



**SHAREHOLDERS
for CHANGE**

ENGAGEMENT REPORT

Interventions, votes, dialogues

The SfC – Shareholders for Change
network's activities in the AGM
Season 2018



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WHAT IS SFC - SHAREHOLDERS FOR CHANGE?

Sfc - **Shareholders for Change** is a new network for shareholder engagement dedicated to institutional investors. It was launched on 6 December 2017.

The 7 founding members, for a total of over €22bn AUM, are:

- Bank für Kirche und Caritas eG (BKC, Germany)
- Ecofi Investissements, Groupe Crédit Coopératif (France)
- Etica Sgr, Gruppo Banca Etica (Italy)
- Fair-Finance Vorsorgekasse (Austria)
- Fondazione Finanza Etica (FFE, Italy)
- Fundacion Fiare (Spain)
- Meeschaert Asset Management (France)

The Shareholders for Change network is involved in active ownership through engagement, mainly with European corporations, to enhance a social commons agenda through the public capital markets, as bond- and shareholders.

The network's first goal is to organise collaborative participation in European companies' Annual General Meetings (AGMs) as well as coordinated voting or submission of questions to their boards and managements related to issues such as:

- workers' rights and human rights;
- fiscal practices and tax justice;
- CO₂ emissions and climate change.

Besides the participation in AGMs, the dialogue with companies and policymakers through the submission of letters or the coordination of meetings and calls, is also of utmost importance.

The Sfc network publishes a monthly newsletter, Action!, which updates all members and interested parties



Sfc is a new network for shareholder engagement dedicated to institutional investors

about its activities. Anyone can subscribe to the newsletter by sending an email to fondazione@bancaetica.org.

WHAT WE MEAN WHEN WE TALK ABOUT “ENGAGEMENT”?

We mean active ownership through engagement as bond- and shareholders. Owning shares (or bonds) in a company enables investors to raise environmental, social and corporate governance issues with corporate management. SfC-Shareholders for Change does this by voting and making interventions at companies’ AGMs, co-filing shareholders proposals (also called resolutions), sending letters to companies and organising meetings with their management.

SfC members adopt two different styles of engagement:

- Dialogue: with companies that, normally, are already part of an investing universe selected according to ESG criteria;
- Critical shareholding: with companies that are targeted by NGOs' campaigns or are allegedly involved in serious environmental or social controversies. This approach is often implemented in cooperation with NGOs.

OVERVIEW OF SFC-SHAREHOLDERS FOR CHANGE ENGAGEMENT IN THE AGM SEASON 2018

Companies	Sector	Lead	AGM Intervention	Engagement issues**
Accea	Multi-utility	FFE	20.04.2018	Lacking investments in water supply network
Carrefour SA	Consumer Staples	Etica Sgr	Meeting with company	Management of reorganisations, Sustainable food
Daimler	Automotive	Ecofi Investissements	meeting with company	Cobalt supplying methods
DZ Bank	Banks	BKC (Bank für Kirche und Caritas)	meeting with company	Divestment from coal industry and climate change strategy
Enel	Electricity	FFE/Ecofi Investissements	24.05.2018	Energy production from coal
Engie	Electric utility	Meeschaert Asset Management	18.05.2018	Tax avoidance

Companies	Sector	Lead	AGM Intervention	Engagement issues**
Eni	Oil & Gas	FFE/Ecofi Investissements/ Meeschaert Asset Management	10.05.2018	Insufficient plan on renewable energies
Telefonaktiebolaget LM Ericsson	Information Technology	Etica Sgr	Meeting with company	Management of reorganisations, Emissions management (mitigation), Sustainable cities
Generali	Insurance	FFE/Meeschaert Asset Management	19.04.2018	Incomplete divestment from coal. Excessive remuneration
Inditex/Zara	Clothing	Fiare	Letters to company	Tax avoidance, environmental pollution
Leonardo*	Defence	FFE	15.05.2018	Dismantling of civil production
Renault	Automotive	Ecofi Investissements	Meeting with company	Cobalt supplying methods, Dieselgate
Rheinmetall	Defence	FFE/BKC	09.05.2018	Export of bombs to Saudi Arabia
Total	Oil & Gas	Ecofi Investissements	Meeting with company	Relations with local communities, exploration in Arctic region
European Commission	Sustainable Finance	BKC	Joint-letter with 40 financial institutions/ NGOs	More attention to sustainable finance in regulation of financial markets

* Critical shareholding was adopted only with Acea, Leonardo and Rheinmetall. All other companies have been engaged through dialogue.

** All engagement projects are still ongoing

HIGHLIGHTS FROM SfC'S AGM SEASON 2018

SfC AT GENERALI AGM: COAL STILL A PROBLEM

On 19 April 2018, Fondazione Finanza Etica (FFE), on behalf of SfC – Shareholder for Change, attended the AGM of Generali, a leading European insurance group. Simone Siliani, director of FFE, asked questions on the financial statements and the remuneration plan. SfC criticised Generali's divestment from coal, announced in February, for not going far enough. «It is certainly an important step forward», added Siliani, «but Generali won't divest from Polish coal plants and will keep insuring coal projects, while important competitors, such as Axa or Zurich, are restricting their underwriting». FFE and the French member of SfC Meeschaert Asset Management, that holds 162,000 Generali's shares, abstained on the budget and voted against the remuneration

The CEO of Generali Philippe Donnet. His total remuneration is 437 times the minimum wage. SfC voted against the remuneration plan. In total, shareholders representing 17.4% of voting rights were against the plan.

[PHOTO CREDIT: GENERALI.COM,
PHOTO BY GIULIANO KOREN]]

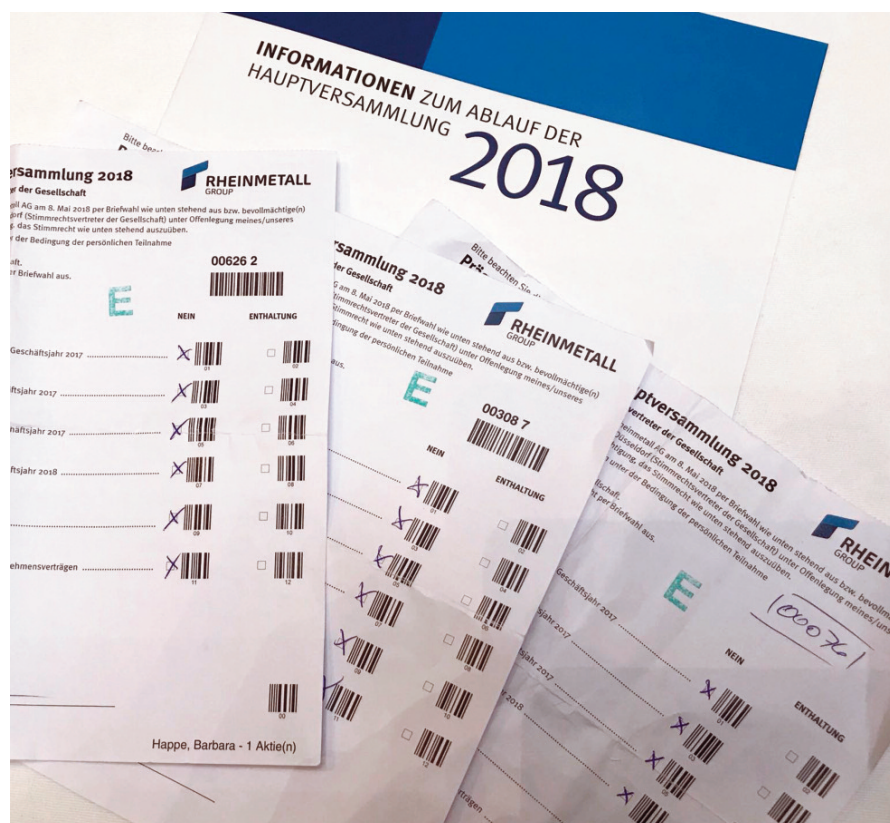


plan, that envisages a total remuneration of €8.67m for the CEO Philippe Donnet: 437 times the minimum wage. The limit set by Meeschaert Asset Management is 240 times. Besides SfC, there were critical interventions from the Italian NGOs Re:Common and Greenpeace Italy.

SFC ASKS QUESTIONS AT RHEINMETALL AGM

On 8 May 2018, Fondazione Finanza Etica (FFE) and Bank für Kirche und Caritas, on behalf of SfC – Shareholders for Change, attended the annual general meeting of Rheinmetall, a leading German defence company. SfC's interventions criticised the export of bombs from Sardinia to Saudi Arabia by the Italian subsidiary RWM Italia SpA. «The bombs exported to the Saudis are used to attack Yemen, in a war that has no legitimacy from the point of view of international law and has generated thousands of civilian deaths», declared Andrea Baranes of Fondazione Finanza Etica, who intervened at the meeting together with a representative of Bank für Kirche und Caritas and Rete Italiana Disarmo (Italian Disarmament Network).

The company evaded most of the 20 questions asked by SfC but confirmed its aim to further invest in its site in Sardinia (€10–20m in the next two years).



Bank für Kirche und Caritas and Fondazione Finanza Etica, on behalf of SfC, vote “Nein” to all items at Rheinmetall AGM in Berlin. «The bombs exported to Saudi Arabia are used to attack Yemen, in a war that has no legitimacy from the point of view of international law and has generated thousands of civilian deaths»



Fondazione Finanza Etica, on behalf of SfC, speaks at Eni's Annual General Meeting 2018 in Rome. «The company's strategy on renewable energies is absolutely inadequate. After two years, the company still does not provide any information on its progress»

SFC CRITICISES ENI'S PLAN ON RENEWABLES

On 10 May 2018, Fondazione Finanza Etica (FFE), on behalf of SfC, attended the AGM of the Italian oil giant Eni. FFE voted with the French investors Ecofi Investissements and Meeschaert Asset Management, founding members of SfC, which hold approximately 150,000 Eni shares in total. In its interventions, and in the 60 questions sent before the meeting in collaboration with the NGOs Re: Common and Global Witness, SfC criticised, in particular, the group's investments in Congo-Brazzaville, Nigeria and Basilicata (Southern Italy) as well as its strategy on renewable energies, launched in 2016. «That strategy is absolutely inadequate. After two years, the company still does not provide any information on its progress», continued Baranes. FFE, Ecofi Investissements and Meeschaert Asset Management voted against the remuneration plan and expressed doubts on the pay out ratio (85.4%): «especially in this delicate transition period, the company should reinvest a much higher portion of its profits».

SFC CRITICISES ENGIE'S AGGRESSIVE TAX PLANNING

On 18 May 2018, Meeschaert Asset Management, on behalf of SfC, attended the AGM of the French electric utility Engie (formerly GDF Suez). SfC sent a number of questions on Engie's alleged aggressive tax planning before the meeting. «We have asked which measures have been put in place to respond to current charges of aggressive tax optimisation or even tax evasion», declared Aurélie Baudhuin, SRI Research Director and Deputy CEO of Meeschaert Asset Management. «We also asked when the company intend to publish a country-by-country reporting, as part of the Oecd's BEPS (Base erosion and profit shifting) project». The company answered that it does not intend to publish any country-by-country reporting before this practice is generally adopted by all companies at global level. «We will continue to engage Engie on taxation issues», continued Aurélie Baudhuin. «The company is, however, very interesting as far as its governance and climate strategy are concerned. It is the only one among the first 40 French companies which is managed by a female CEO, the board is diversified and its transition towards a low-carbon business model is real».

We will continue to engage the company on taxation issues», declared Meeschaert Asset Management.

[PHOTO CREDIT: ENGIE.COM]



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