



# ODDO BHF

ASSET MANAGEMENT

## EVOLUTION OF VOTING: *a way to weigh on climate transition.*

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Over the years, Active Ownership is becoming spready practiced by investors who want to play a role in influencing the activities or behavior of investee companies. Indeed, the use of engagement actions and voting practices, is today one of the most used responsible investment strategies after the exclusionary screening. On one hand, regulation is asking for more disclosure on dialogue initiatives and stewardship activities, on the other hand, investors agree that anticipating any sustainability related risk and opportunities, will help the firm to create long-term value.

### VOTING RIGHTS AS A KEY FACTOR TO INFLUENCE COMPANIES' STRATEGY

As consequence, activism via AGM campaigns and the submission of shareholders resolutions are becoming more frequent. Investors are increasingly using their voting rights not just to approve governance practices but to challenge companies on sustainability related topics. More than ever, the AGM is also perceived as an opportunity to address questions to the company's directors and improve the dialogue between investors and investees, especially on sensitive matters. For example, during the CAC40 AGMs season 2022, more than 35 investors asked about 200 questions on various ESG thematic.

### SUSTAINABILITY IS NOW PART OF THE DEBATE

It is true that the COVID-19 crisis has also intensified the belief that ESG-related risks - like pandemics or climate change - are investment risks. The pressure that the financial ecosystem supported, raised awareness on how sustainability

is included in the company strategy and in the board level vision. Therefore, we saw an increase for sustainability related proposals and, at the same time, the voting against directors failing to resolve those issues. Linked to that, remuneration practices of executives are now in the spotlight: the legitimacy of the variable pay allocation and the inclusion of sustainability objectives are sensitive topics. As consequence, at STOXX 600 AGMs in 2021, 34% of resolutions that received more than 10% of opposing votes, concerned remuneration to executives.

### CLIMATE CHANGE IS ON THE AGENDA

However, if the "say on pay" resolution became a standard practice for years now, the concept of "say on climate" is more recent in Europe, due to pressure from stakeholders on environmental topics. Indeed, climate change priority is playing an important role in the engagement actions of investors, which are asking corporates to establish credible net zero transition plans to submit to shareholder vote. Even if it is far from being a widespread practice, companies are starting



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to report on it, and investors are appreciating that: the average shareholder support for those proposals was more than 90% in 2021.

Nevertheless, those resolutions do not always provide a level of information that would allow to have an appropriate opinion on the ambition of the firm climate strategy, suggesting frustration in shareholders feelings. A solution would be a more standardized content of the management-proposed resolutions. The regulation will probably go in that direction but, until there, the submission to vote of climate strategies remains a key tool to increase transparency and let companies publicly commit towards stakeholders.

Finally, even if the “say on climate” practice is still taking off and a common framework doesn’t exist yet, different means to take a stand are available today. Indeed, the major proxy providers consider the climate risk profile and companies’ climate strategy in the recommendation of vote, laying down a positive trajectory on the voting policies on climate.

**In conclusion, active ownership is a major pillar to engage with companies on a long term sustainable strategy. We believe that the pathway will be still long to achieve the climate transition, but the activism is one of the most powerful way to attempt it.**

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