



ODDO BHF
ASSET MANAGEMENT

2022
ENGAGEMENT REPORT

METROPOLE GESTION

CONTENTS

PREAMBLE.....	3
01 PURPOSE OF THE ENGAGEMENT REPORT.....	4
02 INDIVIDUAL ENGAGEMENT.....	5
2.1 Dialogue with companies.....	5
2.1.1 Our engagement in figures.....	5
2.1.2 Impact of dialogue with companies.....	8
2.1.3 Dialogue concerning controversies.....	11
2.2 Engagement through voting.....	13
03 COLLECTIVE ENGAGEMENT.....	17
04 CONCLUSION.....	19

PREAMBLE

In accordance with regulatory requirements, this report presents quantitative data on the implementation of the shareholder engagement policy for the period from 1 January 2022 to 31 December 2022.

The report includes statistics on dialogue, engagement and voting results at general meetings.

01

PURPOSE OF THE ENGAGEMENT REPORT

As a company committed to Responsible Value management and an ESG pioneer since 2008, we attach fundamental importance to companies' consideration of ESG criteria. We are convinced that engagement with companies fosters long-term value creation and benefits all stakeholders (shareholders, employees, customers, suppliers, etc.).

We believe that if value creation offers investors a fair return and is socially constructive, the more significant and sustainable it is. With this in mind, we engage with the companies in which we invest and encourage them to improve their non-financial practices.

METROPOLE Gestion therefore reaches out to the companies in which it invests when it identifies ESG risks or opportunities for improvement.

In concrete terms, this engagement may be an individual engagement or a collective engagement.

Individual engagement covers actions carried out directly by METROPOLE Gestion through ongoing dialogue with companies, handling controversies in accordance with our procedure when events occur that may have a significant impact on companies and their stakeholders and exercising voting rights on ESG resolutions.

Collective engagement is carried out jointly or in concert through investor groups or associations, with the aim of increasing the potential to influence companies. METROPOLE Gestion reserves the right to take part in collective actions on ESG issues whenever it deems it necessary, in the interest of investors and stakeholders.

This report describes our interactions with companies in 2022 focusing on our four pillars of non-financial analysis: Environment, Social, Governance and Stakeholders.

02

INDIVIDUAL ENGAGEMENT

2.1 DIALOGUE WITH COMPANIES

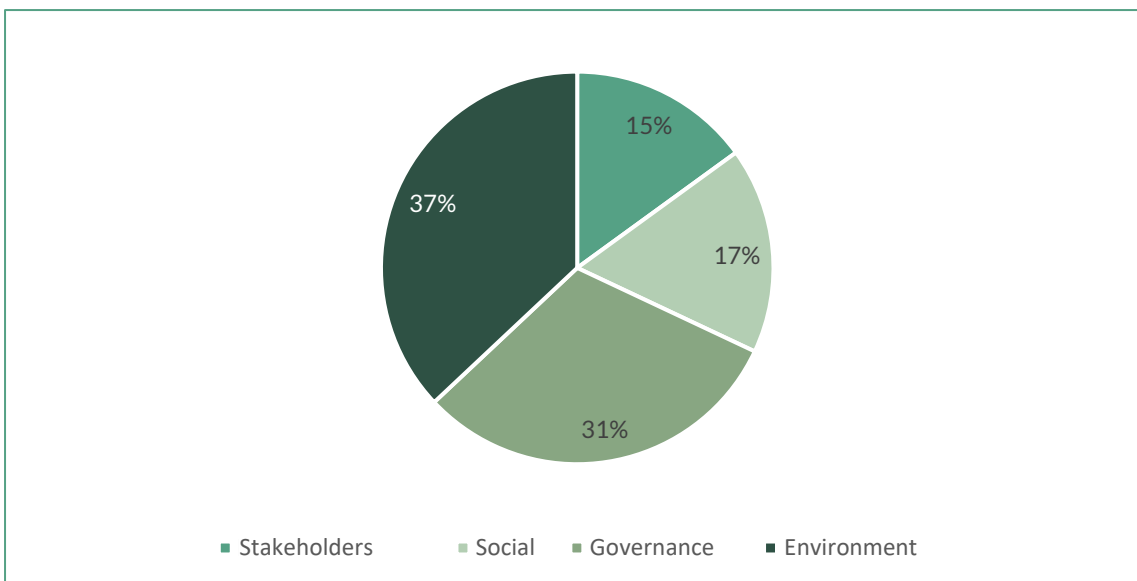
2.1.1 OUR ENGAGEMENT IN FIGURES

In 2022, we held approximately 340 interviews with companies. These interviews were scheduled with the managers responsible for sustainable development and investor relations, as well as with corporate executives.

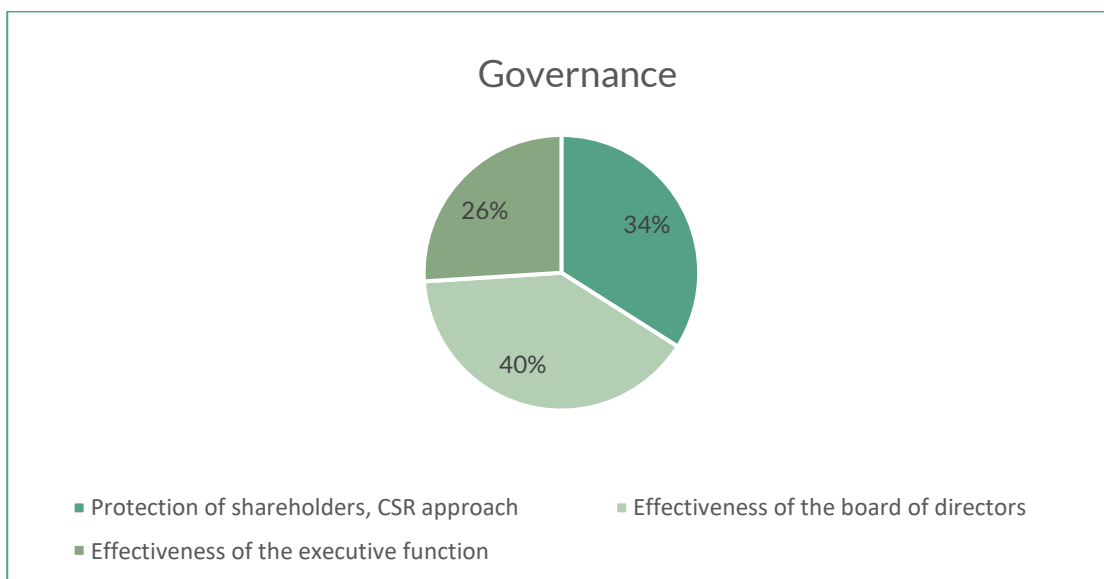
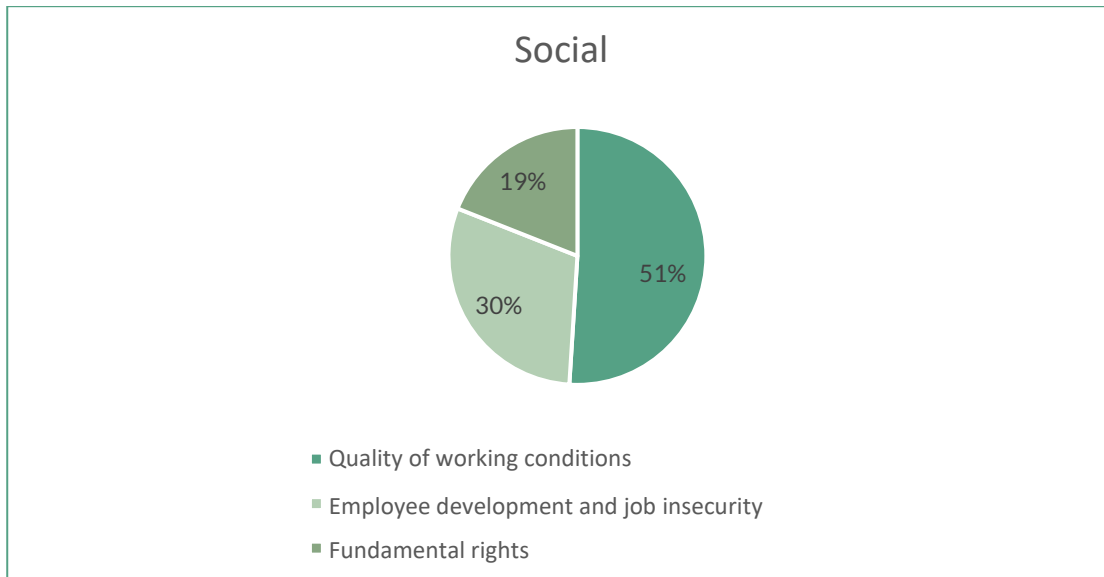
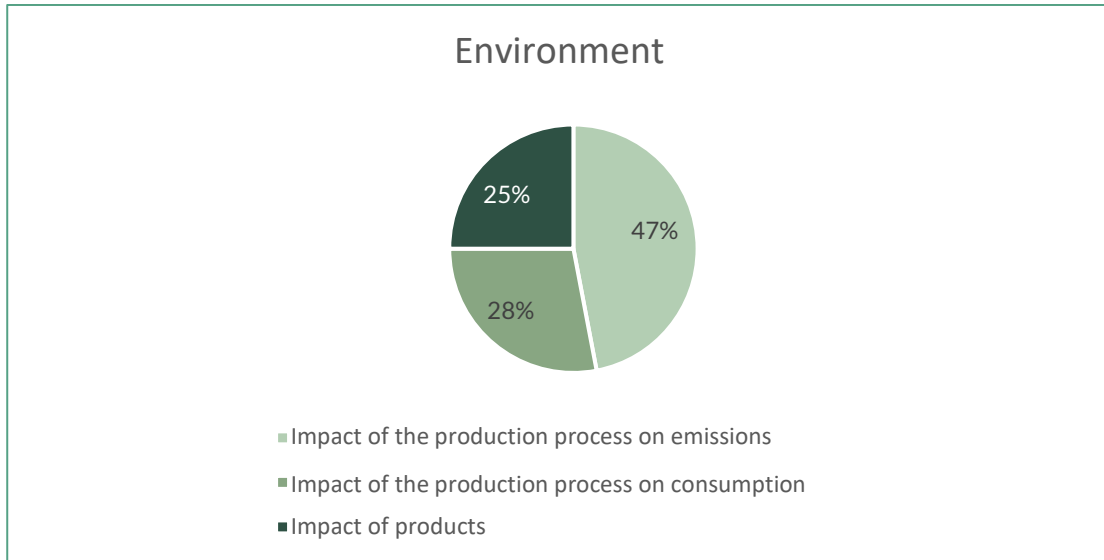
Our ESG interviews focused on issues specific to each company and each business sector. Our questions concentrated primarily on weaknesses in companies, which we identify using our in-house ESG rating model.

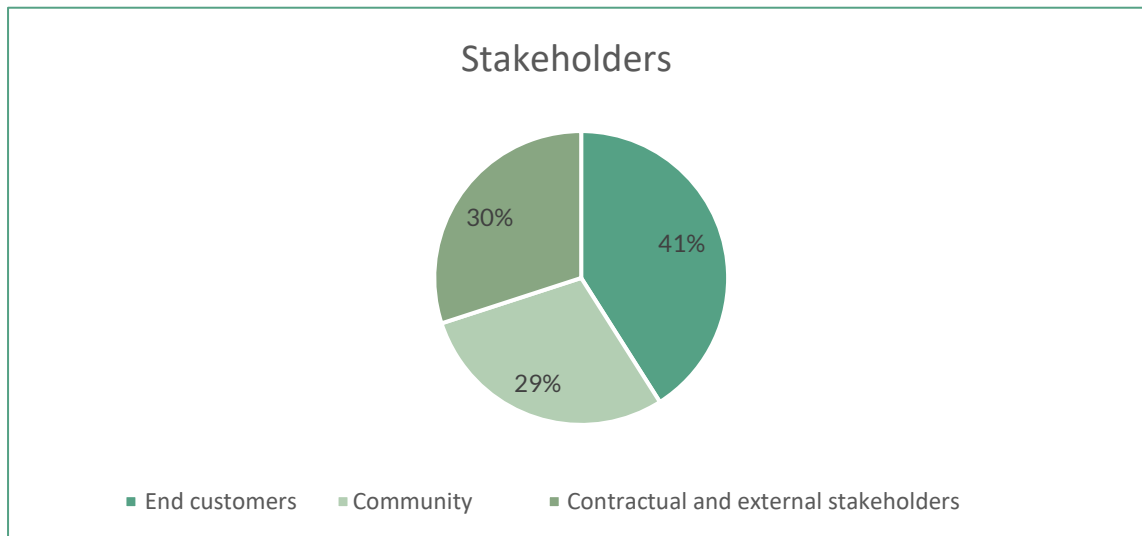
In 2022, the issues discussed with companies, by pillar and sub-pillar, broke down as follows:

Breakdown of issues addressed, by pillar:



Breakdown of issues addressed, by sub-pillar:





The environment has naturally emerged as the pillar most widely discussed in our exchanges with companies. Energy transition issues and risks and opportunities associated with climate change are one of the main challenges facing companies in the coming decade, and all companies are deploying strategies to adapt to the major transformations underway. It accounted for 37% of the topics discussed and even more of the time devoted to interviews, due to complexity of these topics.

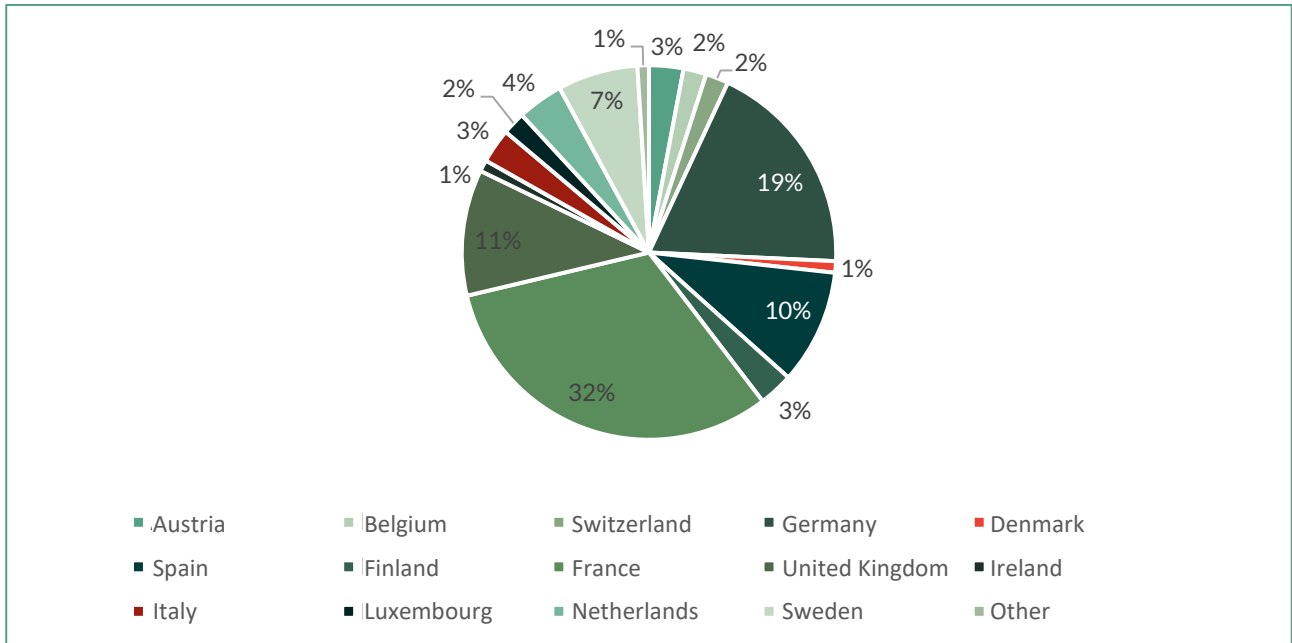
Due to its fundamental importance, governance was the second most discussed pillar. It covers the whole range of organisational aspects relevant to corporate management. This pillar, which is the cornerstone of each company's specific operational process, was the subject of the largest number of resolutions submitted for shareholder approval at general meetings. It accounted for 31% of the topics discussed, but certainly less in terms of the time devoted thereto in interviews because much of the information is fairly standardised due to regulatory requirements and much information is already available.

The Social pillar, which is also highly regulated in Western countries, results in few violations and generates less discussion. However, dialogue is initiated whenever controversies arise regarding the quality of working conditions and especially if fundamental rights do not seem to be respected. We are particularly vigilant on these issues during our interviews with companies that do business in geographical areas where labour rights are less well protected, or with industrial companies that have greater exposure to safety risks. This pillar accounted for 17% of the topics covered in 2022.

Finally, the Stakeholders pillar, which includes the spectrum of relationships between the company, its customers, suppliers, public authorities and civil society in general, concerns issues that are often external to companies, which they may find more difficult to grasp. Nevertheless, 15% of the topics discovered related to these issues. We also systematically engage in dialogue with companies when major controversies arise (see section 2.1.3 "Dialogue concerning controversies").

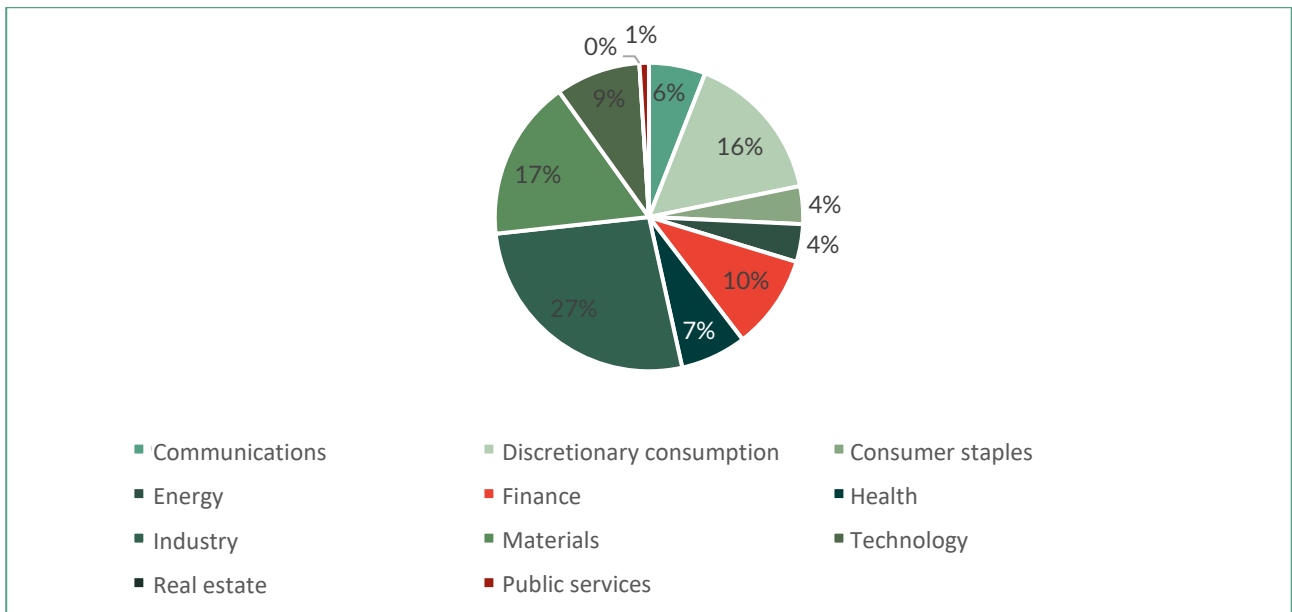
We held interviews with companies in many different countries:

Breakdown of companies, by country:



With respect to sectors, our interviews broke down as follows:

Breakdown of companies, by sector:



2.1.2 IMPACT OF DIALOGUE WITH COMPANIES

In line with our ESG approach, our dialogue with companies provides an opportunity to discuss and influence the Environmental, Social, Governance and Stakeholder aspects of companies’ business. For each pillar, we have therefore identified the most significant effects of our engagement with companies.

Due to the importance of issues related to the energy transition and climate change, the Environment pillar was the topic that we discussed most extensively with issuers in 2022. Moreover, 2022 was marked by the energy crisis in Europe, which underlined the need to complete the energy transition quickly, in order to achieve energy independence and to avoid increasing our reliance on coal-fired power stations, as was the case. From this point of view, 2022 validated our approach based on dialogue with companies with a significant environmental footprint, rather than systematically excluding them in defiance of industrial and environmental realities.

As a result of this ongoing dialogue with companies, we can now state that all European companies are implementing strategies to respond to these fundamental challenges, whereas this was not the case a few years ago. Our role is therefore no longer to alert companies to the need to deploy these strategies, but to ensure that they adopt ambitious objectives, based on credible tools.

In a context of high commodity volatility, we have therefore continued our dialogue with oil companies to ensure they maintain or increase their ambitions. In 2022, some improvements were made to their respective plans, but at a slower pace, as these groups are now in the implementation phase of the plans defined in 2020 and 2021. However, we are disappointed that no scientific model has emerged from the discussions between these companies and the Science Based Target initiative (SBTi), leaving the oil sector without any objective methodological validation of its objectives. On the other hand, certain oil companies, such as TotalEnergies or Repsol, are being more transparent vis-à-vis their shareholders and are submitting their objectives and monitoring to a shareholder vote.

These players are now aware not only of the role they must play in the energy transition, but also of the opportunities that this represents. However, accelerating the deployment of their energy transition strategy will require greater political and regulatory clarity.

On this regulatory aspect, European steel producers and other major CO₂ emitters welcome the progress made on the Carbon Border Adjustment Mechanism. This mechanism, which aims to levy the cost of CO₂ on imports of non-European origin, should restore the competitiveness of European players whose sales prices already include the cost of CO₂. Our dialogue with steel producers confirms that, in addition, they are quite active and are investing massively to adapt their industrial tools to the energy transition. For example, ArcelorMittal has invested heavily in using hydrogen to heat its blast furnaces and in converting a portion of its steel production from blast furnaces to electric arc furnaces. These investments will permit the company to reduce its emissions and its need for CO₂ certificates at the same time, thus illustrating the economic benefits of sustainable production methods. Similarly, the Swedish steel producer SSAB plans to produce steel without using any fossil fuels from 2026 thanks to the joint investments made with the mining group LKAB and the energy company Vattenfall. The development of this technology illustrates that all links in the value chain must be involved in developing sustainable solutions.

With this in mind, steel producers and other high emitters, such as cement companies, are working in partnership with various energy services groups to deploy carbon capture and storage solutions on an industrial scale. In general, these projects are heavily subsidised by the public authorities in order to stimulate the transformation of these ecosystems.

Lastly, although attention is naturally focused on the players with the greatest environmental impact, all business sectors are faced with the imperative to propose more sustainable solutions. SAP, the world leader in resource management software, has developed services dedicated to environmental resource management issues. MetsoOutotec, a Finnish mining equipment manufacturer, is redesigning its product offering so that, by 2030, 80% of its equipment will support sustainable solutions, compared to only 15% today.

These examples illustrate the extent to which the energy transition constitutes a revolution for all players in the economy, which generates risks for those who fail to take this path and creates opportunities for those who adapt to it. True to our philosophy of ongoing and constructive engagement, we will continue our dialogue with all companies in order to better understand their challenges and opportunities and to encourage them to improve their practices.

Governance, the second most frequently discussed pillar during our interviews, is the cornerstone of any policy implemented within a company. Through the quantitative and qualitative resources companies devote to governance, they establish their credibility and effectiveness, both internally and externally. CSR policy is no exception to this rule.

In recent years, our engagement in this area has primarily consisted of encouraging companies to take non-financial criteria into account in the remuneration of their executives. Several years later, very few companies have failed to

take this step, including among small-cap companies. Despite having fewer resources, small caps are increasingly publishing ESG performance indicators, a prerequisite for incorporating them into the remuneration of the teams. We naturally encourage companies to increase the weight of these criteria in their remuneration schemes so they become increasingly important. We therefore welcome the fact that over 30% of the remuneration of TotalEnergies' executives now depends on energy transition and employee safety issues. Our engagement on this aspect now focuses on the nature of the indicators taken into account, not only to ensure they are relevant, but also that they create genuine incentives.

Similarly, we believe it is important that these criteria be incorporated into the remuneration schemes of as many companies as possible, such as Axa, where 7,000 employees have a portion of their remuneration indexed to non-financial criteria. This is a fundamental tool for making operational teams aware of all aspects of their activity and ensuring they assimilate these issues through established objectives.

As stated above, CSR will play an increasingly important role in companies' strategic priorities, especially if it depends on their management and involves broader functions. A growing number of companies is redesigning their governance structure accordingly and placing these challenges under the responsibility of their executive and non-executive officers. Some companies are going further by creating a dedicated position within management, such as Kering, which has appointed a climate advisor to its board of directors. Similarly, we generally observe that companies' CSR teams are no longer limited to reporting on work carried out, but are fully integrated into the definition of their strategy.

On Social issues, we focus on two fundamental aspects of a responsible approach: safety and the elimination of all forms of discrimination.

We conducted an in-depth dialogue with ArcelorMittal after observing that the number of fatal accidents had increased compared to previous years. There were 29 fatal accidents in the group in 2021, 16 in steel activities and 13 in mining activities. This compares with 21 fatal accidents in 2019 and 17 in 2020. However, safety is a priority for the group, which is well aware of this negative trend and intends to remedy it with the ultimate goal of achieving zero fatal accidents in these activities. To this end, the Global Health & Safety Council (GHSC) has been reconfigured and placed under the responsibility of the CEO of ArcelorMittal South America, and now reports directly to the group's CEO. A new safety plan has been put in place, with an increased focus on accident prevention and greater sharing of best practices among the different regions. In addition, safety criteria have been incorporated into the non-financial indicators that condition executive remuneration.

The accident frequency rate per million hours worked also deteriorated from 0.61 in 2020 to 0.79 in 2021. However, on this point, it is interesting to adopt a longer historical perspective in order to see the progress that has been made in this area. In 2007, this accident frequency rate was 3.1 accidents per million hours worked. Although our ambition is to entirely eliminate the number of accidents, this improvement illustrates the benefits of the dialogue that we have conducted with issuers since 2008.

On the issue of discrimination, we encourage companies to promote equal opportunities and gender balance and, in particular, to appoint women to managerial positions. In particular, we have engaged in dialogue with the Finnish mining equipment manufacturer MetsoOutotec, which lags behind in disclosing information on this subject, as it does not provide figures on the share of women managers in the group. We are pleased that, at the conclusion of our discussions, the company committed to publishing the statistics for 2022 in 2023. On the other hand, the group has analysed the gender pay gap in over 50 countries. Although no incoherent disparities were revealed in many countries, the group has made a €2.2 million adjustment to address unjustified discrepancies in the case of around 500 persons in some 20 countries.

Finally, we would like to highlight our dialogue with Kering, where women hold more than half of management positions. The French luxury group is currently working on setting up a social P&L statement to assess not only the costs and benefits of its social policies, but also those of its suppliers in order to have a complete assessment of the cost of its products. Kering, which was already a pioneer with the launch of its environmental P&L statement in 2015, continues to contribute to the advancement of ESG best practices.

Lastly, with regard to stakeholders, we systematically discuss the risks, opportunities and resources implemented by companies in relation to issues in connection with their value chain in order to assess their degree of control over these externalities. In this respect, we are seeing a genuine paradigm shift in companies' supply chains. After decades

of fragmentation and globalisation of value chains, companies have recently begun reconsidering their approach for several reasons.

Firstly, any controversy resulting from the poor practices of a supplier would generate high reputation risk for companies. It is therefore essential that they involve their supply chain in adopting best practices by including the subcontractors of their own suppliers. An increasing number of companies is using the services of Ecovadis, which specialises in assessing the social and environmental practices of global supply chains, and auditing all their suppliers.

In addition, implementing companies' energy transition plans also involves redesigning products, production processes and, therefore, supply chains. This work is particularly effective if it is designed in partnership with suppliers, while taking into account the reality of customer needs. As a result, in most industries, there is closer collaboration between the various links in the value chains.

Beyond ESG considerations, the value chain distortions observed in the aftermath of the pandemic have highlighted the fragility of fragmented and globalised supply chains. Therefore, many industrial companies, such as Signify and Schneider Electric, have chosen to abandon the production model radiating from emerging countries to the rest of the world in favour of a more regional production model with shorter supply chains. This development is also the result of production cost differentials that have narrowed due to rising living standards in emerging markets.

Finally, 2022, which was also marked by Russia's invasion of Ukraine, reinforced this tendency as the energy crisis highlighted the geopolitical risks companies face in managing their operations.

2.1.3 DIALOGUE CONCERNING CONTROVERSIES

The term "controversy" may include allegations or disputes that affect companies, as well as any type of event that impacts their reputation and legal security, whether they occur within the company, or concern its stakeholders or the environment.

Because investors receive a constant flow of information, and to avoid relying on unproven facts, our approach for many years has been to scrupulously analyse each controversy, applying a detailed assessment process.

Each week, the management team analyses the alerts triggered by our internal tool. Based on Eikon, this tool lists all press articles that report potential controversies involving the stocks in the portfolio. These alerts are presented at the weekly management committee meeting and analysed by the management team, which assesses their relevance according to our internal analysis grid and decides on any follow-up action to be taken.

Controversies considered major, include, without limitation:

- collusion;
- health and environmental scandals;
- behaviour contrary to human rights;
- corruption scandals.

Controversies with a high or very high level of risk systematically lead to a dialogue with the company. Controversies are monitored during subsequent interviews on ESG issues.

In 2022 we analysed 99 alerts involving our portfolios. Of these, 94 proved minor and five were classified as major controversies.

The five companies affected by these major controversies are Saint-Gobain, Repsol, Sanofi, GlaxoSmithKline and Philips, with whom we held specific interviews in 2022.

❖ Saint-Gobain

In January 2022, we continued our dialogue with Saint-Gobain, which we started in December 2020, regarding the Grenfell Tower in the suburbs of London that caught fire in June 2017, killing 72 people. The initial investigation

report published in October 2019 concluded that the external cladding, consisting of insulation materials supplied by Arconic, Kingspan and Celotex (a Saint-Gobain subsidiary acquired in September 2012), was primarily responsible for the rapid spread of the fire. Celotex supplied most of the insulating foam for the outer panels. At this stage, a parliamentary inquiry is under way. It is likely to result in judicial proceedings and a criminal and/or civil trial.

Pending the findings of the investigation, the UK Housing Secretary issued a statement in January 2022 accusing all construction industry players of failing to act responsibly and claiming they were collectively responsible for the Grenfell Tower fire. He therefore called on construction industry players to contribute to a £9bn resolution fund to make repairs on all medium-sized buildings (between 11 and 18 metres high) and buildings over 18 metres high that had the same defects. Saint-Gobain, which generates less than 10% of its turnover in the UK, is only concerned via its subsidiary Celotex, which accounts for only 0.2% of the group's turnover. Moreover, the product at issue represented less than £60m in total revenues, which would surely be the maximum cost that could be claimed if this product had to be replaced in the façades of all buildings. This is unlikely as this product complies with the laws in force.

Saint-Gobain points out that in the case of Grenfell Tower it was not the foam that was directly implicated but its association with an unsuitable frame. It contends that Celotex foam meets the standards in force but is not compatible with the aluminium cladding structure supplied by Kingspan. Saint-Gobain has not booked any provisions for this tragedy.

❖ Repsol

On 15 January 2022, while the tanker Mare Doricum was unloading its cargo of crude oil at Terminal 2 of the La Pampilla refinery in Peru operated by Repsol, an abnormal movement occurred that broke the pipeline and the receiver and caused 12,000 barrels of oil to leak into the ocean. Repsol had initially claimed that a tsunami caused by a volcanic eruption in the Tonga Islands was responsible for the movement that caused the accident. Repsol subsequently blamed the tanker, stating that the vessel had moved, which the shipowner denies. The investigation by the authorities to determine the causes and potential liability is still ongoing.

Repsol immediately put in place a remediation plan to recover oil, clean up the soiled coastlines and compensate communities impacted by this environmental disaster. Repsol has set up a dedicated website to monitor the progress of these actions. <https://compromisorepsol.pe/en/>

In May 2022, the Peruvian National Institute for the Defense of Competition and Protection of Intellectual Property (INDECOPI) filed a civil complaint against Repsol and its local subsidiaries, the insurer Mapfre, the shipowner Transtotal Maritima, and the ship operator Fratelli d'amico Armatori. A total of \$4.5bn is being claimed, \$3bn for property damage and \$1.5bn for economic losses sustained by the stakeholders impacted by the oil spill. On 23 August 2022, this claim was held justiciable by a trial court in Peru.

This accident is not comparable to the Macondo disaster that affected BP in the Gulf of Mexico because 12,000 barrels of oil were spilled into the sea, compared to 4.9m barrels when the Deepwater Horizon platform exploded. At this stage, liability for the oil spill has not yet been established. The investigation is ongoing. In any event, Repsol has been highly responsive and very quickly implemented a recovery plan that cleaned the coastline, safeguarded wildlife and provided support to the communities affected. Most of the oil has been recovered. The first step of the cleaning plan has been completed. The company is in discussion with the authorities to continue the environmental rehabilitation initiatives. Legal action is underway. The potential financial penalty is unlikely to weaken Repsol. The risk is assessed as medium.

❖ Sanofi and GlaxoSmithKline

Sanofi and GlaxoSmith are the subject of a dispute concerning Zantac, a heartburn drug whose use has been linked to cases of cancer. In 2019, the Food and Drug Administration (FDA) informed patients and health professionals that a contaminant known as N-nitrosodimethylamine (NDMA), which is suspected to be carcinogenic in humans, had been found in samples of ranitidine (Zantac and its generics). The FDA asked for the product to be recalled in

2019-2020 after finding that the drug contained a carcinogenic substance when it decomposed with time and heat. This drug has been marketed for 37 years by various laboratories, making it more difficult to assess the respective liability. Zantac is a drug that was marketed by GSK in prescription form between 1983 and 1997, and then in OTC form, until 2020, by Pfizer and then Boehringer Ingelheim, and by GSK-Haleon and Sanofi from 2017 to 2020.

In parallel with the FDA's investigation, numerous lawsuits claiming bodily injury have been filed, as well as several class actions alleging that Zantac® caused various cancers and claiming damages for bodily injury and economic losses. These claims include several thousand individual plaintiffs who have all filed lawsuits in the United States. Other actions are likely to be filed. At this stage, it is not possible to make a reliable assessment of the outcome of these actions or their potential financial impact on Sanofi and GSK. This is therefore a high-risk controversy. However, a federal judgment denied the complaints of a group of 5,000 patients, holding that they lacked sufficient scientific basis.

❖ Philips

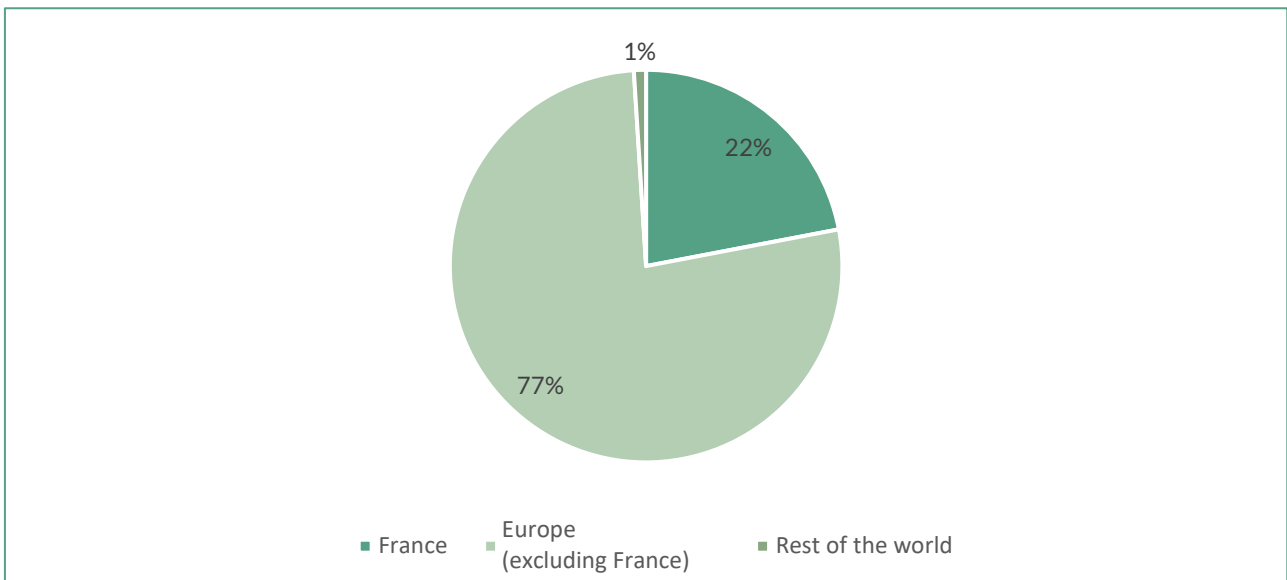
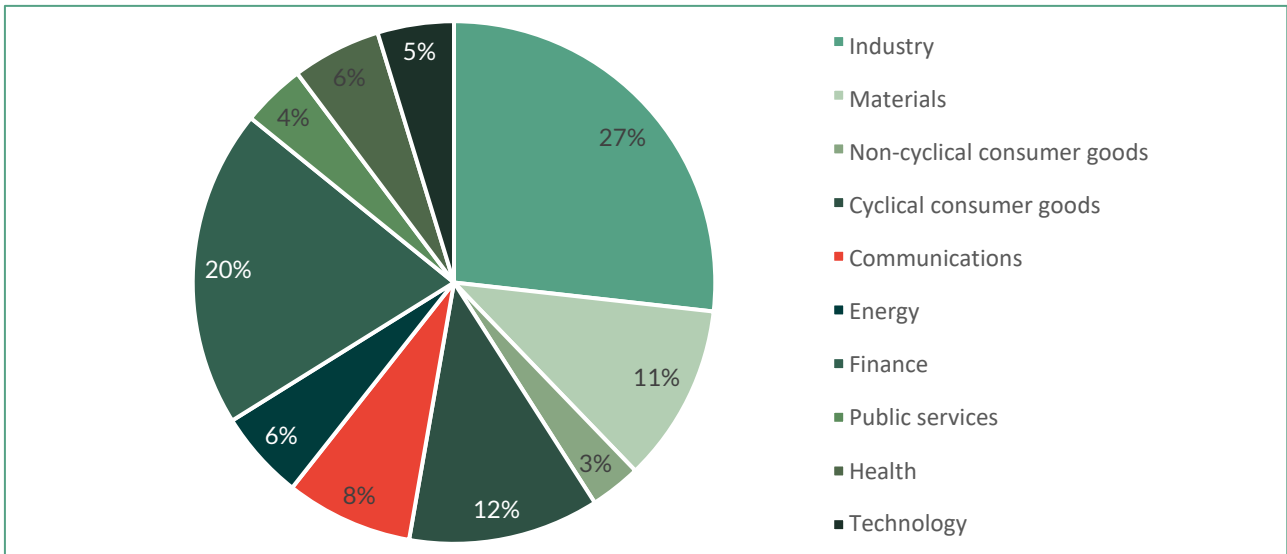
In 2021, the group had disclosed a quality defect in the polyurethane foam used in some respirators and sleep aids of its Dreamstation product line. The foam may degrade under certain use and maintenance conditions and particles may be dispersed into these devices and into the respiratory tract of patients. At this stage, no deaths have been reported, but a number of patients and business partners have initiated legal proceedings, whose risk the company is unable to estimate. An analysis of this controversy identified a high risk, which led us to engage with the company in September 2021 and again in 2022. As Philips has been slow to propose a credible exit strategy in connection with its campaign to recall the respirators, which concerns over 5 million devices and whose number has continued to grow, we sold our position in November 2022.

2.2 ENGAGEMENT THROUGH VOTING

Our individual engagement is also expressed by casting votes at companies' general meetings. METROPOLE Gestion believes that the effective exercise of voting rights is an essential component of the relationship between a company and its shareholders. Accordingly, METROPOLE Gestion exercises its voting rights in all the companies whose securities are held in its portfolio, in accordance with its voting policy. As a signatory to the United Nations Principles for Responsible Investment (UN PRI), we ensure that our voting policy fully complies with the environmental, social and governance criteria set out in our Transparency Code.

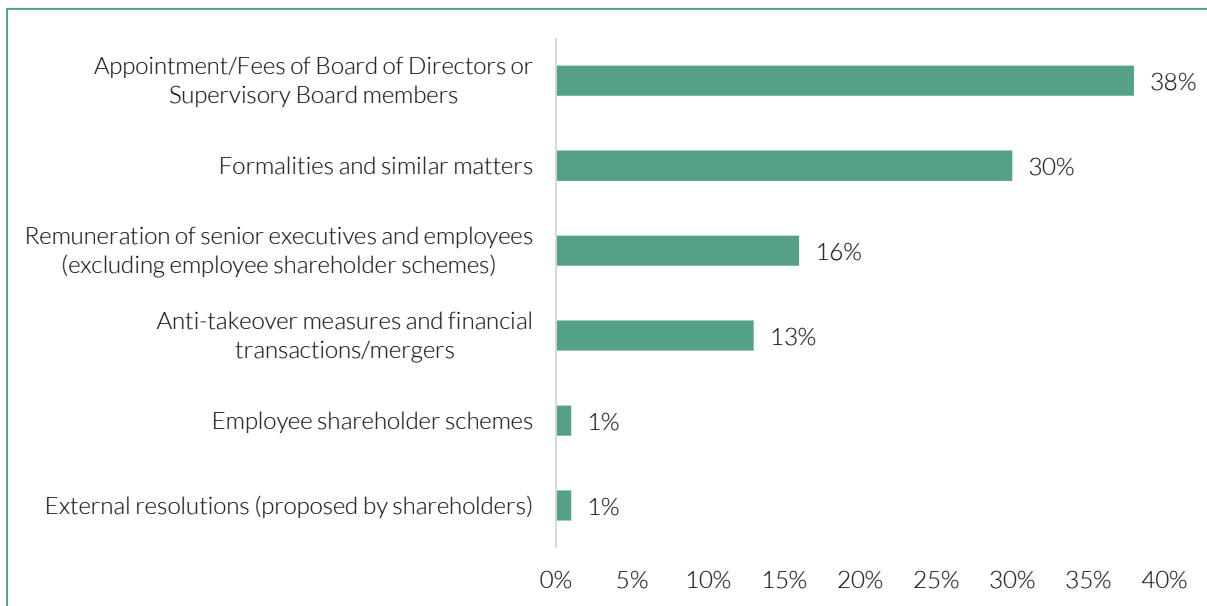
In 2022, the management company exercised its voting rights at **127** general meetings out of **129**, i.e. a participation rate of 98.4%.

The general meetings in which we took part break down as follows:



The main matters to be voted on at the general meetings at which we exercised our voting rights in 2022 were the composition of boards of directors (38% of resolutions voted on), formalities and similar matters (30%), executive remuneration (16%) and resolutions relating to financial transactions or mergers (13%).

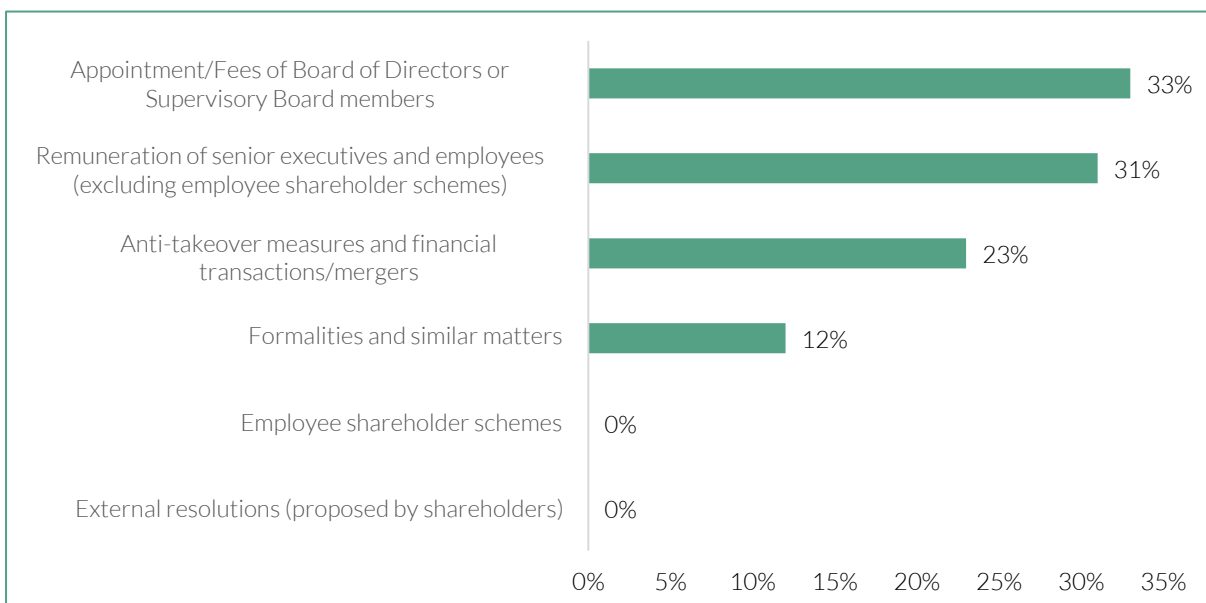
Breakdown of resolutions voted on, by matter:



Our engagement with companies requires us to oppose resolutions that we deem to be inconsistent with best practice or with our clients’ best interests. This opposition is in the form of votes “against” resolutions proposed by the issuing company’s management board or board of directors, and votes “for” resolutions that are not supported by the board of directors.

In 2022, METROPOLE Gestion, acting on behalf of the UCITS and AIF under management, cast dissenting votes on 240 different resolutions (10% of the total number of resolutions on which it voted) at 79 different general meetings, i.e. 62.9% of general meetings in which we took part.

Our dissenting votes were cast on the following matters:



Resolutions concerning the board of directors or supervisory board accounted for the bulk of our dissenting votes in 2022. They were up sharply compared with 2021 (24%). In 2022, in accordance with our engagement policy,

which aims for a high degree of independence of the board of directors and its committees, we voted in favour, for example, of a resolution not supported by the board of directors of Ipsos. In order to improve governance, we voted with a shareholder group representing 3.95% of the company's capital in favour of the appointment of a new independent member of the board of directors.

Resolutions concerning the remuneration of executives and employees (excluding employee shareholder schemes) have increased steadily: in 2022 we voted against 31% of such resolutions, compared to 30% in 2021 and 27% in 2020. For example, we voted against the new remuneration policy for the CEO of AXA, which was put to a vote by the shareholders. The award criteria for the proposed variable remuneration lacked transparency, both with regard to the short-term bonus and with regard to the long-term incentive plan.

Resolutions concerning financial transactions or mergers were the third main reason for dissenting votes in 2022, with 23% of resolutions, down compared to 2021 (28%). For example, at the general meeting of Informa, we voted against a resolution to approve a capital increase with subscription rights that exceeded the threshold of 50% of the existing capital. Our voting policy provides that a capital increase above this threshold should be justified by specific, formally explained circumstances.

Dissenting votes in the “formalities and similar matters” category are often prompted by our desire to ensure the independence of the statutory auditors, with a limit of 12 years on the maximum duration of consecutive terms of office. In line with this policy, we voted, for example, against the renewal of the statutory auditors' contract at Autoliv's general meeting.

In terms of ESG pillars, most of the resolutions submitted to shareholders' votes at the general meetings in which we participated concerned governance issues. Few resolutions on environmental and social issues are submitted to the shareholders. They accounted for 2.6% of resolutions, compared to a level of less than 2% in 2020 and 2021.

METROPOLE Gestion is generally in favour of resolutions put to a vote on ESG issues, as it considers that it is essential for companies to integrate environmental and social issues into their growth strategy, in the same way as economic issues.

As resolutions on climate and the energy and ecological transition put to a vote of the shareholders are still few, we also address these issues through our engagement policy, which focuses on:

- individual engagement with companies (dialogue and exercise of voting rights on ESG resolutions)
- collective engagement: since 2020, METROPOLE Gestion has been involved in the CDP's Non-Disclosure Campaign, which aims to improve the transparency of climate change-related information provided by companies, and in the “CDP SBT campaign”, which calls on companies to adopt CO2 emission reduction targets approved by the SBTi. Through the Climate Action 100+ initiative, we are committed to decarbonising players in the cement industry.

03

COLLECTIVE ENGAGEMENT

As a signatory to the CDP, METROPOLE Gestion has been involved in the Non-Disclosure Campaign since 2019. This collective engagement campaign targets companies that do not respond to the CDP's information requests, with the aim of improving the transparency of climate change-related information provided by companies. In this regard, the questionnaires submitted by the CDP follow the recommendations of the Task Force on Climate related Financial Disclosures (TCFD). This data provided to the CDP is essential to measure the impact of corporate activities on climate change in a comprehensive and consistent manner, as well as to understand the effectiveness of measures taken by companies to mitigate them.

During the 2021 campaign, we targeted 13 companies on issues covered by the CDP, i.e. climate change, forests and water. The share of companies that responded to this campaign was 31%. We naturally aim to further convince issuers of the merits of our requests, although we consider this response rate to have been satisfactory.

In 2022, the response rate increased to 45%, and we received responses from the following 19 issuers targeted:

Companies	Sectors	Engagement
BP	Energy	Forests and water
Repsol	Energy	Water
Autogrill	Discretionary consumption	Climate
Bouygues	Industry	Water
Andritz	Industry	Climate and water
Alstom	Industry	Water
BMW	Industry	Water
Beneteau	Industry	Climate
Constructiones & Auxiliar de Ferrocarriles	Industry	Climate
Sandvik	Industry	Water
Valeo	Industry	Water
Aperam	Materials	Water
ArcelorMittal	Materials	Forests
Buzzi Unicem	Materials	Climate and water
Covestro	Materials	Water
SSAB	Materials	Water
Saint-Gobain	Materials	Forests
Wienerberger	Materials	Climate
ING Group	Finance	Climate

In connection with the CDP, we have also partnered with the CDP Science Based Targets initiative (SBTi), which is based on the same principle of bringing investors together to call on targeted companies to adopt scientifically validated targets for reducing their CO2 emissions. Through this new campaign we can encourage companies to

decarbonise their activities and to align themselves with the second trajectory of the Paris Climate Agreement. During the 2021-22 campaign, 306 European companies were targeted, of which 25% joined the SBTi.

Lastly, in 2022, we continued our engagement within Climate Action 100+ and engaged in dialogue with Heidelberg Materials alongside other investors. The cement sector, which alone emits around 7% of the planet's greenhouse gas emissions, is highly exposed to climate-related issues. As an industry leader, Heidelberg Materials has a role to play in decarbonising this industry, both by reducing its own emissions and through its ability to establish new standards within the sector. Although we have already engaged individually with the group, our engagement through an institution as well-regarded as the Climate Action 100+ provides us with additional tools to encourage the company to improve its practices.

At its capital market day in May 2022, Heidelberg Materials announced new goals, which we welcome. The company now aims to reduce its CO₂ emissions to 400kg of CO₂ per tonne of cement produced by 2030 (vs. 500 kg/t CO₂ previously), an ambitious target compared to 565kg per tonne emitted in 2021 and 750kg per tonne emitted in 1990. The company is also committed to generating 50% of its revenues from sustainable products by 2030. This progress is only a first step, but it lays a solid foundation for the company to be able to achieve carbon neutrality by 2050.

Below are the main topics on which we engaged with the company during the year:

- Scope 3 emissions reporting.
- The possibility of absolute emission reduction targets (vs. current intensity targets).
- Putting the climate strategy to a vote of the shareholders at the general meeting.
- Emissions reduction initiatives through carbon capture and storage.

04

CONCLUSION

If the Covid-19 pandemic accelerated awareness of ESG issues and encouraged companies to commit to a new paradigm, what can be said 2022? Russia's invasion of Ukraine and the sanctions imposed in retaliation triggered a major energy crisis in Europe with significant repercussions on global markets. Energy independence issues add further urgency to the need to complete the energy transition. This is evidenced by the massive investment plans announced by various governments, which are abandoning the taboo of subsidies to support the development and/or onshoring of many activities. Companies are not standing still and have also accelerated the level of their investments, despite the political and regulatory uncertainties that hang over this transformation.

We consider that recent events and their consequences lend credence to our approach to shareholder engagement based on helping companies to improve their practices rather than on excluding so-called harmful industries. We will therefore continue our dialogue with issuers to encourage them to improve their practices and will continue to focus on those with the best relative performances within their business sector. Engaging in dialogue with companies in order to better understand the ESG risks and opportunities they face has seemed essential to us since our initial venture into Responsible Value investing in 2008. We are pleased that this dialogue is now seen as an imperative by many, as these risks and opportunities are an integral part of companies' strategic developments. Obviously, companies that make this shift will have clear competitive advantages that will make them the winners of this transition. In particular, the work carried out by European companies in this area offers them favourable prospects in the medium term.

ODDO BHF ASSET MANAGEMENT SAS (France)

12 boulevard de la Madeleine
75440 Paris Cedex 09, France

am.oddo-bhf.com



ODDO BHF
ASSET MANAGEMENT