2023

# Voting Activity Report

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# Contents

# I. 2023 Retrospective

**The landscape of shareholder activism, corporate governance, and regulatory dynamics underwent significant transformations during the 2023 proxy season, shaping the trajectories of companies across the United States, Europe, and Asia. In the United States, a wave of regulatory adjustments orchestrated by the Securities and Exchange Commission (SEC) triggered a notable surge in shareholder resolutions. Meanwhile Europe saw a focus on climate-related proposals and the implementation of the EU Shareholder Rights Directive II. In Asia, Japan witnessed an increase in ESG-focused proposals, and China experienced regulatory reforms led by the China Securities Regulatory Commission (CSRC).**

## 1. Focus On the United States

### 1.1 Shareholder proposals

In 2023, the United States witnessed a surge in **shareholder resolutions** due to the Securities and Exchange Commission rule changes, making it tougher for companies to exclude proposals. The number of **shareholder proposals submitted for a vote increased by 12% to 580 proposals** compared to the same timeframe in 2022, while shareholder support significantly fell from 31% in 2022 to 23% in 2023, in every category: governance, executive compensation, environmental, social, and human capital management.

**These variations** in the number of shareholder proposals and the lower investor support in comparison with 2022 **can be attributed to several factors**, including: that the governance-related proposals which tend to receive higher than average shareholder support were no longer the most frequent type of proposal to appear on corporate ballots, being eclipsed by social proposals (1), companies actively addressed ESG concerns before annual meetings, leading to reduced support during voting (2), and the increase in anti-ESG proponents filing proposals mainly focusing on anti-human rights and anti-diversity programs (3).

**The Anti-ESG movement** gained increased prominence in 2023, marked by organizations submitting shareholder resolutions that seemingly advocate for best ESG practices. But when looking closely at these resolutions, we realise that they carry an implicit opposition to companies' ESG initiatives, including diversity and inclusion policies or social benefit policies.

Therefore, communication and dialogue around voting and **the identity of the proponent** are becoming more important. At DPAM, we observed that some proponents frequently or exclusively submit anti-ESG proposals, such as the *National Center for Public Policy Research NCPPR*. Notably, in the case of **Visa Inc**, the NCPPR submitted a proposal which aims to separate the CEO and Chairman roles, in line with market best practice and DPAM's voting policy. Nevertheless, we withheld our support for the proposal as it became apparent that the proponent was orchestrating a broader campaign with anti-social motives. This included urging Visa Inc to retract its endorsement of Black Lives Matter: "*The Visa Inc. website still carries your July 15, 2020, endorsement of Black Lives Matter. We ask that it be taken down.*" NCPPR also called for the cessation of health insurance coverage for transgender employees, among other actions: *"we followed the same format and used similar language to ask the company to investigate and determine how and why its health insurance coverage pays for the mutilation and disfigurement of "transgender" employees."* **– NCPPR**.

Another example is the case of **Cotsco Wholesale Corp**, where the NCPPR submitted a shareholder proposal to counter prior shareholder proposals requesting the company to align with Paris agreement and net zero emissions by 2050 or sooner: "*In 2022, activist investors driven by a radical climate catastrophist agenda forced the Company to adopt unrealistic GHG emissions reductions goals, culminating in net zero emissions by 2050 or sooner, and in imposing these targets upon the Company,* *however, it does not appear that these activist shareholders have fully considered the risks that decarbonization on politically driven schedules might entail.*

*Claims about the need for decarbonization are based on a series of assumptions that are either counterfactual or insufficiently examined. The Company's decarbonization will be meaningless if other countries do not follow the same decarbonization schedules*." **- NCPPR**.

The NCPPR fervently opposes social and environmental values, standards, and market best practices, hence, DPAM pays attention when voting on Shareholder proposals and tries to detect anti-ESG proposals and proponents that frequently submit this type of proposals.

The 2023 trends include **environmental proposals** primarily focused on laggard corporates' disclosures, urging them to establish climate targets and report climate-related risks and progress.

**Social proposals** on the other hand, revolved around various topics, including but not limited to political spending, workers' rights issues and even customers. An example is the shareholder proposal submitted for a vote at the Bank of Montreal requesting the company to conduct a racial equity audit. A study on Canadian banks, reveals racially discriminatory practices. The proposal emphasizes the responsibility of Canadian financial institutions to address financial discrimination. Negative media coverage on racial equity issues, coupled with inadequate diversity commitments, suggests systemic problems within the company. The proposal emphasizes the legal, financial, regulatory, and reputational risks posed by racial equity issues and is seeking the company to tackle these issues.

Moreover, we observed a significant increase in **resolutions addressing reproductive health issues**, prompted by the 2022 US Supreme Court decision on abortion access. Abortion is either prohibited or subject to severe restrictions in 24 states. In four states, a constitutional amendment has been passed explicitly stating that their constitution does not guarantee or protect the right to an abortion, nor does it permit the use of public funds for abortion. Shareholder resolutions concerning reproductive rights have been submitted at US-based companies during this proxy season. These proposals encompass a wide range of topics, including employer-provided insurance and benefits, data privacy, and political spending.

In 2023, **DPAM co-filed 3 resolutions in the United States**. Two of them were submitted for a vote at **Chevron Corp.** and **Exxon Mobil Corp.** (*both held in non-sustainable index funds that are not actively managed, with ownership percentages of 0.0025% and 0.0026%*), to request the companies to set a medium-term reduction target covering the greenhouse gas (GHG) emissions of the use of its energy products (Scope 3) consistent with the goal of the Paris Climate Agreement: to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C. The third was submitted for a vote at **Amazon.com Inc** and requested that the Board of Directors commission an independent audit and report of the working conditions and treatment of Amazon warehouse workers, including the impact of its policies, management, performance metrics and targets.

## 1.2 Management proposals

In response to the Securities and Exchange Commission (SEC) rule changes that restricted companies from excluding many shareholder proposals and considering the market volatility, some issuers opted for defensive tactics such as the implementation of poison pills, leading to more of an anti-shareholder environment. Recognizing that **anti-activist poison pills** carry negative connotations and consequences, especially when adopted without shareholder consent, issuers came up with more subtle defences. This included the use of anti-activist poison pills disguised as net operating loss (NOL) pills, ostensibly adopted for tax purposes. While framed as measures for tax benefits, these pills effectively deter activists by imposing low ownership thresholds and expanded advance notice provisions.

In practice, a net operating loss (NOL) poison pill preserves a company's ability to claim the tax benefits of operating losses. That benefit is threatened when an "ownership change" occurs (as defined in Section 382 of the Internal Revenue Code). Based on that definition, NOL poison pills typically prevent any investor from acquiring 4.99% or more of a company's stock without board approval.

Regarding **shareholder support of management proposals**, 39 directors within the Russell 3000 experienced a lack of majority shareholder support, marking the lowest level in the past three years. In contrast, 93 directors in the broader Glass Lewis coverage failed to receive majority shareholder support, representing a three-year peak. This discrepancy can be attributed to **larger market capitalization companies enhancing their governance practices**—such as maintaining a balanced composition of independent and non-independent board members, ensuring gender diversity at the board level, overseeing climate-related and other ESG matters, and segregating the roles of CEO and Chairman of the board of directors. In contrast, smaller companies continue to encounter opposition from shareholders.

For the second consecutive year, **gender diversity** concerns emerged as the most common factor driving majority shareholder opposition to directors, while issues related to compensation and insufficient internal control over financial reporting also ranked as significant drivers of opposition.

In line with this, this proxy season witnessed an **upward trend in the representation of women on board**, notably for S&P 500, boards with majority-women increased from 7 to 27 in 2023, highlighting significant progress in gender diversity at the highest corporate levels.

On the other hand, the level of shareholder opposition on **say-on-pay** declined from 3% in 2022 to 2.3% in 2023. However, despite this reduction, the number of S&P 500 companies experiencing failures remains higher than the pre-COVID era, primarily due to excessive granting practices. Conversely, there was an increase in shareholder opposition on Equity plans in 2023, with 17 plans failing compared to 7 in 2022. Most of the unsuccessful proposals exhibited elevated overhang levels, attributed to either the basic share request or the impact of evergreen provisions.

Furthermore, in August 2022, the SEC implemented rules mandating registrants to disclose pay versus performance. This disclosure is requisite in proxy or information statements where executive compensation disclosure is obligatory. Consequently, the 2023 proxy season marked the inaugural period for the **SEC's new pay versus performance disclosure requirements**, providing shareholders with the first assessment of compensation actually paid ("CAP") compared to total shareholder return TSR performance.

Finally, following the 2022 amendments to the Delaware General Corporation Law (DGCL) to permit corporations to **extend limited exculpatory protection to specific senior executives** (such as the corporation's president, CEO, COO, CFO, general counsel, controller, treasurer, chief accountant, and others), companies incorporated in Delaware have witnessed changes during the US proxy voting season. With shareholder approval, these companies now have the authority to introduce "officer exculpation" provisions in their certificates of incorporation. These provisions serve to eliminate or restrict the personal liability of directors to the corporation or its shareholders for financial damages arising from a breach of the duty of care.

During the 2023 proxy season, around 250 companies proposed amendments to their certificates of incorporation to implement officer exculpation provisions, with approximately 20% of these proposals being rejected by shareholders.

## 2. Focus On Europe

### 2.1 Shareholder proposals

Most shareholder proposals received by European companies focused on **climate change** and other environmental related topics, such as gas exploration, moving from fossil fuel to renewable energy and sea exploration.

Environmental and social shareholder proposals that gained traction are primarily driven by key activist groups and institutional investors. Proposals included those presented by Follow This and coalitions of institutional investors. In 2023, Follow This directed its efforts towards "big oil," aiming to establish absolute emission reduction targets for 2030, meanwhile, institutional investors emphasized the importance of companies conducting annual Say on Climate votes, with improved disclosure and heightened transparency on Human Rights issues.

DPAM supported Follow This and co-filed 4 resolutions in Europe, submitted for a vote at **TotalEnergies, Engie, BP Plc** and **Shell Plc**, requesting the companies to align their existing 2030 reduction aims covering the greenhouse gas (GHG) emissions of the use of their energy products (Scope 3) with the goal of the Paris Climate Agreement: to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C.

## 2.2 Management proposals

The 2023 proxy season marked the third consecutive year in which companies autonomously introduced "Say on Climate" resolutions. Over the past few years, businesses in high-emission sectors have initiated scenario analysis, crafted transition plans, established targets, and monitored their progress. Seeking shareholders' opinions on these plans serves as a mechanism to generate additional feedback and accountability regarding climate transition plans, making it a valuable addition to the AGM agenda.

In the last two years, **the pace of progress on climate transition seems to have slowed down**. This slowdown can be attributed, in part, to factors such as the energy crisis, the conflict in Ukraine, and the upswing in fossil fuel prices during this period. Additionally, a possible contributing factor is the disparity in expectations between various shareholder groups and companies. Notably, some major European oil and gas companies, known for their relatively progressive climate transition plans compared to counterparts in other regions, have faced societal criticism after revising their targets.

During the 2023 proxy season, there was an overall **decline in the number of Say on Climate resolutions** presented at European companies compared to 2022. Specifically, the number of UK companies with such votes nearly halved compared to the preceding year, which can be explained by the fact that investors have mostly pressured the larger oil and gas and extractives companies to adopt a Say on Climate vote and that there is far less pressure for companies with less of a direct environmental impact. Interestingly, France emerged as the global leader in terms of the highest number of management-proposed climate resolutions in 2023. However, it's noteworthy that even in France, the overall number of Say on Climate resolutions slightly declined compared to 2022.

In July 2023, the French national assembly approved an amendment related to the mandatory inclusion of Say on Climate resolutions in AGM agendas. This amendment, a part of **the French bill on green industry**, introduced a mandatory advisory vote on corporate climate and sustainability strategies every three years (or when a significant change occurs in a company's strategy). It also mandated an annual advisory vote on the yearly report on the progress of objectives related to companies' climate and sustainability strategies. These votes were slated to be compulsory for all publicly listed companies in France.

However, by October 2023, the mandatory Say on Climate vote requirement was removed from the bill on green industry. Consequently, there will be no legal obligation for French public companies to submit a Say on Climate resolution for shareholder approval at their general meetings. Nevertheless, advisory votes on corporate climate strategy continue to maintain popularity in France and are expected to persist on a voluntary basis.

Regarding executive remuneration, the implementation of the **EU Shareholder Rights Directive II** (SRD II) has resulted in companies across most European countries being required to seek approval for their executive remuneration policies every three or four years or when making a substantial modification to the policy. In countries that adopted a new mandatory **Say on Pay regime through SRD II**, most companies have obtained approval for their remuneration policies in the past two years. Consequently, many of the remuneration policy proposals submitted in the 2023 proxy season were to approve amendments to policies driven by shareholder dissent last year or by a changed remuneration philosophy in an individual company.

**Executive compensation continues to be a significant focus for investors**, and resolutions related to this matter remain a contentious issue in Europe. In 2023, there was an increase in instances where shareholders did not approve remuneration reports compared to the previous year. Out of the fourteen remuneration report proposals rejected in 2023, seven likely faced opposition due to insufficient responsiveness to shareholder concerns or flawed overall design. Indeed, the primary driver for negative voting recommendations on retrospective remuneration proposals in 2023 was the inadequate response to shareholder dissent, particularly observed at European blue-chip and mid-cap companies. This trend was accompanied by concerns about the adoption of questionable pay practices.

Still in the remuneration context**, the use of environmental and social performance metrics in incentive plans (STI, LTI or both)** has continued increasing since the previous year in all markets, following sustained regulatory and investor pressure. In 2022, 80% of all European blue-chip and mid-cap companies have implemented E&S metrics; broken down by market, Finland is the leading market followed by France and Denmark, while Norway and Sweden are laggard.

**Director elections continue to grow as an area of focus and negative votes.** There continues to be strong variation in average board independence levels among European countries. This is primarily driven by the significant variations in average free-float share ownership across European markets. Accordingly, a robust **positive correlation is observed between free-float and board independence**, as well as a strong **positive correlation between gender-diverse boards and board independence**. Italy stands out as a leading country in this regard, followed by Spain and then France.

In 2023, average **board-level gender diversity** in large- and mid-cap companies achieved an average of 40%. All major European markets surpassed the 35% threshold individually, with significant increases notably observed in the Netherlands, Switzerland, Spain, and all Nordic countries except Sweden.

Over the past decade, European legislators and governance experts have increasingly advocated for a higher level of **gender diversity** on the boards of public companies. In November 2022, the European Parliament formally adopted a new Directive on gender balance on corporate boards, which, from 2026, will require EU-listed companies to strive toward at least 40% of non-executive board seats, or at least 33% of aggregate executive and non-executive positions, being held by the least represented gender. Companies falling short of this target by June 2026 will be required to revise their board selection criteria and may face additional punitive measures, as determined by each Member State individually.

## 3. FOCUS ON ASIA

In 2023, our voting scope included China, Japan, Taiwan and Hong Kong.

### 3.1 Japan

**Compared with last year, there was a significant increase of 28% in the number of shareholder proposals**, and an increase of 23% in the number of companies receiving such proposals. **ESG issues were the focus of 56%** of the shareholder proposals in Glass Lewis coverage, with **13% specifically focusing on environmental issues**. There was a notable surge in proposals related to compensation, governance, and dividends. However, there wasn't a substantial increase in proposals related to environmental and social issues or capital matters. Although there was much talk about a series of climate-related shareholder proposals, with environmental NGOs simultaneously submitting proposals to three megabanks and a European fund submitting a proposal to Toyota Motor Corporation, none of these proposals received shareholder support above 20%.

In Japan, most companies received **strong support for their director election proposals**. However, companies grappling with governance issues, such as a lack of gender diversity or significant scandals, witnessed diminished support for specific director nominees. **Gender diversity at the board level emerged as a crucial focal point** during the 2023 proxy season. The appointment of new women directors outpaced that of any other market, leading to a reduction in the percentage of companies without any board gender diversity from 20.8% last year to 12.2% this year. In companies without women directors, an increasing number of investors opposed the appointment of top executives, resulting in a noticeable decline in voting support for top management elections. While international investors have long advocated for board gender diversity, Japan historically faced exemptions from such policies in voting decisions. Around 2022, several international institutions revised their approach and began applying standard board gender diversity policies to Japanese companies. Consequently, companies lacking women directors experienced a significant increase in opposing votes.

Another governance topic that was important in this proxy season revolved around the **correlation between companies' levels of strategic shareholdings and their average Return On Equity (ROE)** over the past five years. In general, companies with a lower percentage of strategic shareholdings demonstrated higher average ROE over the same period compared to those with a higher percentage of strategic shareholdings. Consequently, it is imperative for companies to provide transparent disclosure regarding a well-defined plan to decrease cross-shareholdings or demonstrate a track record of successfully reducing such shares.

## 3.2 China

The market experienced substantial regulatory changes orchestrated by the **China Securities Regulatory Commission (CSRC)**, in conjunction with actions taken by the two major stock exchanges, the Shanghai Stock Exchange (SSE) and the Shenzhen Stock Exchange (SZSE). Notably, the regulatory body released **new guidelines addressing the role of independent directors.** On August 4, 2023, the CSRC introduced the "Management Measures for Independent Directors of Listed Companies" (New Measures), which officially took effect on September 4th. According to these measures, **independent directors are now limited to serving on a maximum of three domestic listed companies**. Additionally, they are required to dedicate at least 15 days annually to each listed company and maintain a record of their involvement. This regulation is designed to ensure that directors can allocate sufficient time to fulfil their responsibilities to shareholders. With the New Measures in place, there is anticipated to be an increase in A-share companies conducting board elections and amending their procedural Independent Director Work System rules in the coming year.

Still on the board level, despite efforts made by A-share market companies to improve **board diversity and gender representation**, women remain inadequately represented in Chinese companies.

On the other hand, the market has also continued to evolve in response to global trends. The momentum towards sustainable financing and growing support for environmental, social, and governance (ESG) practices has continued to expand. The issuance of ESG and CSR reports by companies listed on SSE (Shanghai Stock Exchange) and SZSE (Shenzhen Stock Exchange) witnessed an increase of over 15%. While most A-share companies claimed adherence to their listing market's environmental, social, and governance reporting guidelines, referencing the GRI Sustainability Reporting Standards, it is noteworthy that Chinese ESG reports still fall short of aligning with several globally recognized disclosure standards and reporting frameworks. Additionally, there remains a general lack of quantitative disclosure concerning environmental factors and goals.

# 4. 2024: WHAT TO EXPECT?

## 4.1 The United States

In the 2024 proxy season, the **increased scrutiny of the board's ESG monitoring** responsibility will continue. The issue of **board diversity** will remain important given the regulatory context all over the world and the upward trend in the representation of women on boards. Furthermore, despite the decline in support for shareholder proposals in the 2023 proxy season, companies should anticipate a surge in politically motivated proposals in the upcoming year, coinciding with the country's federal elections. Proponents are expected to submit proposals addressing contentious social and environmental issues, even if the likelihood of garnering widespread support is low.

On the governance side, the escalating threat of **cyber-attacks** poses risks to both companies and consumers. These attacks can compromise customer or employee data, damage a company's reputation, lead to substantial fines and disruptions to operations, and, in certain cases, can raise national security concerns for entities operating in critical sectors such as utilities, defence, and energy. In response, regulators are increasingly prioritizing the enforcement of adequate and timely disclosures and safeguards by companies to protect stakeholders affected by cyber breaches. As a result, SEC rules will mandate public companies to disclose material cybersecurity incidents starting in 2024, including details about their cybersecurity risk management and governance practices. Consequently, we anticipate regular updates from these companies, outlining their ongoing efforts to address and mitigate the impacts of cyber-attacks.

On the **climate**, the Securities and Exchange Commission (SEC) announced a new timeline for the finalization of its climate disclosure rule. The SEC anticipates issuing the final rule, which mandates companies to disclose climate-related risks, including scope 1, scope 2, and scope 3 emissions, along with their risk management practices, in April 2024. The proposed rule creates a disclosure framework based, in part, on recommendations from the Task Force for Climate-related Financial Disclosures.

## 4.2 Europe

The discussion on **executive remuneration** packages will remain central. With the implementation of SRD II in 2020, its binding nature for four years places 2024 as a pivotal year for remuneration decisions. According to SRD II, companies are required to present a vote on the remuneration policy every four years or in the case of any significant amendments.

Another aspect of the remuneration debate centres on European companies frequently citing competitive pressures as a rationale for justifying increases in executive pay. Some EU multinationals opt to benchmark their remuneration against the US to address retention risks, while certain investors advocate for executives in EU companies to align with EU standards rather than those of the US. It is imperative for companies to offer detailed disclosure when key aspects of their executive pay plan deviate from prevailing market practices, particularly in situations where multiple exchange listings or unique company-specific circumstances necessitate benchmarking pay-setting across various jurisdictions.

### 4.3 Asia

In 2024, we plan to expand our voting coverage to encompass South Korea, Singapore, the Philippines, and India.

In the Korean market, there has been a notable increase in attention from investors and the government towards non-financial factors in recent years. Alongside a set of regulations formalizing environmental and social considerations, such as sustainable development, worker safety, and carbon neutrality, within the country's laws and long-term strategies, President YOON Suk-Yeol of Korea has highlighted the prioritization of companies' management of environmental, social, and governance (ESG) issues as part of his administration's transition agenda.

At DPAM, we will adopt a strong stance against the poor corporate governance of South Korean companies that have traded persistently below book value, which cannot be explained by an overstated book value, regulatory constraints on returns, a proacted cyclical downturn or industry-wide persistent structural challenges. According to foreign and domestic experts, this discount is likely due to Korean corporations’ opaque public disclosures and non-accountable governance structure. However, both investors and regulators are taking steps to improve the standing of Korean corporate issuers.

In India, boards are striving to enhance their ESG reporting in response to investor demands. Some boards are seeking clarity on the utilization and accuracy of ESG ratings. Boards with the combined role of chair and CEO are making efforts to rationalize and provide justification to stakeholders, especially as there is increased scrutiny for the separation of these roles. Many boards, particularly those of multinational and diversified companies, are cautious about investor perceptions of related party transactions. Recent regulatory changes have empowered minority shareholders to have a greater say in approving or rejecting such transactions, prompting heightened attention from boards.

# II. Voting Activity 2023

DPAM exercised the voting rights attached to the shares held in the 56 institutional portfolios (SICAVs, FCPs, mandates) including their sub-funds managed by the company’s management.

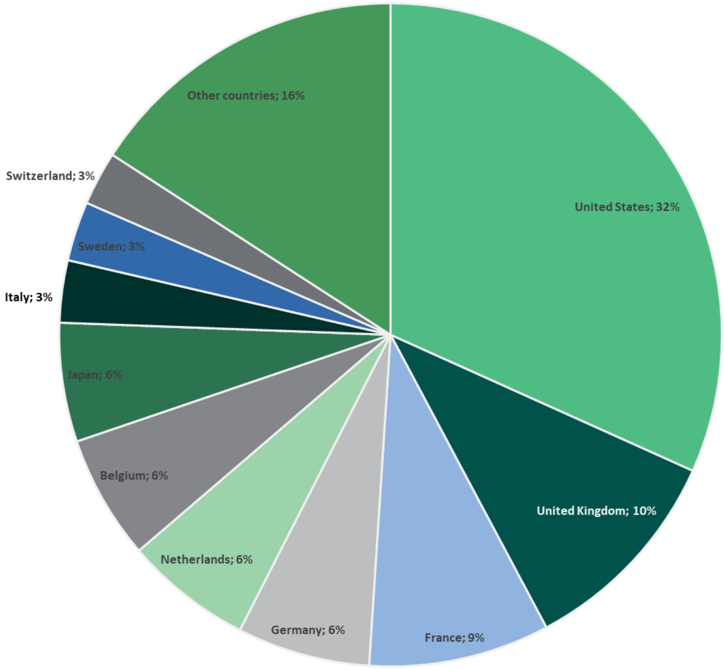
IVOX Glass Lewis GmbH (Ivox GL) assists DPAM in executing proxy instructions and in analysing the proposals of the shareholder meetings’ agendas, as referred to in the Voting Policy of DPAM.

Similarly referred to in the Voting Policy of DPAM, the materiality threshold to activate the voting instruction is such that the number of shares held in a specific company represents 0.5% of the AUM in one sub-fund and at least € 1 million. A quality check is carried out to ensure that DPAM votes in companies in which it could be relevant shareholder in terms of cumulative positions but for which all individual shareholdings are systematically below the threshold.

Our voting activity was historically concentrated essentially on the European and North American markets (United States and Canada). Since 2022, we decided to extend to the Asian continent starting with China and Japan first to reflect the increasing internationalisation of our investments. As from 2024, we plan to expand our voting coverage to encompass South Korea, Singapore, the Philippines, and India.

To reconcile the long-term interests of shareholders and the inherent cost of voting, DPAM participated in general meetings when the minimum shareholding requirement, as defined in its voting policy, was reached. The voting policy defines the materiality threshold and target markets for DPAM's voting activity (see Voting Policy). We took part in a total of **726 general and extraordinary meetings for a total of 11,250 resolutions**. This is slightly above the activity of last year, which can be explained by the surge in shareholder proposals in the US, as explained in the previous section of the report. We made our voice heard in **645 companies** mainly in Europe, followed by North America, and to a lesser extent in Japan.

**Geographical breakdown of shareholder meetings participation**




**Other countries include, among others: Hong Kong 2%, Taiwan 1%, China 0.2%**

Source: Glass Lewis, DPAM – 31.12.2023

Most of the resolutions naturally came from the management. The proposals submitted by shareholders remain in the minority (**3.6%** of the total number of resolutions on which we have expressed an opinion).

Of the **11,250 resolutions voted on, DPAM abstained in 3.53 %** of cases, illustrating our determination to express ourselves whilst giving some time to adapt to companies[1]. We **voted against in 9.68%** of cases, **slightly higher than last year**, due to the Anti-ESG shareholder proposals, as well as the new rules that we included in our voting policy in 2023, such as the minimum percentage of the required gender diversity at a board level. DPAM expects companies to have at least 1/3 of the underrepresented gender in its board of directors, unless local regulations require a higher percentage.

## 1. Thematics of unfavorable votes

Voting instructions are given in accordance with DPAM's active voting policy, adopted in February 2019, which is annually revised by the Voting Advisory Board (notably during 2023 to incorporate best practice and the latest regulatory developments) to reflect the latest regulatory developments and governance best practices.

In line with our "Active, Sustainable, Research" positioning, we have deliberately left certain agenda items to the discretion of our voting committee on a case-by-case basis to maintain our ability to critically analyse certain situations or to allow companies a certain amount of time to adapt to our commitments. Consequently, **we did not, strictly speaking, follow our voting policy guidelines in 4.7% of the total resolutions on which we voted**. These were essentially resolutions on the appointment or re-election

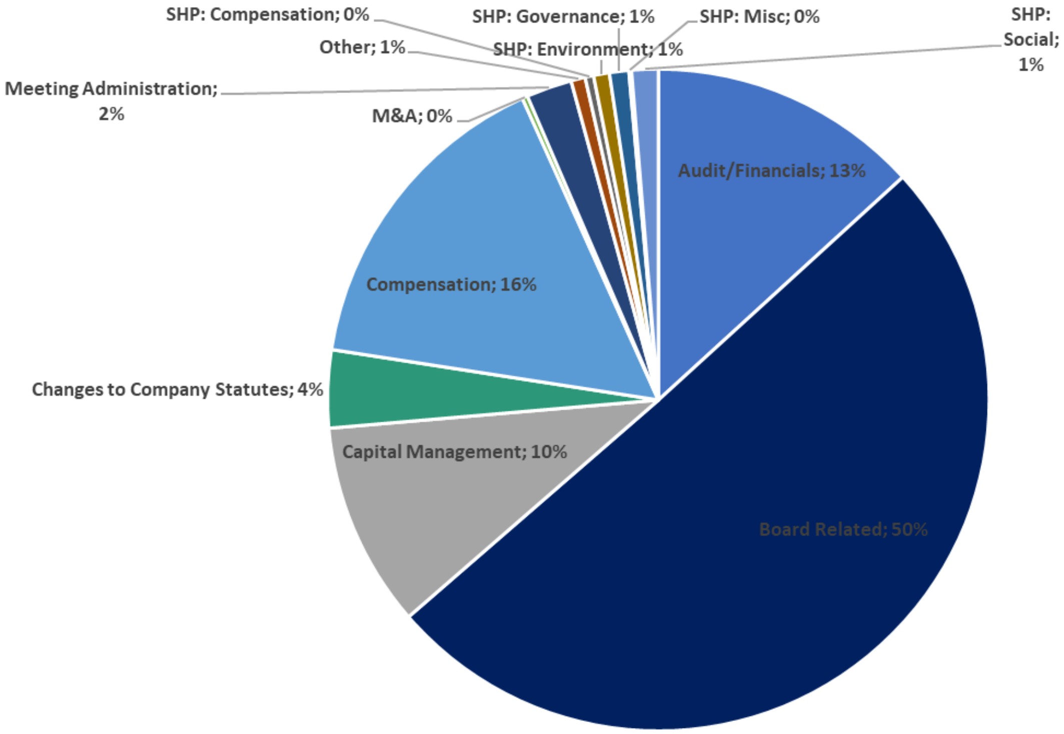
1 We typically vote « abstain » on some elections of board directors in the first year when the independency of the Board could be improved. This is part of our engagement dialogue with companies.

of directors due to the lack of independence of the boards of directors with which we entered a dialogue and to which we allowed a certain amount of time to adapt. Capital increases through the issue of new shares or convertibles or in kind are also subject to an in-depth study on a case-by-case basis, considering the specificities of the economic sector in question (common practice of listed real estate companies, for example). Another topic is the advisory vote on executive compensation as we have opted for a dialogue process during the first year to promote best practice.

Other proposals relate to shareholder proposals on governance or social topics where we did not systematically support the proposal when the company is already disclosing several reports on the topic and an additional request would be of limited added value. Finally, we also analysed on a case-by-case basis the Say on Climate proposals, considering the added value of our TCFD recommendations experience as well.

The majority of the agenda items remain very standard, and were, for example, mainly composed of items relating to the Board of Directors, audit and financial results, the remuneration of executive functions and capital management.

***Proposal breakdown by topics***




Source: Glass Lewis, DPAM – 31.12.2023

We **support management in nearly 86.94%** of cases but **voted against** their recommendations **in 9.5%** of cases. At companies where we raised concerns in 2022 on their board independence, remuneration report and policy, the compliance with one-share one-vote one-dividend standard, Say-on-climate plan and progress, CEO/Chairman separation, and in which our apprehensions were not considered in their decision-making process, we have voted against relevant agenda items in 2023.

We **support shareholders in nearly 82.72%** of cases but **voted against** their resolutions **in 14.57%** of cases. The vast majority of shareholder proposals we voted against were anti-ESG proposals.

## 2. Shareholder resolutions focus

We voted on **405 proposals** coming from shareholders i.e., **3.60%** of the total proposals on which we voted.

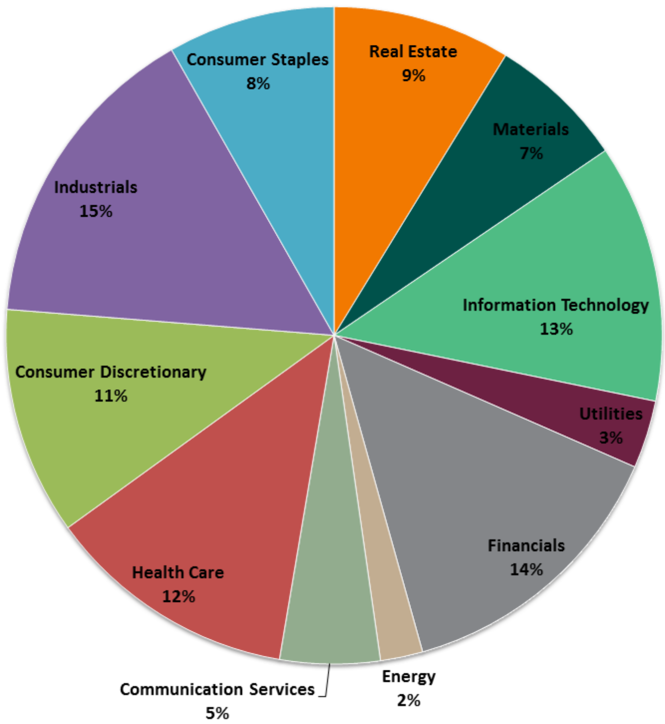
The breakdown in terms of Shareholder proposals' topics included:

- Compensation SHPs, representing 11.6% of total SHPs. We voted in favour of 74.4% of these proposals. These proposals tend to request companies to include ESG metrics in the short-term or long-term incentive plan of directors and executives. They also request the company to consider employee salary when setting executive compensation and report on the details of executive remuneration to examine the fairness of the remuneration plan and to ensure the absence of a gender or race based pay gap.
- Environment SHP, representing 21.7% of total SHPs. We voted in favour of 96.4% of these proposals. These shareholder proposals include requests to the companies to align with the Paris Agreement and net zero by 2050 or sooner and to disclose and reduce their Scope 3 emissions.
- Governance SHP, representing 26.6% of total SHPs. We voted in favour of 78.6% of these proposals. Proposals regarding an independent chair of the board of directors are very common.
- Social SHP, representing 36.5% of total SHPs. We voted in favour of 86.6% of these proposals. These proposals include requests to issue gender and racial equity audit reports and conduct independent verification of compliance with labour and human rights standards.

## 3. Breakdown of DPAM voting activity

DPAM's voting activities covered most business sectors. The five main sectors being Industrials, Financials, Information Technology, Healthcare and consumer discretionary which together cover over 65% of the companies in which we voted.

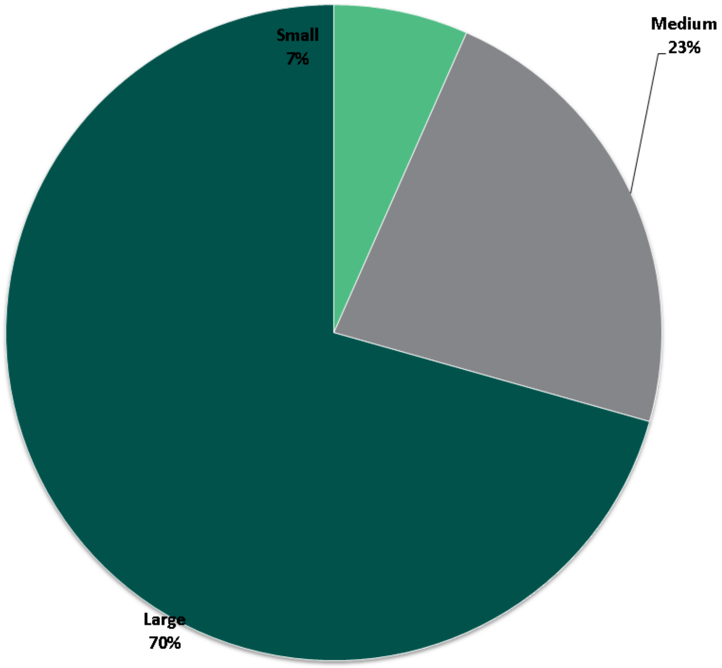
**Sector breakdown of shareholder meetings participation**




Source: Glass Lewis, DPAM – 31.12.2023

In terms of market capitalization of the companies in which DPAM holds stakes, 70% of voted companies have a large market capitalization versus 64% in 2022, an increase of 9.4%, followed by medium caps representing 23%, versus 25%, in 2022, of the voted companies, and small caps which represent 7%, versus 11%, in 2022.

**Breakdown by market capitalization of the shareholder meetings participation**




Source: Glass Lewis, DPAM – 31.12.2023

## 4. Dialogue and engagement

Commitment remained a high priority in 2023 for DPAM, whether it was collaborative, individual engagement or less formal dialogue with companies.

In 2023, DPAM has systematically engaged with all companies for which we voted “Abstain” or “Against” on the 6 topics listed below. Therefore, DPAM **increased its engagement by 122.72%** in comparison with 2022 as **399 letters were sent out to 299 companies**. We received **83 answers representing 27.76% of companies,** acknowledging shared information and the willingness to engage on the topic, or requesting further details by e-mail or call.

The transparency of our voting intentions reflects our desire to be transparent at all levels of our sustainable offer. Our commitment topics have been defined within our Voting Steering Committee to focus on key corporate governance issues. There are six of these:

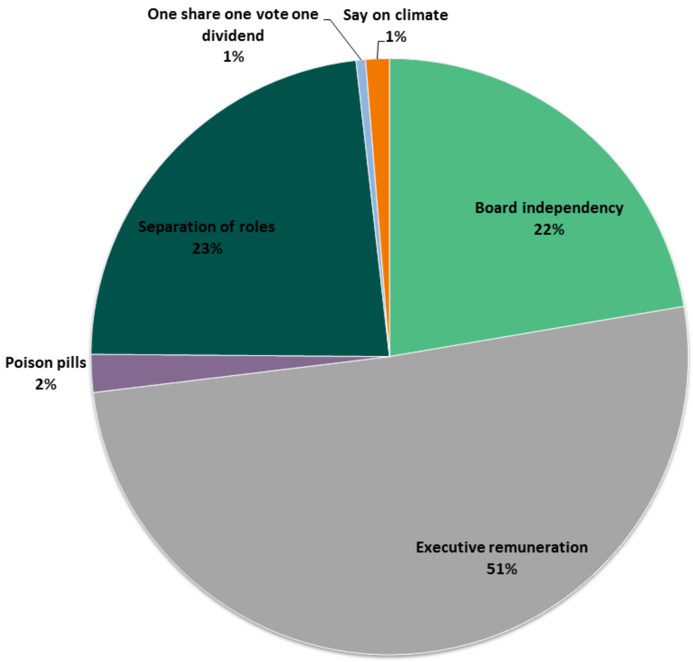
1. For technical reasons, the election or re-election of a member of the Board of Directors would not be valid due to lack of information provided by the company. DPAM then votes favourably in the first year but encourages the company to provide more information and transparency, in line with its principle of integrity and transparency of information;
2. The independence of the Board of Directors is not guaranteed due to a lack of balance between independent and non-independent members. DPAM may abstain from voting in favour and encourages the company to improve the degree of independence of its board of directors and its committees. We systematically vote against combining the roles of CEO and Chairman of the Board of Directors;
3. Anti-takeover devices (poison pills). DPAM rejects every initiative that could hinder the rights of minority shareholders;
4. Multiple voting rights: as a strong supporter of the "one share, one vote, one dividend" principle, we oppose any attempt to limit this principle.

5. Transparency of the remuneration report for executive functions, in line with best practices which require, inter alia, clear and quantified parameters for the determination of variables (performance objectives, qualitative criteria, etc.) over a medium-term horizon, a clawback clause (clawback/malus system on bonuses awarded) and specific conditions for the remuneration of board members for their non-board activities/services. DPAM may abstain from voting in favour of any initiative that could go against the shareholders' interest, such as a re-pricing option in the event of a change of control that could discourage potential acquirers from making a bid for the company.

6. Say on Climate, to share what we consider as best practices regarding policy and reporting and to assist companies to adopt those progressively.

The remuneration of executives, the separation of CEO/Chairman roles and board independence were the dominant topics of engagement.

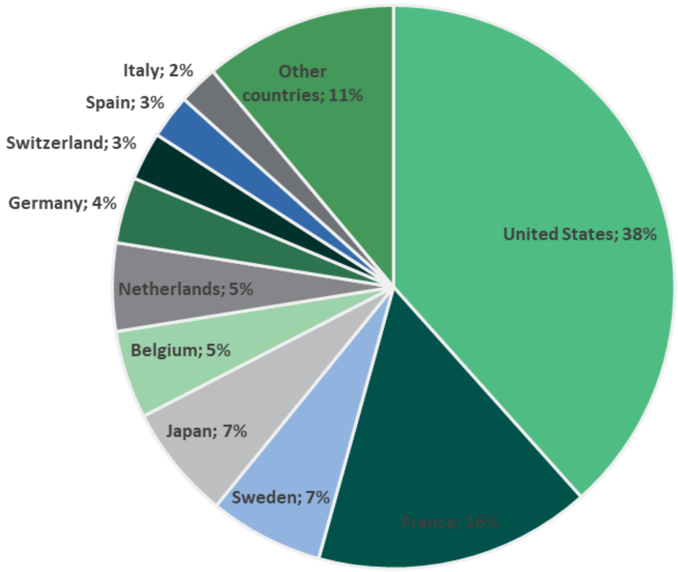
**Breakdown of engaged dialogues with companies by topic**




Source: Glass Lewis, DPAM – 31.12.2023

Similarly, at the geographical level, the dialogues we engaged on remain focused on the United States and to a lesser extent France.

**Geographical breakdown of the engaged dialogues with the companies**




Source: Glass Lewis, DPAM – 31.12.2023

# III. DPAM as a responsible player

DPAM is the asset management division wholly owned by Bank Degroof Petercam. Boasting a long track record of managing equity, fixed income and mixed as well as responsible investment funds, DPAM provides active management strategies as well as quantitative and asymmetric strategies.

DPAM, , born out of the merger between Degroof Fund Management Company and Petercam Institutional Asset Management, has reiterated its commitment to the United Nations Principles for Responsible Investment (UN PRI), which it became a signatory to 2011. The UN PRI aim to foster the integration of ESG criteria into investment management decision processes. By signing this initiative, the company committed to the adoption and implementation of the six key principles of the UN PRI, and publicly showed its high-level commitment to the integration of ESG criteria in a consistent manner by fulfilling its social role, and by contributing to the development of a longer term, sustainable investment approach.

Taking part in shareholder meetings is a tenet of our social responsibility.

It is an efficient way of showing our commitment to a more sustainable financial industry, to advocate for sustainable growth and a long-term risk management approach. General meetings are a good venue to exchange ideas between shareholders and company executives and allow well-informed investors to address specific issues in a more detailed way, or to raise pertinent questions.

By adopting this approach, DPAM advocates a vision that shows greater respect for humans and their environment in the long term. As investment horizons become constantly shorter, it is important to put the shareholder at the heart of the company as a co-owner, allowing the shareholder to place longevity above short-term profit.

Shareholder involvement, taking the form of engagement, voting at shareholder meetings and/or entering into engaged dialogue with a company are management tools that investors should fully embrace in order to better assess global risks, uphold values and best practices, and, in doing so, contribute to more sustainable companies. It is a long-term process, which, due to the snowball effect -provided it is well-structured- creates added value for companies and enhances their performance as well as the long-term viability of investments.

Hence, we believe it to be essential to include our full investment fund range in our voting policy, in order to bring together our voting rights and make our voice heard in a manner that is in line with our investment and participation levels.

# IV. Voting Advisory Board

The votes have been cast in accordance with the 2023 voting policy adopted by DPAM and DPAS, steered by its Voting Advisory Board (VAB) in March 2023.

IVOX Glass Lewis GmbH (Ivox GL) assists DPAM in executing proxy instructions and in analysing the proposals of the shareholder meetings' agendas, as referred to in the Voting Policy of DPAM.

The VAB consists of seven internal members and three external members.

The internal members were for the year 2023:

| | |
|---|---|
| **Marie Petit** | Main legal advisory, DPAM |
| **Ophélie Mortier** | Chief Sustainable Investments Officer, DPAM |
| **France Colas** | Member of the DPAS Management Board, Head of Client Services |
| **Philippe Denef** | Member of the DPAM Management Board, CIO Quantitative Equity & Asymmetric Management |
| **Peter De Coensel** | Chairman of the DPAM Management Board, CEO DPAM |
| **Tom Demaecker** | Senior Fundamental Equity Portfolio Manager |
| **Johan Van Geeteruyen** | Member of the DPAM Management Board, CIO Equities |

The three external members were invited to join the board in view of their experience and expertise in terms of corporate governance.

| | |
|---|---|
| **Katrien Vorlat** | Lawyer specialising in mergers and acquisitions |
| **Geert Maelfait** | Independent expert in corporate governance with a long-standing experience in banking and insurance |
| **Dominique Liénart** | Former secretary general of BNPP AM |

# Contact Details

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## Disclaimer

This document takes into account the requirements of the Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement, for asset managers to publicly disclose how their voting policy has been implemented, including a general description of voting behaviour, an explanation of the most significant votes and the use of the services of proxy advisors. It is not intended to be exhaustive and does not address all potential voting issues.

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This document does not constitute investment advice and does not constitute independent or objective investment research.

This document is also not an invitation to buy or sell any funds managed and/or offered by DPAM. Decisions to invest in any fund managed and/or offered by DPAM, can only be validly made on the basis of the Key Information Document, the prospectus and the latest available annual and semi-annual reports. These documents can be obtained free of charge at our dedicated website (https://www.funds.dpaminvestments.com ) and we strongly advise any investor to carefully read these documents before executing a transaction.




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