



***BEST PRACTICE PRINCIPLES FOR  
PROVIDERS OF SHAREHOLDER VOTING  
RESEARCH AND ANALYSIS***

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**PROXINVEST COMPLIANCE STATEMENT**

December 2020

*“Voting shares is a clear positive contribution to wealth creation”*



## About Proxinvest

Created in 1995 and based in Paris, Proxinvest is a European voting advisory firm providing governance analysis and shareholder engagement support to investors.

Benefiting from a wide range of partners and network, Proxinvest provides an in-depth and impartial examination of corporate governance issues for the benefit of its clients (asset managers and asset owners), mobilizing expertise on financial, legal, ESG and executive remuneration issues.

To provide its clients with the European coverage and local expertise required for engagement and proxy voting activities, Proxinvest has local partners across Europe which provide their analysis of shareholder general meetings. Every partner is independent, engaged, specialist of its home market and brings its local expertise and monitoring to the other partners and to clients. By doing so, Proxinvest and its partners provide global investors with a unique service covering more than 85% of the free float-adjusted market capitalization across the European developed markets equity universe and a range of small and mid-sized firms on demand.

In June 2020, Alura Consulting, a company owned by Alain Demarolle, became Proxinvest controlling shareholder. Proxinvest is still independently-owned and works for investors only: Proxinvest does not provide consulting services to the companies it covers, mitigating related risks to its clients and ensuring the independence of analysis. As a result Proxinvest is able to take a robust, independent, engaged and unconflicted view of the companies in which our clients invest.

Proxinvest is also a founding member of the International Corporate Governance Network ([ICGN](#)), an organization founded in 1995 that represents investors, companies, financial intermediaries, academics and others interested in the development of corporate governance practices worldwide.

To know more about Proxinvest, please refer to Proxinvest website [www.proxinvest.com](http://www.proxinvest.com).

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## Introduction

Proxinvest is pleased to provide this annual statement of compliance with the Best Practice Principles for Providers of Shareholder Voting Research and Analysis 2019 (“Principles” or “BPP”) covering the period 1 January 2020 through 28 August 2020.

The reviewed [Best Practice Principles for Providers of Shareholder Voting Research & Analysis 2019 \(“Principles”\)](#) are the result of a thorough review process by the Best Practice Principles Group (“BPPG”) which refers to the latest updated stewardship codes globally, the requirements of the revised EU Shareholder Rights Directive II (“SRD II”) and the ESMA 2015 Follow-Up Report on the Development of the Best Practice Principles for Providers of Shareholder Voting Research and Analysis (“2015 ESMA Follow-Up Report”). It also refers to the input of investors, issuers and other stakeholders received through a public consultation by the BPPG (completed in December 2017) and a review by the BPP Review Committee chaired by an independent review chair. These 2019 Principles replace the original 2014 Principles.

| <b>2019 Best Practice Principles Key Updates</b>   |
|--|
| <ul style="list-style-type: none"><li>• <b>New Governance Oversight Arrangements</b></li><li>• <b>New Reporting Arrangements</b></li><li>• <b>New Monitoring Arrangements</b></li><li>• <b>Updated Principles and Guidance</b></li></ul> |



The three Core Principles are:

- (i) maintaining a high level of service quality,
- (ii) disclosure of policies that address potential or actual conflicts of interest,
- (iii) publication of policies for communication, with corporate issuers, shareholder proponents, other stakeholders, the media and the public.

## Proxinvest key statistics

- Reports written

|                       | 2019 | 2020<br>(until the 26th of August) |
|-----------------------|------|------------------------------------|
| Number of companies   | 301  | 288                                |
| Total reports written | 321  | 295                                |

- Timely delivery

|                       | 2019     | 2020     |
|-----------------------|----------|----------|
| Average delivery date | D – 17.7 | D – 19.8 |

- Number of reports per analyst

|   | 2020 |
|---|------|
| Average number of reports per analyst     | 30   |
| Average number of working days per report | 3    |

- Voting recommendations

|         | 2019  | 2020  |
|---------|-------|-------|
| For     | 57.7% | 60.7% |
| Oppose  | 42.3% | 39.3% |
| Abstain | 0%    | 0%    |

- Conflict disclosure

| Clients alerts within the proxy report   | 2020                        |
|--|-----------------------------|
| A Proxinvest client submitted a shareholder proposal or was a dissident in a proxy contest.            | 3                           |
| A Proxinvest institutional investor client was a corporate issuer or a division of a corporate issuer. | 5                           |
| Other reasons  | 0                           |
| <b>TOTAL</b>   | 8 (2.7% of reports written) |

| Revenue breakdown  | 2020  |
|--|-------|
| Derived from investors   | 93.8% |
| Derived from unknown final clients (distribution by third-parties) | 6.2%  |



## Principle One: Service Quality

*BPP Signatories provide services that are delivered in accordance with agreed-upon investor client specifications.*

*BPP Signatories should have and publicly disclose their research methodology and, if applicable, “house” voting policies.*

### 1. Introduction

As a provider of governance research, voting recommendations and voting services with close to 20 years of experience, Proxinvest provides services to its institutional investor clients that assist them in making more informed voting decisions, in helping for the complex operational process of voting their shares (proxy voting) and in tracking and reporting their voting activities as they may require.

Proxinvest objective is to serve our clients with their full trust and confidence.

In order to reach appropriate client satisfaction and to deliver high service quality, Proxinvest is organized as follows:

- Development of an **in-house research methodology and voting policy**,
- **Cooperation with local experts proving local insights in corporate governance** codes, company laws, general meetings or corporate governance practices,
- **No provision of consulting services to issuers** or their advisors in order to ensure that the research and analysis are independent and free from inappropriate bias or undue influence.

### 2. Responsibilities to Clients

Proxinvest primary responsibility is **to provide services to clients in accordance with agreed contracts, specifications and financial conditions**. Proxinvest services are private by nature. The analysis and opinions are ordered by Proxinvest clients and delivered exclusively to them. Clients are the ultimate and legitimate judges of the quality of shareholder voting research and analysis and other services they subscribe to. Clients are free not to renew any contract and the high renewal rate is a sign of client satisfaction regarding service quality. Proxinvest does not believe that any third-party is legitimate or experienced to judge the quality of its research methodology or the quality of a proxy report. Such interference of a third party into the services provided by a firm providing voting research could be detrimental to the service quality.

### 3. Quality of research

Proxinvest objective is to provide high quality research. To do so:

- Proxinvest is engaged in public affairs and local debates. Proxinvest has regular meetings with the French treasury, the French Financial Market regulator (AMF) or may be invited by Members of the parliaments to discuss changes in corporate governance, executive remuneration, shareholders rights, ESG, companies disclosure and organization of general meetings. By defending minority shareholder rights in France and Europe, Proxinvest tries to be informed and aware as early as possible of any change in company laws, corporate governance codes, etc.
- The collection of data is made by the analyst in charge of drafting the report. By doing so, any lack of disclosure by an issuer or any explanation from a company for a deviation to a best practice will be easily highlighted in the report by the analyst and there is no problem of information transmission.
- All the report and data collection on French issuers are written from Paris. Understandings of both English and French languages are required. This is important since many small and mid-sized companies do not produce all the relevant proxy materials and annual documentation in English.
- Voting research reports and recommendations are prepared by appropriately trained analyst;
- Voting research reports and recommendations are reviewed by a second person; the latter being always a senior analyst, the head of Research or the CEO (four-eyes principle).
- Proxinvest' CEO is directly involved in the production of a significant proportion of the reports.
- Proxinvest believes that a high quality of research can be reached only by granting researchers enough time to analyse the proxy materials and to write their analysis. As a consequence the number of issuers to be covered by the analyst team is strictly limited in order to reach the best industry standards :

|   | 2020 |
|---|------|
| Average number of reports per analyst     | 30   |
| Average number of working days per report | 3    |

Inclusion or reproduction of external private information: None.

Proxinvest does not use third-party data source in the reports. The collection of data about the financial statements, shareholding, executive remuneration or carbon footprints is fully done in-house.

No private information is used by research staff. Sources of data used for the provision of services to clients are stored into a server. They must be accurate and relevant. They include materials publicly available under the company's website or another website regulatory filings) or granted to shareholders on request:

- Notice of meeting published into the official gazette (BALO);
- Proxy card and notice of meeting sent to any registered shareholder;

- Proxy materials made available under the issuer website (21 days before the general meeting as a minimum);
- Financial statements and annual results release;
- Auditors' reports;
- Articles of association

Proxinvest knowledge and database are also used to cross-checked external mandates, conflicts of interests, directors' and auditors' length of relationships, valuation of share-based payments at grant date.

Any external information which may be included is properly referenced included (e.g., newspaper articles, summary of regulations, etc.) used in the analysis is referenced in the report.

Issuers have not the opportunity to verify, review or comment on the information used in research reports, analysis or guidance. The analyst may include any relevant information derived from the dialogue with the company out of the proxy season or include any comment received during the proxy season. It is the analyst responsibility to select or reject issuers comments, to summarize them or to criticize them if necessary.

Fact-checking is the responsibility of Proxinvest towards its clients. It is not a proper use of the company's resources to double-check facts reported by voting advisory firms which are based on publicly available sources of information. Besides it is not possible to fully separate the facts from the analysis of the proposals and offering a right of review to issuers will allow them to access to private information disclosed to clients-only and will delay the delivery of the reports to our clients.

Proxinvest alerts clients to any verified factual errors or material revisions to published research or analysis without delay. Alerts explain the reasons of such revisions.

When new material information becomes available after a Proxinvest report has been published, Proxinvest promptly issues an alert and an updated report to its clients. This includes any change to a general meeting agenda (new item, new shareholder resolution, amendment).

Dialogue with investors, issuers and other stakeholders is conducted throughout the year and improves the knowledge of each company.

#### 4. Methodology

Proxinvest research team writes reports over the companies listed on Euronext Paris. Proxinvest voting policy is therefore fully specified for the French market.

Definition of the voting policy requires to take into consideration national and supranational regulations, local codes of best practice and established governance practices, among other considerations. The French market is characterized by the lack of corporate governance code which would be a consensus of the views of various stakeholders.

In France, the main local corporate governance codes are:



- The AFEP-MEDEF Corporate Governance Code (large companies)
- The Middlednext Corporate Governance Code (small and mid-sized companies)
- The AFG recommendations on corporate governance (French Asset Management Association).

Proxinvest also takes into consideration the conclusions of the annual reports about corporate governance are also written by the French Financial Market supervisor (AMF) and by the oversight committee of the AFEP-MEDEF corporate governance code.

Proxinvest principles on corporate governance and voting guidelines are key to provide a consistent framework for analyzing corporate governance issues at each company .

While some practices are clearly recommended or rejected, some principles require some flexibility to be applied by analysts, for example the alignment between remuneration and performance. Analysts must also take into consideration the unique features of each company and any rationale provided by the boards to justify their proposals.

Proxinvest encourages the companies to ask for a meeting prior to the proxy season. During the proxy season Proxinvest analysts may reach out to companies on specific questions.

Announcements of new French general meetings are monitored through the official gazette (BALO). During the following days a summary of the agenda items is delivered to clients.

Companies website and regulatory filings are then monitored to wait for the publication of the proxy materials (notice of the general meeting, financial statements, annual report, Registration document, reports of the Board and reports of the auditors). When information is available the data collection and analysis may start. Proxinvest delivery priorities are based on client voting deadlines, size of the company and workload of each analyst (the analyst in charge of the dialogue with the company is generally responsible for drafting the report).

When some pieces of information are not disclosed in a timely manner, Proxinvest will meet client contractual research delivery deadlines and a report reporting the lack of timely disclosure will be drafted. French issuers listed on the regulated market must provide proxy materials at least 21 days before the general meeting.

## 5. Voting Policy / Guidelines

### a) Shareholder Policies (Client custom policies)

Beyond Proxinvest in-house voting policy, one of our main activity is to provide investors with support to define and update their own voting policy which can be very different from Proxinvest view on each type of voting items.



Proxinvest CEO and the head of client relationships are in charge of this consulting service. They support investors to define and write their own voting guidelines based on the investor preference and distinct views of certain aspects of corporate governance.

The vast majority of investors apply their own unique set of voting guidelines in implementing their voting policy ("client custom policies"). Some clients have in-house staff to monitor their voting guidelines, others outsource to Proxinvest the monitoring of such guidelines.

For these clients, Proxinvest prepares voting recommendations based on the client custom policy. Proxinvest team helps investors to define and write its own voting guidelines based on the investor preference and distinct views of certain aspects of corporate governance.

Clients may opt for:

- "*Roland*", a proprietary software predefining and applying the client voting criteria on each type of agenda items.

The various voting criteria and activation thresholds that the investor wishes to apply must be defined beforehand, in line with the investor objectives. To this end, Proxinvest has developed an analytical grid in which more than 400 criteria can be combined and applied to each proposed resolution (more than 100 types of agenda items have been identified). With this customised voting policy – documented, auditable and applied to each holding in the portfolio – the investor is assured of a rigorous proxy voting process compliant with its voting policy.

This software can manage an infinite number of different custom policies. The collection of the relevant information is made by the research staff. These customized voting policies reflect each investor's specific financial, legal and corporate governance philosophies and approaches. For example, Roland is able to compute the independence rate of any Board of Directors based on the client own definition of the potential conflicts of interests.

- A dedicated analyst

In that case, an analyst will be dedicated to the client custom policy. With an in-depth knowledge of client expectations and voting guidelines, the analyst will provide the client with a special report including extracts from the Client voting policy to justify any opposition or abstention.

As a result, the vote recommendations issued under these policies may well differ from those issued under Proxinvest own policy. Customized voting recommendations are provided under client website or email notifications.

b) Proxinvest Corporate Governance Principles and Voting Guidelines (“house” policy)

Shareholders may subscribe to shareholder voting research and analysis services based on a Proxinvest proprietary voting policy and subsequently decide on the extent to which they incorporate that research and analysis into their own assessment and decision-making process.

Proxinvest voting policy, established in the sole long-term interest of all shareholders, is a reference in Europe for the French market and has led to major corporate governance improvements in France over the last 25 years.

Proxinvest voting guidelines reflects its own opinion, very demanding, which aims at strengthening corporate governance practices over the long term and at protecting shareholder rights and shareholder investment value.

Proxinvest voting policy is divided into two parts. The first section introduces the corporate governance principles and recommendations. The second part includes voting guidelines on each type of resolutions and try to be as specific as possible.

**Organization of the process to define Proxinvest voting policy:**

- In-depth analysis of thousands of resolutions and hundreds of annual reports and notices of meetings,
- Collection and review of voting results,
- Dialogue with corporate issuers all over the year,
- Discussions with its European partners,
- Identification of new hot topics,
- Discussion with clients during one-to-one meetings and a two-day seminar in early October<sup>1</sup>.
- Internal discussion between the Research staff team members and proposals of changes made to Proxinvest CEO by the Head of Research,
- Presentation of new topics and expected changes to Proxinvest Steering committee in November.
- Analysis of the comments and advices of the Steering Committee
- Proposal of voting policy made to the Board of Directors for final approval
- Presentation of the voting policy to clients (investors) and corporate issuers.

Proxinvest did not opt for any public consultation on expected policy changes since it may limit the results to a very limited number of predefined topics. An open dialogue with investors and issuers all over the year on any issue seems preferable.

**Role of Proxinvest steering committee:**

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<sup>1</sup> In 2020 the yearly investors seminar of Proxinvest was not organized due to the covid-19 crisis.



Created in 2010, PROXINVEST Steering Committee (“CODOR”) is a private and confidential forum for exchange between competent personalities in the field of corporate governance. Its mission is to give an advisory opinion on PROXINVEST Corporate Governance Principles and Voting Policy. It is then submitted for opinion to the Steering Committee before adoption by Proxinvest, publication on its website and presentation to issuers and clients.

It is composed of personalities with extensive experience in the field of corporate governance and sitting in a personal capacity.

Starting in 2020, the Proxinvest Advisory Committee will be composed of 12 people divided into 3 colleges for each session:

- 6 people from the institutional investors,
- 3 people from listed companies,
- 3 qualified personalities.

It is chaired by Mr. Gérard RAMEIX, former Chairman of the French Financial Market supervisor (Autorité des Marchés Financiers).

The full composition of this committee is [available on-line](#) .

### **Publicity and availability of Proxinvest voting policy**

Once finalized, [the voting policy is made publicly available on Proxinvest website](#) and is presented to corporate issuers and clients.

## **6. Employee Qualifications & Training**

### **Professionalism, Expertise and Qualification**

Proxinvest has 25 years of experience in voting advices and active shareownership and can count on a [team](#) of well-qualified and experienced people. Proxinvest team is made of a diversified range of expertise. Each member of the Research staff is graduated from a Master in Law, Business administration, Economics, Science or Finance.

Proxinvest CEO, who is also involved in the research process, joined the company in 2001.

Advices on proxy voting and corporate governance issues require a complete understanding of various matters, among them finance, Law, local corporate governance codes, organizational issues or executive remuneration policies.

Proxinvest management team provides training on corporate governance and proxy issues, both internally to staff members or externally to asset owners or asset managers. In 2019 and 2020 the 5 seasonal research staff members were offered a 10-week training period before the proxy season.

The allocation of the reports is decided by the Head of Research and depends on the size and complexity of the company being analyzed. The report will be edited by one analyst with the involvement of several analysts or management team members. Senior staff members will always control the report before publication.

## 7. Timeliness

Proxinvest research reports are generally available at least 16 days for large companies and 13 days for small or mid-sized companies prior to the meetings date in order to provide sufficient time for clients to read the report, dialogue with the company and instruct the votes.

- **Timely delivery**

|                              | 2019     | 2020     |
|------------------------------|----------|----------|
| <b>Average delivery date</b> | D – 17.7 | D – 19.8 |

It is one of our clients priority to get the research reports as soon as possible.

Timely delivery is also far important because the research report will then be used by the analysts in charge of providing customized voting recommendations based on clients own voting guidelines.

## 8. Complaints Handling and Feedback Management

Proxinvest can be reached by phone or by email and makes its best effort to answer. For any question related to a specific general meeting, the question is forwarded to the analyst in charge of the report. Remarks on the content of the voting guidelines are generally saved to be further analyzed prior to the revision of the guidelines.

Any feedback about this compliance statement or about the research report can be sent to : [Feedback@proxinvest.fr](mailto:Feedback@proxinvest.fr) .

Any complaint or feedback will be managed by the management team.

## 9. Client and Supplier understanding

The operational aspects of service delivery are generally described within the service agreement and are frequently discussed with the clients. Proxinvest may also answer any question about its organization to help clients fulfill their due-diligence requirements.

Proxinvest also discusses with clients the inconsistencies and irregularities of information provided by intermediaries in the ownership chain (agenda information, early vote deadlines, voting requirements) that may influence the standard relationship between Proxinvest and the client.



Proxinvest also discusses how a research report may be updated after its first release, for example when the agenda is updated (shareholder resolutions, change in the agenda or the text of the proposals, etc.).

## 10. Client Disclosure Facilitation

Following the implementation of the SRD 2 EU Directive, investors are required to explain in their engagement policy how they use voting advisory firms. Therefore, Proxinvest fully authorizes institutional investors to publicly disclose the use of Proxinvest shareholder voting research and analysis services.

Investors must also explain how their voting analysis process has not been altered by potential conflicts of interests supported by their voting advisory firm. Proxinvest is also keen on assisting clients to explain how its policy tends to avoid the risk of potential conflicts of interests.

## Principle Two: Conflicts-of-Interests Avoidance or Management

***BPP Signatories' primary mission is to serve investors. BPP Signatories should have and publicly disclose a conflicts-of-interest policy that details their procedures for avoiding or addressing potential or actual conflicts of interest that may arise in connection with the provision of services.***

***In addition to disclosing their general policy, BPP Signatories should also have a process in place to identify and disclose without delay to their clients, on a case-by-case basis, actual or potential conflicts of interest or business relationships that may influence the preparation of their research, advice and voting recommendations and the actions they have undertaken to eliminate, mitigate and manage actual or potential conflicts of interest.***

### 1. Introduction

Pillar of its freedom, reputation and quality, independence has always been Proxinvest main cornerstone since its creation in 1995.

In line with the 2019 update of the Best Practice Principles for Shareholder Voting Research, Proxinvest priority is to do best efforts to avoid potential conflicts of interest. When conflicts cannot be eliminated, Proxinvest will do its best efforts to manage, mitigate and disclose them.

Proxinvest was founded based on the conclusion of a lack of balance between the sell side and the buy side. Therefore, advising corporate issuers is not in Proxinvest core mission.

### 2. Conflicts-of-Interest Policy

#### a) Avoidance of conflicts of interests

To keep investors trust in Proxinvest independent research, Proxinvest did not advise any corporate issuer in FY 2019 or 2020 (excepted when an institutional investor client was a corporate issuer or a division of a corporate issuer).

#### b) Identification and disclosure of potential conflicts of interests derived from Proxinvest contractual arrangements

In accordance with the recommendations of the BPP, with the SRD2 European Directive and with the French Law ("Loi Pacte"), Proxinvest ensures a full and timely **disclosure of a potential or perceived conflicts on the front page of Proxinvest research reports**. Indeed, it is important that any reader of

the research report be properly and easily aware of any contractual relationships between Proxinvest and the corporate issuer or shareholder proponents.

The identification and management of the disclosure is under the responsibility of the management team (CEO and Head of Client Relationships).

- c) Identification and disclosure of potential conflicts of interests derived from employees

As of September 2020 each Proxinvest research staff members, members of the management and chair of the Board are committed to the new Proxinvest policy to prevent conflict of interest and insider dealing.

Besides the issue of management of any insider information, the policy objective is to avoid any report to be drafted by an analyst who may have transacted on the specific company during the general meeting notice period. Proxinvest CEO is responsible for the management of any reported case.

### 3. Possible Conflicts for Consideration

| Possible conflicts   | Occurrence risk at proxinvest |
|--|-------------------------------|
| <b>Owned by an investor that owns shares in companies under coverage</b>   | Non applicable / Avoided      |
| <b>Owned by an investor which is owned by an issuer under coverage</b>   | Non applicable / Avoided      |
| <b>Consulting services to companies under coverage for research</b>  | Non applicable / Avoided      |
| <b>Services to companies related to ESG ratings</b>  | Non applicable / Avoided      |
| <b>An institutional investor client may be a corporate issuer or a division of a corporate issuer (asset management subsidiary,...)</b>              | Yes                           |
| <b>An institutional investor who is a client of the service provider is a shareholder proponent or is a dissident shareholder in a proxy contest</b> | Yes                           |
| <b>Employee activities (such as board memberships or stock</b>   | Yes                           |

ownership)

#### 4. Conflict Management & Mitigation

Proxinvest priority is to avoid as much as possible conflicts of interests:

- Due to its shareholding structure, Proxinvest is not subject to any risk derived from a shareholder which would be a listed company under coverage or an investor with substantial stakes in listed companies under coverage.
- Proxinvest does not provide consulting services to companies.

Management, mitigation and disclosure of other potential or perceived conflicts of interests:

- An institutional investor client may be a corporate issuer or a division of a corporate issuer (asset management subsidiary for instance).
  - Implementation of Proxinvest voting policy
  - Identification of the business relationship by the CEO or Head of Client relationships.
  - Inclusion of an alert describing the business relationship on the frontpage of the research report.
- An institutional investor who is a client of the service provider is a shareholder proponent or is a dissident shareholder in a proxy contest
  - Implementation of Proxinvest voting policy
  - Identification of the business relationship by the CEO or Head of Client relationships.
  - Inclusion of an alert describing the business relationship on the frontpage of the research report or on the specific analysis of the shareholder resolution.
- A Proxinvest employee or director is a Board member of a company under coverage
  - Implementation of Proxinvest voting policy
  - Inclusion of an alert on the frontpage of the research report.
- A Proxinvest employee owns a stock ownership in a company under his/her coverage
  - Interdiction to buy or sell securities during the analysis period.
  - Possible appointment of an alternative analyst.
  - Implementation of Proxinvest voting policy
  -

#### 5. Conflict Disclosure

As explained above, when actual or potential conflicts cannot be avoided, Proxinvest discloses it on the frontpage of the research report.



| Alerts within the proxy report  | 2020                        |
|---|-----------------------------|
| <b>A Proxinvest investor client submitted a shareholder proposal or was a dissident in a proxy contest.</b>   | 3                           |
| <b>A Proxinvest institutional investor client was a corporate issuer or a division of a corporate issuer.</b> | 5                           |
| <b>Other reasons</b>  | 0                           |
| <b>TOTAL</b>  | 8 (2.7% of reports written) |

## Principle Three: Communications Policy

***BPP Signatories' primary mission is to serve investors. BPP Signatories should provide high-quality research that enables investor clients to review the research and/or analysis sufficiently in advance of the vote deadline ahead of a general meeting. This primary accountability to investors should remain the key priority for BPP Signatories when applying Principle Three.***

***With regard to the delivery of Services, BPP Signatories should explain their approach to communication with issuers, shareholder proponents, other stakeholders, media and the public. BPP Signatories should disclose a policy (or policies) for dialogue with issuers, shareholder proponents and other stakeholders. BPP Signatories should inform clients about the nature of any dialogue with relevant parties in their research reports, which may also include informing clients of the outcome of that dialogue.***

### 1. Introduction

Shareholders are always responsible for and entitled to exercising their own judgment when determining their final voting decisions, according to their own investment and governance philosophy and company engagement activities.

Proxinvest helps investors to define and implement their policies about responsible investment, engagement and exercising voting rights.

The communication with issuers, shareholder proponents or other stakeholders help Proxinvest to understand the different viewpoints and to share views on topics or on a specific company or a specific resolution.

In some circumstances, informing the public may contribute to some public debates or to rise knowledge on the use of shareholder rights, responsible investment, executive remuneration practices or the role of voting advisory firms for example.

- a) BPP Signatories should explain their approach to communication with issuers, shareholder proponents, other stakeholders, media and the public.
- b) It is up to BPP Signatories to choose whether or not to engage in dialogue and in what format. If a BPP Signatory chooses to have such a dialogue, it is up to the Signatory to determine the objectives, timing, frequency and format of this dialogue.
- c) Comments and statements in the press or public forums may have a significant impact and, as such, should be properly managed.

## 2. Dialogue with Issuers, Shareholder Proponents & Other Stakeholders

**Proxinvest dialogue policy** is based on the following principles:

Principle N°1: Proxinvest provides a private service and is committed by contracts to its clients. The latter subscribes to a service and control the quality of the service and the reports. Issuers should not interfere within this contractual relationship.

Principle N° 2: Proxinvest must analyze proxy materials made available to shareholders and must not be provided with any insider information which have not yet been made public. As a result, issuers are encouraged to publicly disclose relevant and complete proxy materials online as early as possible.

Principle N° 3: Dialogue with issuers helps Proxinvest to improve its understanding and knowledge. Geographical proximity and dialogue with the relevant local stakeholders contributes to the service quality.

Principle N°4: Issuers should prioritize dialogue with their shareholders and not with the voting agency working for shareholders.

Principle N°5: The biggest part of the dialogue is to discuss company's specificities and projects, to discuss prior voting recommendations, to present the voting policy and its changes, to debate about the content of the voting policy, to explain how the adoption of Proxinvest recommendations would enhance shareholder protection and value. Consequently, dialogue must mainly occur before the proxy season, in general at the beginning of the year when the new voting policy is published. One-to-one meetings are not necessary every year and issuers are invited to collective sessions of presentation of the voting policy which take place in late December or in January.

Principle N°6: If a particular project (M&A, public offer) or an event uncovered by Proxinvest guidelines, occurs, Proxinvest accepts to give access to its researchers to discuss the issue, even during the proxy season.

Principle N°7: During the proxy season period, Proxinvest analysts often contact the issuer when questions may arise (information required, understanding of the context,...). Indeed, deadlines to analyse correctly the consequences of general meetings proposals are very short while issues may be very complex.

Principle N°8: Dialogue between the issuer and the voting agency must not be detrimental to clients in terms of delivery dates and primacy of content.

However, French Financial Authority (AMF) recommended in 2011 " that the proxy advisor submit its draft report to the relevant company for review", that "the company shall be allowed at least 24

hours to submit any feedback or comments” and that “at the company’s request, the proxy advisor shall include the company’s comments on the voting recommendations in the analysis report that it submits to the investors”. Proxinvest was from 1995 to 2013 one of the rare proxy firms to send draft of reports for discussions with the issuer. From 2014, after two years of feedback regarding the application of the AMF recommendations, Proxinvest decided to stop to submit its draft report to the issuer and, in accordance with the “comply or explain” approach provides explanations thereafter :

- The period of discussion between the issuer and the voting agency reduces the availability period of the proxy report for the ultimate client prior to its final voting decision and its capacity to enter into dialogue with the issuer. For many clients, priority is to receive the proxy report as soon as possible to get time to read it carefully, to develop its own thinking and enter into dialogue with the issuers. It must be kept in mind that investors face incredibly short voting deadlines to fill their votes on the electronic voting platforms made available for voting by their custodian (usually 2 weeks before the general meeting). As a result they have only few days to finalize their voting decisions.
- While Proxinvest proxy report is one among several tools used by investors to build their own voting decisions, some corporate issuers rather focused too much on Proxinvest research report which had emphasized some corporate governance concerns and forgot to ensure a correct dialogue with their shareholders about how these issues may be solved.
- Besides, it has appeared that the comments included within Proxinvest proxy report upon request of the issuer were seen as worthless by the clients with an extensive abuse of copy-paste of already publicly available proxy materials. Sometimes these comments were too much controversial or flawed and added extra-works for Proxinvest analysts to set the record straight, delaying the report availability for the clients.
- Finally most of the French issuers failed to comply with the following AMF recommendation: “*The AMF also advises issuers to keep the members of their Board or Directors or Supervisory Board informed of any discussions with proxy advisory firms and their recommendations*”. Despite Proxinvest explicit requests, proxy reports and voting recommendations were usually kept confidential by the management without information to Non-Executive Directors.

Principle N°9: In order to limit excessive pressure from the issuer on the work of the researchers, some barriers must be implemented to protect their independence.

The first barrier is that no staff member is allowed to work for an issuer to provide consulting services.



With respect to voting recommendations, an issuer cannot be objective, independent and free from any conflict of interest. As a result the second barrier is that issuers are not allowed to review the report or introduce comments before the proxy report be made available to clients. Furthermore the submission of the proxy report unfortunately encouraged a handful of discourteous issuers to threaten Proxinvest with potential lawsuits aiming at influencing the content of the analysis.

Consequently, Proxinvest stopped to send draft reports to issuers in 2014. That being said, the issuer is still informed when the report is available to clients. Each issuer receives an email alert including the voting recommendations and the key points highlighted in the report.

Any issuer which does not understand the rationale of a voting recommendation in view of Proxinvest voting guidelines is invited to call the analyst to get explanation.

*Principle N° 10:* Board members are the direct representatives of the shareholders and are generally elected by them to monitor the company and to supervise the management. Therefore the Board of Directors must be organized to get access to Proxinvest voting guidelines, voting recommendations and any material supporting the changes for better corporate governance. The Board of Directors must be active in the dialogue with the shareholders and the proxy firms and should not fully outsource it to the management or to the corporate secretary. Proxinvest is available for dialogue with Board members.

*Principle N° 11:* Whenever a proxy fight occurs or a shareholder resolution is proposed, Proxinvest does its best efforts to dialogue with both parties to understand their respective rationale.

### 3. Dialogue with Media & the Public

From time to time Proxinvest may accept to respond to general media enquiries about the nature of Proxinvest services or about the companies or issues covered by Proxinvest.

Proxinvest CEO is permitted to make comments on the media. Proxinvest CEO may also authorize other staff members to make comments on the media on certain companies or topics.

Proxinvest does not proactively distribute its research reports to the media or the public. At its discretion, Proxinvest may provide its research reports to media upon request.

Proxinvest publishes press releases or news from time to time. From time to time, Proxinvest considers it is in its clients' interest to press release its voting recommendations. It is worth noting that Proxinvest does not publish voting recommendations (if ready) on any particular resolution prior to the publication of the report to clients. Copies of any research report will never be made available to a media in advance of those reports being issued to its clients.



Proxinvest representatives also participate to seminars, forum or other types of public speaking activity.

Proxinvest Chief Executive Officer maintains the Proxinvest twitter account.

Proxinvest maintains regular contact with relevant regulatory authorities.

Proxinvest makes special reports on executive remuneration practices, general meetings and shareholder activism. The summary of each report is presented to the media.

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Proxinvest trusts that the above Statement complies with the spirit and the letter of the Best Practice Principles.

For any comment about this compliance statement:

[Feedback@proxinvest.fr](mailto:Feedback@proxinvest.fr)

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