

# ENGAGEMENT POLICY

September 2024

## Application

The Engagement policy of La Financière Responsable (LFR) will apply to the funds **MAPFRE AM Capital Responsable** and **MAPFRE AM Inclusion Responsable**, as long as LFR has formalized an advised agreement with MAPFRE AM for both funds.

However, as indicated below, for both funds, voting rights will be exercised by MAPFRE AM.

## Engagement Policy

In this note about its engagement policy, LFR defines both the fields of application of its commitment and the conditions, as well as the method implemented that leads it to approach a company to encourage it to improve its practices in the field of its Corporate Social Responsibility (CSR).

Firstly, it is important to remember that the actions carried out by the LFR, a portfolio management company, are always carried out on behalf of the investors who have entrusted it with assets, especially through investments in OICVM. LFR's primary commitment is to use its resources to provide its investors with a good financial return during the recommended investment period (five years for investments in shares using the "Gestión Integral IVA®" - i.e. all funds labelled as ISR). Through proved practices and results, LFR is committed to build this financial performance by selecting companies that, in addition to their financial qualities, demonstrate respect for diverse stakeholders.

LFR's engagement policy is exercised with the company, and its position will only be defined after significant work has been done to better understand their activity. Understanding the constraints and the strategic position of the company that guides the efforts to secure and perpetuate the growth are pillars of analysis.

Obviously, this work of getting knowledge must be complemented by a dialogue that allows the analysis to be verified and, therefore, confirm or refute the analysis. This approach is carried out with an open mind that leaves ample room for questioning. In fact, in La Financière Responsable, the value of the question takes on its full meaning by allowing the business leader to reflect properly and define, or not, the appropriate solutions.

The engagement policy does not aim to impose preconceived solutions, often ideological in nature and not very specific, or to condemn without legitimacy. It only seeks to point out through questioning, a problem and wait, in an appropriate period of time, for the company's response. Only if the dialogue has been explicitly or implicitly rejected, or if the responses seem deliberately dilatory, do the teams proceed to exclude the company in question (unlike the previous exclusion).

Finally, LFR's commitment is in the measure. By compiling the extra-financial practices of **more than 270 companies**, through "l'Empreinte Ecosociale®" value creation can be appreciated in a different way. This database, which includes **up to 180 extra-financial indicators** in the 2023 campaign, makes it possible to assess the degree of integration of stakeholders in companies'

activities, and many of the new indicators introduced are related to the new SFDR regulation. This tool allows LFR to be based on facts and not on ideological positioning. Finally, the annual shipping of this questionnaire reinforces the idea, within companies, that CSR reporting is an essential element in the overall understanding of a company and, therefore, in the selection of quality values.

## The voting policy

The voting policy will be carried out directly by MAPFRE AM, so the voting policy of the Management Company, which is published on its website, will be applicable. ([Policies MAPFRE AM](#)).

## Previous Exclusions

Within the framework of its analysis, LFR undertakes to use the means at its disposal to exclude any company that:

(E) Has direct and indirect impacts on the environment that are incompatible with sustainable development objectives;

(E) Exclusions related to the thermal coal mining under the LFR the Coal Policy;

(S) Is involved in controversies and proven violations in social matters or in relation to Human Rights;

(S) Has carried out unaccompanied layoffs in the last three years;

(G) Has a direct or indirect link to activities related to cluster bombs (Oslo Convention of 2010) and anti-personnel mines (Ottawa Convention of 1999)<sup>1</sup>;

(G) Refuses to provide or communicate extra-financial and/or financial information essential for the analysis. In addition, the absence of data in the "Disability at work" questionnaire serves as an exclusion for investments from the LFR Responsible SRI Inclusion fund.

If a reason for exclusion is identified, the Manager Analyst documents the reason for exclusion and assesses the degree of exclusion based on 3 levels of severity:

Level 1: **Total exclusion**. The reasons, facts or allegations leading to the exclusion are clear, established and even undisputed. The reason for exclusion is objectively evident and established.

Level 2: **Severe exclusion**. The facts or allegations identified are likely and cannot be the subject of a trial or procedure. The degree of controversy is high. The company is excluded.

Level 3: **Quarantine**. The facts, controversies or allegations are uncertain or even old.

A company excluded with a level 3 "quarantine" may be eligible again after an ESG IVA® analysis to resolve disputes and assess the risk assumed. If a positive conclusion is reached, the company may re-join LFR's eligible investment universe.

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<sup>1</sup> Legal exclusion for all French asset management companies.

LFR exclusion criteria are constantly monitored by the LFR management team. The list of excluded companies is documented and updated monthly.

### Dialogue with the company at the time of analysis

A company that is considered for inclusion in the portfolios is systematically subjected to an analysis and the teams of analysts and managers strive to understand in detail the challenges of the company. When necessary, the analyst-manager (through an e-mails exchange, a face-to-face interview or by telephone) establishes a dialogue with the company where strategic, extra-financial or financial issues are addressed. These exchanges and questionings allow LFR to form a solid and well-founded opinion on the company's ability to ensure, in a sustainable manner, the development of its business in the medium and long term.

### The engagement letter

The engagement letter is a letter written by LFR and mailed to the companies. When the teams identify what they believe to be a possible area for improvement in CSR reporting, or a relevant communication point to develop, this reflection is sent directly to the management of the company. Formalizing this request by letter allows the company to "commit" and encourages management to take a position on what is being proposed. The purpose of this letter is to accompany the company in its reflection on its Social Responsibility. The company's understanding of its societal challenges is a key element in the value creation.

### Placing "under surveillance"

The companies in our portfolios are monitored on a continuous and up-to-date basis. When an event occurs or information is obtained that may questioning our conviction about a company held in the portfolio, the analyst-manager in charge of monitoring the company may, with the agreement of the management manager, place the security " under surveillance ". This state or condition will then be ratified by the Investment Committee of the following month. Placing the security " under surveillance " allows the analyst-manager to contact the company to obtain information and to confirm or refute the company's non-financial typology. **The period of this circumstance cannot exceed six months**; its extension or lifting must be the subject of a decision by the Investment Committee. During this period, managers are not allowed to increase the position in the portfolio; they can only hold or reduce it.

### Exclusion of a portfolio investment

Any information that may questioning the conviction of the analyst-manager team about a company could lead to its exclusion from the portfolios, even without passing through the "under surveillance" status.

If the placing of a company under supervision is followed by a downgrading of its extra-financial typology requiring its exclusion (ISR status "non-engaged", "dilettante" or "communicate"), the maximum period of presence of the security in the fund, prior to total divestment, cannot exceed three months unless the Investment Committee decides otherwise.

## The Engagement Table

The Engagement Table lists the various actions undertaken in this regard: the contacts, the interlocutor, the subject of the dialogue, as well as the means used to interact with the companies, whether they are part of our portfolios or not. In addition to the traceability of the actions carried out with companies. As well as traceability, this tool makes it possible to follow up on the dialogue proposed to the companies. Companies are monitored on an ongoing basis. At LFR, the value of engagement over time is indicative of a partnership for improvement.

## Empreinte Ecosociale®

The submission of the Empreinte Ecosociale® questionnaire is an important moment in the dialogue, as it enables LFR to raise companies' awareness of the ESG issues they face and to enrich their extra-financial communication. The Empreinte Ecosociale® is the basis of LFR's ISR analysis. The metrics derived from the ESG indicators obtained make it possible to assess the social, environmental and governance performance of the companies in our portfolios, as well as those of the CAC 40, the Euro Stoxx 50, the Stoxx Europe 50 and other companies analysed.

## Inclusion Indicators Database®

The Inclusion Indicators Database® is a database based on the responses to the "Disability at work" questionnaires. This questionnaire consists of more than 60 questions distributed in 7 axes, which allow to evaluate the inclusion of companies. The 7 axes include: quantitative data, formalization of the policy, accessibility and ergonomics, recruitment and integration, retention, initiatives taken by companies, their participation in the protected sector. This database allows an "**Inclusion**" classification of companies.

All these elements describe La Financière Responsable's commitment. It is a reflection of its position as an entrepreneur. The objective is not to condemn the business leader, but to accompany them in understanding the elements that make up the Social Responsibility of their company. They are free to make the decisions they deem appropriate for their own activities.

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