of (indirect) remuneration of shareholders and directors via a mechanical increase in the share value and a promise of future remuneration by increasing the dividend per share. Thus, an objection is raised for resolutions when the remuneration distributed to the shareholders is deemed excessive in relation to the evolution in the average salary or the investments made by the company. The purpose of this vote is to encourage directors to maintain and develop their economic assets and the connected uses.

Furthermore, Ircantec opposes capital operations by buyout during a public offer period (except in the case of resolutions strictly limiting operations during an offer period to the satisfaction of the commitment to deliver the securities or strategic transactions undertaken and announced before the launch of said public offer).

Similarly, the stock's liquidity remains a key issue. For reasons of consistency in the distribution policy, companies should not consider reducing their capital when they are unable to offer a dividend to their shareholders, except reduction of capital for continued operation when the equity falls to less than half of the capital.

5.3 Stock split

Ircantec is in favour of stock split operations given the potential benefits for liquidity and the accessibility of stock to the wider world.



6. Corporate climate strategy

Environmental transition issues are of increasing concern within companies and many issuers have defined climate strategies or decarbonization plans. 'Say on Climate' resolutions now appear on the agenda of general meetings in order to gather the opinions of shareholders. Shareholders are thus invited to vote on the companies' climate strategies on a regular basis (ex-ante vote) and/or to approve the annual reports of the board on the application of these strategies (ex-post vote).

In line with its new climate policy, Ircantec now includes all of its commitments in its voting policy in order to encourage companies to apply the best standards in terms of energy and ecological transition.

6.1 Resolutions on climate strategy, climate ambition or energy and ecological transition (TEE)

Ircantec is in favour of introducing a vote on climate ambitions or the company's climate strategy. In particular, it expects companies in which it is a shareholder:

- To adopt a strategy compliant with achieving the 1.5°C global warming scenario with validation by a scientific body, such as the Science-Based Targets Initiative or to align with a decarbonisation trajectory of an annual average of -7% greenhouse gas emissions, in line with the decarbonisation trajectory of the 1.5°C scenario of the IPCC²⁴.
 - To implement quantitative targets for reducing CO₂ emissions on all scopes for companies in high climate impact sectors.
 - To establish 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 coal extraction, production and exploitation, to implement a coal phase out plan by 2030, along with a conversion plan for activities²⁵ and employees.
 - No involvement in controversial practices:
 - Companies which develop, finance or contribute (equipment) to new coal projects (mines / power plants / infrastructure) or which buy back existing assets.
 - Companies which develop or finance new unconventional projects or which increase their capacity in unconventional oil and gas (shale oil and gas, extra-heavy oil, coal gas, oil sands, exploration in the Arctic²⁶ and/or in deep waters).
 - Companies exploiting unconventional deposits except for those that have adopted an exit plan by 2030.
 - Companies initiating or financing new conventional projects (exploration / production / transport) or contributing (equipment, services) to the development of new projects.

²⁴ The Intergovernmental Panel on Climate Change is an intergovernmental body charged with assessing the reality, causes and consequences of ongoing climate change.

²⁵ Closing production sites and not selling the business to other players, which would not be considered as a robust exit plan.

²⁶ Arctic Monitoring and Assessment Programme (AMAP) definition of the Arctic: Land and sea areas north of the Arctic Circle (66°32'N), as well as north of [parallel] 62°N in Asia and north of [parallel] 60°N in North America, modified to include the maritime area north of the Aleutian chain, Hudson Bay, and parts of the North Atlantic Ocean including the Labrador Sea.

6.2 Resolutions on the implementation of the climate strategy (ex-post vote)

Ircantec is in favour of a regular vote by the General Meeting on the implementation of the company's climate strategy for the purpose of monitoring the progress in reducing carbon emissions and the actions taken.

Thus, Ircantec expects companies to be transparent about their management of climate issues. In particular, Ircantec would like information on the evolution of carbon emissions over the last three financial years in order to ensure that this is sufficient to achieve the short-term objectives predefined in the company's climate strategy and to reach carbon neutrality over the long term. It will also require the integration of greenhouse gas emissions measurements in absolute values (with coverage of all Scopes 1 to 3).

In addition, companies must explain how they manage the climate-related risks and opportunities, their impacts, as well as the resilience of the company strategy, in accordance with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).

Finally, Ircantec will also ensure the establishment of regular voting on the implementation of the climate strategy and the regular disclosure of a climate strategy update aligned with TCFD recommendations.



7. External resolutions

A shareholder or group of shareholders may propose an external resolution for the agenda of the general meeting, subject to a certain level of capital investment and certain time-limits; in France, the Works Council also has this right of initiative²⁷. Ircantec also encourages management companies to use the rights they have as shareholders.

External resolutions will be analyzed by Ircantec in the light of the principles defined in its SRI Charter and its Voting Policy.



²⁷ Articles L2323-67 al.2 and R2323-14 of the French Employment Code.

III. Appendix – Voting rules for shareholder engagement

1. Corporate Governance

1.1 Election or re-election of a member of the board of directors or supervisory board (general criteria)

For the motion except:

AGAINST if one of the following conditions is met:

- a) The resolution pertains to several candidates (group election).
- b) Insufficient information on the candidate is provided by the company (biography, age, external roles and mandates, number of shares held, assessment of his/her independence by the board).
- c) It is clear that the candidate has failed in his/her duty to the shareholders or company or has a major conflict of interest that is incompatible with holding a mandate as a board member, or has committed acts deemed to be reprehensible.
- d) The proposed term of office is longer than four years²⁸.
- e) The candidate already holds three or more mandates in listed companies or large organisations.
- f) The candidate is a director of another company and also holds more than one mandate outside his/her group.
- g) The candidate directly or indirectly holds cross directorships.
- h) The candidate was absent from at least 25% of board meetings without a satisfactory justification.
- i) The candidate has been proposed on the basis of the establishment or renewal of a regulated agreement covering a consultancy taskforce of which he/she is a member.
- j) The election would result in the number of board members exceeding 16²⁹.

Exception: an "ABSTENTION" vote will be cast if such a vote will not be recorded as a vote "AGAINST" and if doing so improves the percentage of women on the board.

k) The appointment would reduce the percentage of women on the board after the general meeting.

Exception: an "ABSTENTION" vote will be cast if such a vote will not be recorded as a vote "AGAINST" and if doing so improves the board's degree of independence.

l) The election would reduce the percentage of women on the board after the general meeting to below 40%.

Exception: an "ABSTENTION" vote will be cast if such a vote will not be recorded as a vote "AGAINST" and if doing so improves the board's degree of independence.

1.2 Election or re-election of a member of the board of directors or supervisory board (exceptional cases)

1.2.1 Election or re-election of a chairperson of the board

For the motion except:

AGAINST if one of the following conditions is met:

- a) One of the general criteria defined above has not been met.
- b) The candidate is also serving as Chief Executive Officer.
- c) The Chairperson of the board has clearly failed in his/her duty³⁰ to the shareholders or the company.
- d) The candidate already chairs at least one board of directors or supervisory board.

²⁸ Exception: adoption of local practices:

- Italy: maximum of three years

- Spain, Austria, Germany: maximum of five years

- UK: annual election will not be required as Ircantec does not require each director to be elected on an annual basis

²⁹ Are particularly considered the employee directors.

³⁰ The notion of duty includes the formulation of a convincing energy and ecological transition strategy with regard to the climate and environmental challenges facing the company and its sector.

1.2.2 Election or re-election of a chief executive officer

For the motion except:

AGAINST if one of the following conditions is met:

- a) One of the general criteria defined above has not been met.
- b) The candidate holds the office of President
- c) The director serves or will serve on the audit, remuneration or appointment committee.
- d) During the candidate's previous mandate, his/her support for the ecological and energy transition (EET) was deemed insufficient³¹ with respect to the company's business sector.

1.2.3 Election or re-election of an executive director (other than the chief executive officer)

For the motion except:

AGAINST if one of the following conditions is met:

- a) One of the general criteria defined above has not been met.
- b) One third of board members will no longer be independent³².
- c) The board includes too many executive directors according to standard practice in the country in question³³.
- d) The director serves or will serve on the audit, remuneration or appointment committee.

1.2.4 Election or re-election of a non-executive, non-independent board member

For the motion except:

AGAINST if one of the following conditions is met:

- a) One of the general criteria defined above has not been met.
- b) The majority of board members will no longer be independent^{34 35}.

Exceptions :

- In controlled companies, only one third of members are required to be independent.
 - A vote will be cast in favour of the candidacy of an employee shareholder representative even if the board does not meet the required independence threshold.
 - An "ABSTENTION" vote will be cast if the election enables the board to meet the minimum required percentage of female members.
- c) The candidate has not made an effort prior to the end of his/her first mandate to hold at least EUR 5,000 in company shares and the equivalent of one year of the average directors' fees (or the company has not disclosed the number of shares directly or indirectly held by the candidate).
 - d) The nominee has served on the Board for more than 20 years (except the founder or the representative of a significant shareholder).

1.2.5 Re-election of a chairperson of the audit committee

For the motion except:

AGAINST if the following condition is met:

The audit committee has clearly failed in its duty to the shareholders or the company, for example by failing to:

- Comply with the law and the AMF's recommendation on transparency in relation to statutory auditors' fees.

³¹ See Appendix B: "Assessment of the Energy Transition".

³² See "Definition of an independent board member" in the appendix.

³³ For instance, more than two executive directors in France.

³⁴ Directors who represent employees will not be taken into account when calculating the degree of independence.

³⁵ A candidate representing a third party with a minority stake of over 10% of the share capital will not be considered independent for the purposes of calculating the degree of independence. .

- Uphold internal audit and risk management procedures.
- Hold a vote on the special report on regulated agreements.
- Include contestable regulated agreements (or regulated commitments relating to deferred remuneration).

1.2.6 Re-election of a chairperson of the appointment committee

For the motion except:

AGAINST if one of the following conditions is met:

- a) The person is a director of a large company.
- b) Insufficient information has been provided on the succession planning policy or no arrangements have been made for replacing directors³⁶.
- c) The composition of the board is unbalanced, for example:
 - Fewer than 40% of board members are women
 - One person serves as both Chairperson and Chief Executive Officer when chairing the committee
- d) The procedure for assessing board members' independence lacks rigour.

1.2.7 Réélection d'un Président du comité de rémunération

For the motion except:

AGAINST if one of the following conditions is met:

- a) The person is a director of a large company.
- b) The remuneration committee has clearly failed in its duty to the shareholders or the company, for example by failing to:
 - Provide sufficient information on the remuneration policy.

- Hold a vote on the remuneration of corporate officers with directorships.
- Respond to significant opposition³⁷ to certain types of remuneration at the general meeting.

1.2.8 Re-election of a chairperson from the sustainability committee

For the motion except:

AGAINST if one of the following conditions is met:

Lack of a convincing energy and ecological transition strategy with regard to the climate and environmental challenges facing the company and its sector.

1.2.9 Election of a member of the remuneration or appointment committee

For the motion except:

CONTRE si l'une des conditions suivantes est vérifiée :

- a) The candidate is an executive director of the company.
- b) The person is a director of a large listed company and more than one third of the members of the remuneration committee will be directors of large listed companies.
- c) One of the general criteria defined in 1.1 is not met

1.2.10 Election of a director representing employee shareholders

For the motion except:

AGAINST if one of the following conditions is met:

- a) The process for appointing the candidate(s) to represent employee shareholders is undemocratic.
- b) From the second post reserved for employee shareholders, a vote will be cast in favour of the appointment provided that one third of board members are independent

³⁶ Especially if the executive Chairperson is aged over 65.

³⁷ Any resolution that receives up to 80% of votes in favour is recognised as having received significant opposition.

If more than one person applies to represent employee shareholders, Ircantec will consider the following criteria when choosing from the various candidates:

- The candidate's reasons for applying³⁸.
- The candidate's legitimacy in the eyes of employee shareholders³⁹.
- The candidate's ownership of shares or units in the collective employee shareholding plan (FCPE).
- The candidate's independence with respect to the management team.
- Rotation of employee shareholder representatives on the board.

In certain circumstances, Ircantec may support several candidates who meet these recommendations.

1.2.11 Election of a director representing employees

Ircantec is in favour of one or two employee representatives sitting on the board of directors to give voice to an essential category of company stakeholder. Such appointments are the result of a direct or indirect election process among employees and are therefore not subject to a resolution at the general meeting. Employee representatives on the board will not be taken into account when calculating the board's degree of independence

1.2.12 Election though a system of lists⁴⁰: where there is a single list

For the motion except:

AGAINST if one of the following conditions is met:

- a) The proposed list lacks independence.
- a) Fewer than 40% of board members are women.

1.2.13 Election though a system of lists: where there are multiple lists

Vote in favour of the list that will improve the board's degree of independence. If none of the lists improve the composition of the board, Ircantec will oppose the lists in question.

1.2.14 Election or re-election of a non-voting board member

Against the motion

Ircantec is not in favour of non-voting board members⁴¹.



³⁸ Expressed through interviews, letters, messages or statements.

³⁹ Results from preliminary elections/status as the representative of an important category.

⁴⁰ This election procedure is used in Italy, Finland and Sweden.

⁴¹ A non-voting board member appointed by the board may be considered to be a consultant to the board of directors or supervisory board and accepted on this basis, but he/she will not be appointed by the general meeting in such instances.

2. Remuneration of employees, directors and corporate officers

2.1 Employee share ownership

2.1.1 Capital increases reserved for employees

For the motion

Ircantec encourages the diversification of staff members' employee savings schemes. Ideally, employees' voting rights should be exercised by the shareholder employees themselves or their representatives without interference by representatives of the management team.

2.1.2 Allocation of free shares to employees

For the motion except:

AGAINST if one of the following conditions is met:

- a) The request to allocate free shares (or performance shares) pertains to over 0.5% of the share capital.

Exceptions :

- When the company discloses the expected number of future beneficiaries and the free share plan is widely accessible (over 50% of employees are beneficiaries), permission will be granted in relation to up to 1% of the share capital.
 - If the company undertakes not to issue over 10% of the share capital in the form of options, rights to free/performance shares, redeemable share subscription warrants (BSARs) and employee shareholding in any rolling ten-year period.
 - When the company discloses the expected number of future beneficiaries and the average annual individual value is under EUR 15,000.
 - When performance conditions are particularly stringent.
- b) The potential dilution implied by the total number of outstanding options and rights to performance or free shares exceeds 10% of the capital.

- c) The request forms part of a resolution that also includes a request relating to director remuneration that contravenes the rules below.

2.1.3 Allocation of free shares to all employees

For the motion except:

AGAINST if one of the following conditions is met:

The request to allocate free shares pertains to over 2% of the share capital.

2.2 Remuneration of directors and share ownership

2.2.1 Vote on the remuneration of a director

For the motion except:

AGAINST if one of the following conditions is met:

- a) Failure to provide the requested information on remuneration or the information provided is insufficient to allow shareholders to duly assess the remuneration policy and the remuneration awarded.

As a minimum, Ircantec recommends the publication of the following information:

- Description and justification of each remuneration component
- Target annual variable remuneration
- Maximum annual variable remuneration
- Long-term performance criteria and fulfilment rate
- Qualitative and quantitative criteria linked to variable remuneration and the weighting of these criteria; fulfilment rate of each criterion linked to bonuses
- Variable component due for the financial year
- Valuation of shareholder allocation plans
- Performance conditions for long-term plans
- Fulfilment rate for each of the performance conditions linked to long-term plans

- Individual cost of the supplementary pension scheme, where applicable
- Transparency as regards compensation
- Total amount for each individual corporate officer paid, due or reserved for the financial year

b) The remuneration structure or the core principles of the remuneration policy are not in line with Ircantec's voting policy

In particular, Ircantec recommends the following:

- Fixed remuneration should be lower than the median at a comparable company.
- Fixed remuneration should not be increased without a relevant justification.
- There should be no above-inflation increases to remuneration.
- Fixed remuneration should be reviewed at relatively long intervals (e.g. every three years).
- Target annual variable remuneration should not exceed 100% of the fixed component. However, when the individual has far exceeded the targets set in advance, a vote may be cast in favour of up to 150% of the fixed remuneration.
- The qualitative or discretionary component of variable annual remuneration should not exceed 20% of the fixed component.
- Long-term variable remuneration should be higher than annual variable remuneration.
- The total variable remuneration allocated during the financial year (both short and long-term components) should not exceed 300% of fixed remuneration.
- For companies headquartered in a country with a statutory minimum wage, each director's total annual remuneration should not be over 50⁴² times greater than the minimum wage.
- For companies headquartered in a country without a statutory minimum wage, the most senior director's total annual remuneration should not be over 25

times greater than the median annual remuneration of the group's employees.

- Directors should not be awarded stock options (unless the company in question is a start-up).
- Executive corporate officers should not benefit from a supplementary defined-benefit pension scheme (*retraite chapeau*).
- Executive corporate officers should not receive a severance package larger than their total annual remuneration.

c) The remuneration policy is not linked to long-term performance.

In particular, Ircantec recommends the following:

- Variable remuneration should reflect at least one verifiable ESG⁴³ criterion and support for the ecological and energy transition (EET) should be appropriate for the company's business sector. The Plan also calls for the inclusion of the carbon footprint as a criterion for high climate impact⁴⁴ sectors.
- Contracts with a variable remuneration component contain a "clawback" clause in the event of accounting errors or other sanctions (fines, etc.).

⁴² Failure to comply with the "maximum socially acceptable" remuneration level defined by Ircantec in its voting policy should generally be sufficient grounds for opposition alone.

⁴³ ESG: environmental, social and governance.

⁴⁴ Sectors with a high climate impact are defined through the NACE classification which is recommended in the framework of the PAB (Paris Aligned Benchmark). Thus, the following sectors are concerned: Agriculture, Forestry and Fishing / Mining and quarrying / Manufacturing / Electricity, gas, steam and air conditioning production and distribution / Water production and distribution, Sewerage, Waste management and remediation / Construction / Trade, Repair of motor vehicles and motorcycles / Transport and storage / Real estate activities.

- The annual variable remuneration due in relation to the financial year should be justified on the basis of the performance observed over the same period..
- All gifts to directors in the form of shares should be tied to performance criteria.
- Performance criteria within long-term variable remuneration plans⁴⁵ should be measured over five years and over no less than three years in all cases.
- Long-term remuneration criteria should be different from those used to calculate annual variable remuneration.
- The performance criteria used in relation to long-term remuneration schemes should primarily draw upon internal performance conditions and preferably be used to measure individual performance against that of an appropriate peer group.

d) Additional payments of various kinds (severance package, variable bonus, etc.) have been or will be awarded at a time when the company is experiencing internal difficulties (significant cuts to staffing levels, closure of sites, dismantling of subsidiaries, etc.).

e) The company has engaged in aggressive tax avoidance.

f) Changes to the remuneration policy are unsatisfactory.

In particular, Ircantec recommends the following:

- Companies should improve their practices from one year to the next.
- Boards should improve their practices whenever there is significant opposition⁴⁶ from minority shareholders on the topic of remuneration.

g) Amounts paid to shareholders significantly exceed those allocated to payroll and investment expenditure, or the conditions for authorising share buybacks are deemed to be insufficient. In particular, Ircantec recommends the following:

- The rate of change of amounts paid to shareholders⁴⁷ should not be over 50% higher than the rate of change of the average salary over the past three years.
- The rate of change of amounts paid to shareholders should not be over 50% higher than investment expenditure over the past three years.
- The authorised share repurchase programme should not cover over 10% of the market capitalisation.
- Authorisations to repurchase shares should be valid for no more than 18 months.
- Authorisations to cancel shares should be valid for no more than 24 months.
- The average annual share repurchases carried out by the company should not be greater than 1% of its market capitalisation over the past three years.

2.2.2 Post-employment benefits

2.2.2.1 General criteria

Against the motion if one of the following conditions is met:

- a)** The total remuneration of the individual in question⁴⁸ exceeds the "maximum socially acceptable" remuneration level defined by Ircantec⁴⁹.

⁴⁵ Multi-year variable performance shares.

⁴⁶ Any resolution that receives up to 80% of votes in favour is recognised as having received significant opposition.

⁴⁷ The amounts paid to shareholders equate to the sum of dividends paid and capital reductions through the cancellation of own shares. Detailed figures for the cancellation of own shares are typically provided in the changes in equity capital table; alternatively, they can be calculated from the statement of cash flows by deducting the cost of disposing of own shares from the cost of purchasing own shares

⁴⁸ Salary, benefits, performance stocks and stock options, annual cost under the pension scheme.

⁴⁹ As stated in its voting policy, Ircantec recommends a "maximum socially acceptable" remuneration level for directors. In countries with a statutory minimum wage, this level equates to 50 times the minimum wage; in other countries, the "maximum socially acceptable" multiple between the remuneration of the chief executive and the median remuneration of the group is 25.

- b) The benefit is granted to a Chairperson of the board who is not also serving as Chief Executive Officer.

2.2.2.2 Severance payments

For the motion except:

AGAINST if one of the following conditions is met:

- a) One of the general criteria defined above has not been met.
- b) The severance payment⁵⁰ could exceed one year of total remuneration.

Exception: a severance payment of up to 19 months of remuneration may be accepted if the beneficiary has been working within the group for at least 30 years.

2.2.2.3 Non-compete clauses

For the motion except:

AGAINST if the following condition is met:

- a) One of the general criteria defined above has not been met.
- b) The executive corporate officer benefiting from the non-compete clause is claiming his/her pension entitlement.
- c) The executive corporate officer is benefiting from a non-compete clause worth more than one year of remuneration.

Exception : a payment⁵¹ of 19 months of remuneration may be accepted if the beneficiary has been working within the group for at least 30 years.

2.2.2.4 Defined-benefit additional voluntary contribution pension schemes

Against the motion

Ircantec opposes all supplementary defined-benefit pension (retraite chapeau) schemes for executive corporate officers.

2.2.2.5 Defined-contribution additional voluntary contribution pension schemes

For the motion except:

AGAINST if responsibility for paying into the scheme is not split evenly between the beneficiary and the company.

2.2.3 Shareholder remuneration

2.2.3.1 Resolution to award options to directors

Against the motion

Exception : A vote may be cast in favour of authorisation in certain cases at small and mid-sized companies provided that awards to directors are moderate, transparent and subject to performance conditions.

2.2.3.2 Resolution authorising the issue of share subscription warrants (bsas) or redeemable share subscription warrants (bsars) for managers

Against the motion

2.2.3.3 Resolution authorising the award of free shares or performance shares to directors

For the motion except:

AGAINST if one of the following conditions is met:

- a) The resolution or the board's report to the general meeting does not guarantee that the issue will be subject to mandatory performance conditions for executive corporate officers and members of the executive committee.

⁵⁰ Including the non-compete payment.

⁵¹ Including the severance payment.

- b) Performance criteria are not factual, verifiable, quantifiable and deemed to be appropriate.
- c) Performance criteria include a qualitative element that cannot be verified by shareholders.
- d) The performance criteria implemented by the company encourage short-termism⁵²
- e) The potential dilution implied by the total number of outstanding options and rights to performance or free shares exceeds 10% of the capital.
- f) The maximum percentage that can be awarded to each executive corporate officer has not been disclosed.
- g) Over 0.03% of the capital could be awarded to an executive corporate officer at a company in the MSCI Europe⁵³.
- h) If awarded, the variable remuneration component⁵⁴ would exceed 300% of the fixed remuneration component.

2.3 Remuneration of members of the board of directors or supervisory board

2.3.1 Budget for directors' fees

For the motion except:

AGAINST if one of the following conditions is met:

- a) Remuneration in the form of directors' fees is not at least partially dependent on attendance.
- b) The proposed average remuneration per individual or the total cost of supervision by the board exceeds the amount observed in companies with similar market capitalisation levels by more than 30%.
- c) Average directors' fees per individual are over EUR 100,000 and could cause certain directors to become genuinely financially dependent upon them.
- d) The proposed average fee amount has risen significantly (more than 5%) without justification.

2.3.2 Remuneration of a non-executive chairperson

For the motion except:

AGAINST if the following conditions are met:

- a) The remuneration exceeds the median remuneration on the relevant stock index⁵⁵.
 - b) The remuneration exceeds a theoretical amount observed at other companies, estimated on the basis of their market capitalisation.
 - c) The remuneration includes a variable component based on financial performance.
- Clarification : analysis on a case-by-case basis will also take into account the quality of the Chairperson's governance of the group.
- d) The company's strategy does not include sufficient support for the ecological and energy transition.

2.4 Remuneration of regulated categories

For the motion except:

The remuneration structure or the core principles of the remuneration policy are not in line with Ircantec's voting policy.

In particular, Ircantec recommends the following:

- For companies headquartered in a country with a statutory minimum wage, the average remuneration of individuals covered by a regulated agreement should not be over 50 times greater than the minimum wage.
- For companies headquartered in a country without a statutory minimum wage, the average remuneration of individuals covered by a regulated agreement should not be over 25 times greater than the minimum wage.

⁵² Measuring performance over five years is recommended. Failure to comply with the three-year minimum will lead to the motion being rejected.

⁵³ Excluding particularly stringent performance conditions.

⁵⁴ Variable remuneration, including the annual present value of the proposed number of shares and options.

⁵⁵ For example: CAC 40 or SBF 80.

3. Shareholder rights and amendments to the articles of association

3.1 Exercising shareholder rights at the general meeting

3.1.1. Discharge

For the motion except:

AGAINST if one of the following conditions is met:

a) There are concerns regarding the governance, behaviour or decisions of certain directors.

b) Requests to discharge the directors are not mandatory
Clarification 1 : in France, there is no legal requirement to request the discharge of the directors. Ircantec does not support the practice of including the discharge of the directors and the approval of the accounts in one vote. As a general rule, Ircantec recommends that management companies protect all of their rights of recourse.

Clarification 2 : in countries where the law provides for a single vote covering the discharge of directors and the approval of accounts and where voting on the discharge of directors does not affect the shareholder's various rights of recourse; a vote AGAINST will only be recommended if one of the conditions of article 4.1.1. of the Voting Rules ("Approval of company accounts") is met.

The countries where this exception applies are Germany, Austria, Switzerland and the Netherlands.

3.1.2. Notice for convening a general meeting

Against the motion

Ircantec opposes the reduction of the deadline for convening general meetings.

3.1.3. Virtual general meeting

Against the motion

Ircantec opposes the holding of virtual general meetings⁵⁶.

3.2 Capital increase

3.2.1 Authorisations of capital increases where preferential subscription rights are maintained

For the motion except:

AGAINST if one of the following conditions is met:

a) The request, coupled with any pre-existing authorisations, exceeds 50% of the capital and is not justified on the basis of a specific project⁵⁷.

b) The authorisation could be used as a mechanism to protect the management team during a takeover: the articles of association do not enforce the principle of neutrality during a takeover or the resolution does not explicitly stipulate that the capital increase authorisation will be suspended during a takeover.

Exception :

To ensure financial flexibility, a vote may be cast in favour of a capital increase of up to 10% of the capital (where preferential subscription rights (PSR) are maintained), even if the company has not attempted to suspend the authorisation during a takeover.

3.2.2 Authorisation of capital increases where preferential subscription rights are withdrawn but a preferential subscription period is guaranteed

For the motion except:

AGAINST if one of the following conditions is met:

a) The request, coupled with any pre-existing authorisations, exceeds one third of the capital and is not justified on the basis of a specific project⁵⁸.

b) The potential discount could exceed 5% of the average price over the last three trading days.

c) The authorisation could be used as a mechanism to protect the management team during a takeover: the articles of association do not enforce the principle

⁵⁶ With the exception of a device allowing also a physical location for the shareholders (hybrid AGM) guaranteeing equal rights whatever the participation means of the shareholders or of a major crisis requiring this method of communication.

⁵⁷ For example: financing of a major acquisition, financial restructuring.

⁵⁸ For example: financing of a major acquisition, financial restructuring.

of neutrality during a takeover or the resolution does not explicitly stipulate that the capital increase authorisation will be suspended during a takeover.

3.2.3 Authorisation of capital increases where preferential subscription rights are withdrawn and a preferential subscription period is not guaranteed⁵⁹

For the motion except:

AGAINST if one of the following conditions is met:

- a) The request, coupled with any pre-existing authorisations, exceeds 10% of the capital and is not justified on the basis of a specific project. Authorisations for all capital increases without PSR must not cumulatively exceed 10% of the capital (excluding requests with a guaranteed preferential subscription period). In cases where multiple resolutions lead to a breach of this limit, Ircantec favours requests for shares to be issued to the public in exchange for cash payment, although the request cannot pertain to over 10% of the capital if there is no guaranteed preferential subscription period.
- b) The potential discount could exceed 5% of the average price over the last three trading days.
- c) The authorisation could be used as a mechanism to protect the management team during a takeover: the articles of association do not enforce the principle of neutrality during a takeover or the resolution does not explicitly stipulate that the capital increase authorisation will be suspended during a takeover.

3.2.4 Authorisations of capital increases in the context of an exchange offer

For the motion except:

AGAINST if one of the following conditions is met:

- a) The requested budget, coupled with any pre-existing authorisations, exceeds 10% of the capital⁶⁰.
- b) The limit for all authorisations without PSR exceeds 10% of the capital.

- c) The authorisation could be used as a mechanism to protect the management team during a takeover: the articles of association do not enforce the principle of neutrality during a takeover or the resolution does not explicitly stipulate that the capital increase authorisation will be suspended during a takeover.

3.2.5 Authorisations of capital increases in the context of contributions in kind

For the motion except:

AGAINST if one of the following conditions is met:

- a) The requested budget exceeds 10% of the capital⁶¹.
- b) The limit for all authorisations without PSR exceeds 10% of the capital.
- c) The authorisation could be used as a mechanism to protect the management team during a takeover: the articles of association do not enforce the principle of neutrality during a takeover or the resolution does not explicitly stipulate that the capital increase authorisation will be suspended during a takeover.

3.2.6 Over-allotment options ("greenshoe options")

For the motion except:

AGAINST if one of the following conditions is met:

- a) Issuance without PSR or a guaranteed preferential subscription period.
- b) The authorisation could be used as a mechanism to protect the management team during a takeover: the articles of association do not enforce the principle of neutrality during a takeover or the resolution does not explicitly stipulate that the capital increase authorisation will be suspended during a takeover.

⁵⁹ As a general rule, this type of resolution also includes capital increases (without PSR) that are only open to specific private investors or a limited group of qualified investors.

⁶⁰ For specific projects with pre-defined terms, please refer to section 3.2.7.

⁶¹ See previous footnote.

3.2.7 Specific strategic operations (reserved issues, contributions, mergers, bids, splits)

For the motion except:

AGAINST if analysis of the following factors yields a negative result:

- a) Strategic long-term appeal of the operation.
- b) Financial terms (estimated value of the assets and liabilities created or transferred in light of market conditions).
- c) Impact on governance, shareholder democracy, shareholder rights, the public float, and environmental and social issues.

3.3 Anti-takeover measures

Against the motion if one of the following conditions is met:

- a) Authorisation of the issuance of share subscription warrants (*bons Breton*).
- b) Authorisation to maintain the authorisation to repurchase or sell shares during a takeover.
- c) Authorisation to maintain authorisations of capital increases during a takeover.

Clarification: A general meeting may be convened during a takeover for the express purpose of approving specific resolutions. An assessment will then be carried out on a case-by-case basis using the information available as per the rules set out in 3.2.7.

3.4 Amendments to the articles of association

3.4.1. Introduction of double voting rights

Against the motion

3.4.2 Introduction of voting rights limits

Against the motion

3.4.3 Withdrawal of double voting rights

For the motion except where analysis on a case-by-case basis reveals grounds to oppose the motion

3.4.4 Withdrawal or lifting of voting rights limits

For the motion

3.4.5 Improvements to shareholder rights or governance

For the motion

3.4.6 Adoption of the *société en commandité par actions* (partnership limited by shares) structure

Against the motion

3.4.7 Amendment to the articles of association affecting the board of directors or supervisory board

For the motion except⁶²:

AGAINST if one of the following conditions is met:

- a) Shift from a dual structure with a supervisory board and a board of directors to one with only a board of directors.
- b) Maintenance or establishment of a number of members that is deemed to be excessive (i.e. over 16 members).
- c) Maintenance or creation of reserved or protected posts on the board⁶³.
- d) Removal or reduction of the requirement for board members to hold a minimum equity stake.
- e) Maintenance or creation of one or more posts for non-voting members elected by the general meeting or immune from challenge by one or more members of the board.
- f) The age limit set in the articles of association does not establish a sufficiently robust framework for succession planning.

⁶² Non-exhaustive list. Each request will be assessed based on the spirit of the principles defined in section 1. Corporate governance.

⁶³ Except for the appointment of an employee shareholder representative if the creation of such a post receives the majority of votes at a general meeting.

3.4.8 Creation of preference shares (amendment to the articles of association or issue)

Against the motion except:

FOR if all of the following conditions are met:

- a) Compliance with the principle of proportionality between equity investments and voting rights (the "one share = one vote" principle).
- b) No major breach of the principle of equality among shareholders⁶⁴.
- c) No major consequences as regards the availability of the shares or the ability of a third party to launch a takeover bid.
- d) The issue is conducted under balanced and strategically justified conditions

3.4.9. Obligations to report any breaches of limits set in the articles of association

For the motion except:

AGAINST if one of the following conditions is met:

- a) The resolution does not stipulate that limit overruns are to be published on the company's website.
- b) The timeframe for shareholders to report breaches of the limits set in the articles of association is shorter than 15 days.
- c) The proposed limit is less than 1% of the capital or voting rights.

3.4.10 Minimum equity stake per director pursuant to the articles of association

For the motion except:

AGAINST if one of the following conditions is met:

- a) Removal of the requirement for directors to hold shares.
- b) Reduction of the number of shares that must be held to the equivalent of under one year of directors' fees.

3.4.11 Inclusion of good governance rules in the articles of association

For the motion

This type of resolution could relate, for example, to the introduction of a minimum number of independent board members, the definition of independence, the creation of specialised committees, the separation of roles, information on remuneration, the principle of impartiality of management bodies during takeovers, etc.

3.4.12 Amendment to the articles of association: transfer of the registered office or transfer to another stock market

For the motion except:

AGAINST if the following condition is met:

The transfer would undermine shareholders' rights or pose a risk to corporate governance.

3.4.13 Amendment to the articles of association regarding the process for electing an employee representative to the board

For the motion

3.4.14 Minor or compliance-related amendment to the articles of association

For the motion except:

AGAINST if one of the following conditions is met:

- a) The amendment pertains to a clause in the articles of association regarding which there is evidence of non-compliance with the corporate governance principles set out in this document.
- b) The motion is for the general meeting to adopt an entirely new text for the articles of association and this text maintains a material instance of non-compliance.

⁶⁴ Remuneration, information, seats on the board, etc.

4. Approval of the accounts and management

4.1 Approval of the accounts

4.1.1 Approval of company accounts

For the motion except:

AGAINST if one of the following conditions is met:

- a) The documents provided in preparation for the general meeting are not available online within the legally required timeframes (at least 21 days before the general meeting).
- b) The information in the documents provided in preparation for the general meeting is insufficient according to industry best practices.
- c) There is evidence of clear failings as regards the integrity of the information, respect for shareholders or compliance with the CSR charter of the company.
- d) Comments by the statutory auditors that are deemed to be material on the company accounts, the management report or the internal audit and governance report.
- e) An instance of non-compliance with the benchmark corporate governance code that is deemed to be material has not been declared or the company has not provided a satisfactory explanation for an acknowledged breach.
- f) There are major gaps in financial, non-financial, governance or risk-related information.
- g) Inclusion of the discharge of directors in the same resolution.
- h) The company belongs to:
 - the financial sector
 - the extractive sector (oil, mining, gas, etc.)
 - or generates a large proportion of its revenue over the internet

and its accounts do not include financial reporting on each country where the company or its subsidiaries

(including entities classed as pending disposal or undergoing liquidation) has a presence

- i) The company belongs to:
 - the financial sector
 - the extractive sector (oil, mining, gas, etc.)
 - or generates a large proportion of its revenue over the internet

and conducts a significant proportion of its operations in jurisdictions that are included on the list of non-cooperative states and territories (ETNC) for tax purposes drawn up by the French Ministry of the Economy or that have not yet set a timeline or formalised their commitment to the automatic exchange of information through the Global Forum on Transparency and Exchange of Information for Tax Purposes.

- j) The company has not sufficiently embedded support for the ecological and energy transition in its communications (transparency) and activities⁶⁵.

4.1.2 Approval of consolidated accounts⁶⁶

For the motion except:

AGAINST if one of the following conditions is met:

- a) Failure to provide the consolidated accounts and the statutory auditor's report on the consolidated accounts within the legally required timeframe (at least 21 days before the general meeting).
- b) The statutory auditors' comments on the consolidated accounts are deemed to be material and the nature of the comments casts doubt on the trustworthiness of the financial statements.

⁶⁵ See Appendix B: 'Assessment of the energy transition'.

⁶⁶ In the absence of a resolution on the appropriation of earnings, the analysis of the dividend may be deferred to the approval of the consolidated financial statements.

- c) Earnings are not in line with manifestly irresponsible forecasts reiterated by the company or reflect questionable management decisions.
- d) There are major management failings.
- d) Inclusion of the discharge of directors in the same resolution where this is not formally mandatory.
- f) There is evidence that the company has engaged in aggressive tax avoidance⁶⁷.
- g) The company has not sufficiently embedded support for the ecological transition in its communications (transparency) and activities⁶⁸.

4.1.3 Approval of non-deductible expenses

For the motion except:

AGAINST if the following condition is met:

Details or a suitable justification are not provided in relation to major expenses (over EUR 100,000).

4.1.4 Approval of donations to political parties

For the motion except:

4.2 Regulated agreements

For the motion except:

AGAINST if one of the following conditions is met:

- a) The special report by the statutory auditors is incomplete or information on a specific agreement is missing:
 - A direct or indirect agreement (through an intermediary) approved by the company or by one of its subsidiaries with the parties affected does not appear in the special report.
 - The purpose of the agreement is not demonstrated by the company.
 - Essential terms of the agreements are not disclosed and therefore shareholders are unable to assess the purpose of entering into and implementing an agreement⁶⁹.

- Agreements that are still in force, whether or not they were executed during the financial year, are not mentioned in either the statutory auditors' special report on regulated agreements or in the report on remuneration put to a vote in the meeting

- b) One of the new or existing agreements does not appear to be in line with the interests of all shareholders. The purpose will be assessed on the basis of the following criteria:

- One of the new or existing agreements seems to have little or no strategic justification.
- One of the new or existing agreements does not seem to have been entered into on fair financial terms.
- One of the new or existing agreements has a negative effect on corporate governance (economic, legal or strategic dependency).
- One of the new or existing agreements could hinder the launch or success of a takeover of the company.

- c) One of the new agreements establishes a regulated commitment (severance package, non-compete payment, pension scheme) whose terms are not in accordance with the SRI Charter and Ircantec's policy⁷⁰.

- d) The management report includes an agreement entered into with a subsidiary that does not appear to be in line with the interests of all shareholders.

- e) The agreement to be entered into or renewed pertains to a consultancy assignment and confers director status upon a member of staff working on the assignment.

⁶⁷ A vote against will be supported if the company has an effective tax rate of less than 20% - except in the case of a loss-making year - and is not in a position to present financial reporting for each country of operation or of its subsidiaries.

⁶⁸ See Appendix B: "Assessment of the energy transition".

⁶⁹ See articles R225-31 and R225-58 of the French Commercial Code.

⁷⁰ As an alternative, opposition to existing regulated commitments can also be expressed through the consultative vote on the approval resolution, if such a motion is put forward.

4.3 Election of statutory auditors

4.3.1 Appointment of a primary statutory auditor

For the motion except:

AGAINST if one of the following conditions is met:

- a) The statutory auditor or their firm is presumed to be associated with manifest failings to protect shareholders' interests or has shown a lack of due diligence (for example, one of the statutory auditors' special reports was submitted late, lacked detail or was incomplete).
- b) Group election of several primary statutory auditors as part of the same resolution.
- c) The auditor's independence is compromised by a recent material relationship with a board member, officer, or significant shareholder.

4.3.2 Re-appointment of a primary statutory auditor

For the motion except:

AGAINST if one of the following conditions is met:

- a) The statutory auditor or their firm is presumed to be associated with manifest failings to protect shareholders' interests or has shown a lack of due diligence (for example, one of the statutory auditors' special reports was submitted late, lacked detail or was incomplete).
- b) The firm or a representative of the same network has been certifying the company's accounts for 20 years or more (24 years in countries with two statutory auditors).
- c) The statutory auditor's fees have not been disclosed.
- d) The company has not provided a breakdown of consultancy assignments despite the fact that fees for such consultancy assignments account for over 10% of total fees paid in the relevant financial year.

- e) Fees for ancillary audit and consultancy assignments (due diligence, etc.) amount to over 50%⁷¹ of the fees paid in relation to the certification of the accounts in the previous financial year, or on average over the last three financial years, and no specific justification has been provided.
- f) The fees paid by the group amount to over 10% of the total turnover of the statutory auditor's firm.

4.3.3 Election of secondary statutory auditors

For the motion except:

AGAINST if the following condition is met

The proposed secondary statutory auditor is a partner of or has links to one of the primary statutory auditors.

⁷¹ 25% for French companies where this is not a widespread practice.

5. Appropriation of income and management of own funds

5.1 Appropriation of income

5.1.1 Dividend

For the motion except:

AGAINST if an analysis based on the following point yields a negative result:

Excessiveness check:

- The dividend amounts to over 50% of net income.
- The company is paying a dividend in relation to a financial year in which it made a loss according to the consolidated accounts; Ircantec is generally in favour of not paying dividends in such years.
- Debt level check: the ratio of net debt to own funds is above 1.5.
- Company cohesion check: over the past three years, the dividend's trajectory has diverged significantly from that of average employee salaries⁷². In addition, Ircantec will oppose an increase in the dividend when the evolution of the average compensation of employees is negative.

Note: This analysis calls for the trajectory at group level to be considered.

- Reasonable tax rate check: a check must be conducted to ensure that the company has not engaged in aggressive tax avoidance.
- Checking that the energy and ecological transition is considered: for companies with a high climate impact⁷³, a carbon neutrality objective must have been defined.
- The proposed dividend must be covered by the free cash flow. The free cash flow (FCF) is the available cash generated through the company's business activities once cash earmarked for investment has been deducted.

5.1.2 Option to pay the dividend in shares or authorising such an option through an amendment to the articles of association

For the motion

5.1.3 Bonus dividend

For the motion up to the legal limit of a bonus of 10% on a maximum of 0.50% of the capital⁷⁴.

5.1.4 Distribution-in-kind dividend

Decided on a case-by-case basis

5.2 Repurchases of own shares

For the motion except:

AGAINST if one of the following conditions is met:

- a) The resolution authorises changes to the capital structure in the form of repurchases during a takeover (except for resolutions placing strict limits on intervention during the takeover process satisfying the commitment to deliver stocks or strategic operations initiated and announced prior to the launch of the takeover).

⁷² A "significant difference" is defined as a rate of change of more than 50%. It should be noted that this difference will be considered without any significant change in the scope of consolidation (disposal/acquisition).

⁷³ Sectors with a high climate impact are defined through the NACE classification which is recommended in the framework of the PAB (Paris Aligned Benchmark). Thus, the following sectors are concerned: Agriculture, Forestry and Fishing / Mining and quarrying / Manufacturing / Electricity, gas, steam and air conditioning production and distribution / Water production and distribution, Sewerage, Waste management and remediation / Construction / Trade, Repair of motor vehicles and motorcycles / Transport and storage / Real estate activities.

⁷⁴ However, this excludes the creation of shares granting a bonus dividend but no voting rights.

- b)** The authorised share repurchase programme covers over 10% of the market capitalisation.
- c)** The authorisation to repurchase shares is valid for a period of over 18 months.
- d)** The average annual share repurchases carried out by the company are greater than 1% of its market capitalisation over the past three years.
- e)** The rate of change of amounts paid to shareholders⁷⁵ is over 50% higher than the rate of change of the average salary over the past three years.
- f)** The rate of change of amounts paid to shareholders is over 50% higher than the rate of change of investment expenditure over the past three years.

5.3 Capital reduction

For the motion except:

AGAINST if one of the following conditions is met:

- a)** One of the criteria set out above (5.2. Repurchases of own shares) is met.
- b)** The authorisation to cancel shares is valid for a period of over 24 months.
- c)** There is a risk of a fall in the liquidity of the stock if the public float is lower than or equal to 40% of the total number of shares outstanding.
- d)** The planned capital reduction negatively affects the company's strategic potential and capacity for long-term performance and is therefore incompatible with investors' long-term interests.

- e)** The request is deemed to be incoherent given the motion not to issue a dividend when appropriating the income.
- f)** The authorisation allows for a share repurchase⁷⁶ without an equity contribution by the main shareholder, resulting in a significant increase in their degree of control

5.4. Stock divisions

For the motion



⁷⁵ The amounts paid to shareholders equate to the sum of dividends paid and capital reductions through the cancellation of own shares. Detailed figures for the cancellation of own shares are typically provided in the changes in equity capital table; alternatively, they can be calculated from the statement of cash flows by deducting the cost of disposing of own shares from the cost of purchasing own shares.

⁷⁶ Known in French as an OPRA (*Offre Publique de Rachat d'Actions*).

6. Corporate climate strategy

6.1 Resolutions relating to climate strategy, climate ambitions or the energy and environmental transition (EET)

For the motion except:

AGAINST if the following conditions are met:

- a) Adoption of a strategy to respect the scenario of limiting global warming to 1.5°C with validation by a scientific organization such as Science Based Targets or to align with an annual decarbonization trajectory of GHG emissions of 7% on average (in terms of intensity)⁷⁷.
- b) Establishment of quantitative CO₂ emission reduction targets for all of the company's scopes in high climate impact sectors.
- c) Establishment of intermediate targets (short, medium, and long term) to ensure that GHG emissions are reduced sufficiently to meet a 1.5°C climate warming scenario.
- d) For companies involved in coal mining, production and exploitation, implementation of plans to exit coal before 2030, including plans for the conversion of activities and employees.
- e) The company's strategy excludes the controversial practices mentioned in Appendix B

6.2 Resolutions relating to the implementation of the climate strategy (ex-post vote)

For the motion except:

AGAINST if any of the following conditions are not met:

- a) The evolution of carbon emissions over the last three fiscal years seems sufficient to achieve the short-term objectives predefined in the company's climate strategy and allowing it to deliver long-term carbon neutrality, a trajectory aligned with a 1.5°C scenario or an average decrease of 7% per year in carbon intensity.

- b) Integration of a measurement of greenhouse gas emissions in absolute terms and covering scopes 1 to 3.
- c) Information on the risks and opportunities related to climate change, their identification and impacts, as well as the resilience of the company's strategy, in accordance with the TCFD recommendations.
- d) Sufficient and coherent link between the variable compensation of executives and the evolution of the group's carbon footprint.
- e) For companies involved in coal mining, production and exploitation, implementation of plans to exit coal before 2030, including plans for the conversion of activities and employees.
- f) Absence of controversial practices mentioned in Appendix B.

6.3 Introduction of a regular vote on the implementation of the climate strategy⁷⁸

For the motion

6.4 Regular publication by the company of an update on its climate strategy⁷⁹

For the motion

⁷⁷ The resolution will be supported if significant progress has been made, including achievement of one or more of the objectives described in this rule.

⁷⁸ Through this resolution, the company proposes to vote regularly on the progress made to reach the objectives set and to implement the company's climate strategy.

⁷⁹ If the initial objectives of the climate strategy are not in line with a 1.5°C scenario, the company can propose to regularly update its strategy to reinforce its climate commitments and move towards best practices.

7. External resolutions

External resolutions will be assessed based on the principles set out in Ircantec's policy. Moreover, Ircantec encourages management companies to use the rights associated with shareholder status.

7.1 External candidacies

For the motion except:

AGAINST if the following conditions are met:

- a) The instigator has not put forward a clearly formulated and duly justified motion (convincing strategic aim in the event of a hostile candidacy).
- b) The impact of the resolution on the governance of the company is negative or contrary to the principles set out in this document.
- c) The significant shareholder supporting one or more resolutions to appoint directors has not committed to holding shares for the duration of the requested mandate(s).
- d) The external candidate has clearly failed in his/her duty to the shareholders or the company.

7.2 Resolution improving shareholder rights or the governance or social, societal or environmental responsibility of the group

For the motion

7.3 Shareholder resolutions for the company's climate strategy

For the following proposals:

- a) Adoption of a strategy to respect the scenario of limiting global warming to 1.5°C with validation by a scientific body such as Science Based Targets or to align with a trajectory of annual decarbonization of GHG emissions of 7% on average (in terms of intensity)⁸⁰.
- b) Request for the implementation of quantitative CO₂ emission reduction targets for all of the company's scopes in high climate impact sectors.
- c) Establishment of intermediate targets (short, medium and long term) to ensure that GHG emissions are reduced sufficiently to meet a 1.5°C climate warming scenario.
- d) Request for a measurement of greenhouse gas emissions in absolute terms and covering scopes 1 to 3.
- e) Request for information on climate change risks and opportunities, their identification and impacts, and the resilience of the company's strategy, in accordance with TCFD recommendations.
- f) Any request that contributes to the implementation of the good practices mentioned in Annex B.
- g) Any request that contributes to the end of the controversial practices mentioned in Annex B.

⁸⁰ The resolution will be supported if significant progress has been made, including achievement of one or more of the objectives described in this rule.

Appendix A: Definition of an independent board member

For Ircantec, the decision to classify a board member as not independent primarily rests on the concept of the risk of conflicts of interest.

In particular, it applies to:

- Directors and former directors (including directors of acquired companies or subsidiaries).
- Shareholders holding at least 3% of the share capital or voting rights and their representatives⁸¹ (including any person linked to or appointed by the shareholder in question).
- Parents and relatives of directors or major shareholders.
- Representatives (or people who have served as representatives within the past three years) of clients, suppliers, service providers (lawyers, consultants, etc.), creditors, partners and any other group contractors.
- Directors (or people who have served as directors within the past three years) of the company or the subsidiaries receiving substantial specific annual remuneration of EUR 100,000 or more in payment for services rendered to group companies, its controlling shareholder or its directors.
- People belonging to a group led by one of the directors of the company (direct or indirect cross directorships).
- People who have been significant shareholders or involved within the past three years in a major strategic transaction (contribution of assets, merger).
- Bankers (investment bankers, directors of major financial institutions and those who have served as bank directors within the past three years or still enjoy benefits granted by the institution of which they were directors)⁸².
- Those in political office (conflict of interest between the public good and private interests)⁸³.
- Directors who have held a mandate or had a presence within the company or group for over 11 years.
- Directors appointed by any means other than formal election at the general meeting (for roles required by law or the articles of association).
- People with links to a competitor.

NB: Employee representatives cannot be classified as independent board members because their role is to represent the interests of employees. Given that they represent this specific category of stakeholder, board members representing employees will be excluded from the calculation of the degree of independence when assessing candidates elected by the shareholders.

81 In order to take account of the specific characteristics of small and mid-cap companies (defined as any company not in the SBF120, MSCI Europe and FTSE Eurofirst 300), investors holding less than 10% of the share capital of such companies will be considered independent if the company's capital is already controlled.

82 Unless the company stipulates that there has been no business relationship between the company and the bank within the last three years or the services are deemed to be insignificant (in nature or amount).

83 In companies that are at least partially owned by the State, any person with a direct link to the State or a role in the public sector (e.g. civil servant, director of a public company) will be classified as not independent.

Appendix B : Assessment of the energy transition

The analysis concerning the EEO contribution will be positively or negatively impacted depending on the consideration of following elements:

- Adoption of a strategy allowing to respect a scenario of limiting global warming to 1.5°C with validation by a scientific body such as Science Based Targets or to align with a trajectory of annual decarbonization of GHG emissions of 7% on average (in terms of intensity).
 - Request for the implementation of quantitative CO2 emission reduction targets for all the company's scopes in high climate impact sectors.
 - Establishment of intermediate targets (short, medium and long term) to ensure sufficient reduction of GHG emissions to meet a 1.5°C climate warming scenario.
 - Measuring greenhouse gas emissions in absolute terms and covering scopes 1 to 3.
 - Adherence to a scientific approach, such as SBTi, aimed at validating its carbon emission reduction targets.
 - For companies involved in coal mining, production and exploitation, implementation of plans to exit coal before 2030, including plans for the conversion of activities and employees.
- Controversial practices⁸⁴:
 - Companies that develop, finance⁸⁵, or contribute (equipment) to new coal projects (mines / power plants / infrastructure) or that buy existing assets.
 - Companies that develop or finance new unconventional projects or increase their capacity in unconventional fields (shale oil and gas, extra-heavy oil, coal seam gas, oil sands, Arctic⁸⁶ and/or deepwater exploration).
 - Companies exploiting unconventional reserves, except for those that have adopted an exit plan by 2030.
 - Companies initiating or financing new conventional projects (exploration / production / transportation) or contributing (equipment, services) to the development of new projects.

⁸⁴ Depending on the implementation of Ircantec's new climate policy, some controversial practices listed in this rule may no longer be present in the Institution's portfolios.

⁸⁵ Financing is defined as any investment activity in stocks/bonds, credit, structuring of stock and bond issues, or insurance coverage.

⁸⁶ Arctic Monitoring and Assessment Programme (AMAP) definition of the Arctic: Land and sea areas north of the Arctic Circle (66°32'N), as well as north of [parallel] 62°N in Asia and north of [parallel] 60°N in North America, modified to include the maritime area north of the Aleutian chain, Hudson Bay, and parts of the North Atlantic Ocean including the Labrador Sea.

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