



Shareholder and Institutional Engagement Policy

Ircantec 2023

Signatory of:

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Being a reference supplementary pension scheme

Since its creation in 1970, Ircantec has been the supplementary pay-as-you-go pension scheme for non-permanent State employees, local authorities and hospitals. From 1973, its scope was extended to other categories: local elected officials receiving allowances, employees of industrial and commercial public establishments (EPIC) as well as non-profit organisations of general interest financed mainly by public funds, non-full-time permanent local civil servants not covered by the CNRACL (National Pension Fund for Local Authority Officials). Ircantec is also the attachment scheme for certain special categories, such as senior civil servants who leave the civil service before reaching ten years of service.

A long-term responsible investor

As an institutional investor, Ircantec adopts a long-term vision in the management of its reserves and thus bears the responsibility of acting in the best present and future interests of its beneficiaries. The investment policy is thus structured around these values of **solidarity and intergenerational equity**, seeking in the investments it makes not only to optimise financial yields, thereby guaranteeing the payment of current and future pensions, but also to **preserve environmental and social capital** in order to contribute to social progress and the development of a sustainable economy.

Since 2009, Ircantec's Board of Directors has been committed to a responsible investor approach, broken down into two operational lines: putting its reserves at the service of an economy that preserves the natural and human capital of today and tomorrow and taking into account Environmental, Social and Governance criteria (ESG criteria) for all types of investments and asset classes. This responsible investor approach is reinforced year after year.

Inclusion in a global frame of reference

Ircantec cultivates its values and its responsible approach by incorporating them in global frames of reference and market initiatives in favour of sustainable development and social responsibility:

- The conventions of the International Labour Organisation, which recognises the fundamental rights of workers: freedom of association and effective recognition of the right to collective bargaining; elimination of all forms of forced or compulsory labour; effective abolition of child labour; elimination of discrimination in respect of employment and occupation;
- The Principles of Responsible Investment (PRI), which are supported by the Global Compact, the financial initiative of the United Nations Environment Program (UNEP), as well as a network of investors who are signatories to these principles. Since 2015, Ircantec has been a member of the Montreal Pledge - an offshoot of the PRI - which commits investors to measure and publish the carbon footprint of their portfolios annually;

- The 2030 Agenda for Sustainable Development (supervised by the United Nations Global Compact) and its 17 goals (Sustainable Development Goals – SDGs) providing a common agenda for all States, companies and civil society organisations;
- The Forum for Responsible Investment (FIR) is the market body that brings together institutional investors in France committed to a responsible investment approach;
- The objective of aligning the Institution's reserves with a trajectory of 1.5°C, in line with the Paris Climate Agreement. The Climate Policy update¹ (October 2021) illustrates Ircantec's determination and strategy on this issue.

The organisation of Ircantec's SRI policy

Ircantec's SRI approach is based on the scheme's founding values, which are intergenerational solidarity and the long-term maintenance of the capital which will contribute to the quality of life of future pensioners: financial capital for the payment of pensions as well as environmental capital and social capital.

Ircantec's SRI policy is organised around 3 framework documents:

- An SRI Charter², with the addition of a Climate annex in October 2021;
- A Voting Policy³ ;
- A Shareholder and Institutional Engagement Policy.

The development of an engagement policy is in keeping with the continuity of these framework documents, and should strengthen dialogue with companies, cooperation with peer investors, and the contribution to methodological advances and market reflections.

For the Shareholder and Institutional Engagement Policy, 4 areas have been identified that define the basis of a sustainable strategy.

As part of its SRI Charter, Ircantec has defined 8 priority SDGs that articulate its engagement policy and its investment policy:

- Energy and Ecological Transition: SDG 13 (Climate action), SDG 7 (Affordable and Clean Energy) and SDG 9 (Industry, Innovation and Infrastructure)
- Economic and inclusive growth: SDG 8 (Decent Work and Economic Growth), SDG 11 (Sustainable Cities and Communities) and SDG 5 (Gender Equality)
- Protection of fauna and flora: SDG 14 (Life below Water) and SDG 15 (Life on Land)



¹ https://www.ircantec.retraites.fr/sites/default/files/Annex_ISR-PoltClimat_Gb%2823%29.pdf

² <https://www.ircantec.retraites.fr/sites/default/files/SRI%20Charter%202022.pdf>

³ https://www.ircantec.retraites.fr/sites/default/files/Polt_Vote22-11.pdf

Commitment in the long term with 4 main areas of focus

Ircantec's SRI approach is intended to be progressive and pragmatic. Similarly, the vision of the commitment is organised around 4 main focus areas for companies and civil society in order to achieve a viable and sustainable economy:

- How to promote the energy and ecological transition?
- How to mitigate corporate damage to ecosystems and restore them?
- How to prevent, and if necessary, mitigate, human rights abuses within the scope of the company?
- How to understand and develop corporate tax responsibility?

Main focus areas	SDGs
Energy and Ecological Transition	  
Human rights in business	 
Corporate tax responsibility	 
Preservation of biodiversity	 

The Energy and Ecological Transition

The Energy and Ecological Transition (EET) is a global social project that enables the energy needs of communities to be fulfilled in a sustainable, fair and safe manner in a society low in natural resources, energy and atmospheric emissions.

As a responsible investor, Ircantec has taken an active part in this transition for a number of years and seeks to support companies providing solutions across the entire economic value chain, while reducing its participation in companies considered not environmentally friendly and/or whose contribution to the energy and ecological transition is deemed marginal.

The Climate Annex (October 2021) reinforces Ircantec's position in favour of the energy and ecological transition, in particular with an increase in fossil fuel exclusions and with the definition of an annual carbon reduction target. Ircantec seeks to support the energy transition and in particular support companies that are committed to phasing out thermal coal by 2030 with a credible exit plan and companies in the Oil and Gas sector that have adopted a plan to exit from unconventional oil and gas by 2030. Pending access to data on the financing of unconventional products enabling it to define an exclusion policy, Ircantec engages the financial players and insurers in the portfolio via shareholder dialogue for the adoption of credible, detailed plans to phase out unconventional oil and gas.

The preservation of biodiversity

The degradation of biodiversity linked to multifactorial causes constitutes a threat to the balance of ecosystems and to the financial models of economic actors. The pressure of these economic actors can be the cause of this situation.

The principle of double materiality which is taken into account by European regulations aims to measure not only the financial risks generated by the change in biodiversity for the investment or the activity of the company (first materiality) but also to measure the negative impact that the company's investment or

Steering, monitoring and communicating a commitment

Steering: governance of decision-making

The scope of the engagement policy

Due to its constraints, engagement is currently focused primarily on its equity portfolio. Engagement in the equity component has the advantage of being able to integrate areas of dialogue before General Meetings, votes and filing of resolutions.

Ultimately, Ircantec aims to further integrate bonds into its engagement activities, and to target smaller capitalisations more.

The engagement process

Once its main focus areas are decided, Ircantec proceeds step by step with its engagements:

- Definition of the objectives and matching with the main areas of focus
- Execution and follow-up of the engagement
- Assessment of the objectives: if necessary, possibility of an escalation process
- Communication and reporting

Choosing an engagement

Ircantec primarily targets engagement activities that fall within one of its main focus areas that address one of its priority subjects.

Ircantec's decision to pursue an engagement with a private issuer is based on 2 types of considerations:

- Specific engagement considerations:
 - Urgency and severity of the controversy (in particular for category 5 controversies according to the ESG controversy risk ratings by Sustainalytics - Ircantec's provider since January 2022 → reactive approach);

- General ESG performance of the issuer (detection of an ESG risk of an issuer → proactive approach);
 - Responsibility of the issuer in relation to the subject of the engagement;
 - Importance of the subject of the engagement for the issuer or its sector of activity.
- Practical considerations:
 - Size of the issuer in Ircantec's overall portfolio;
 - Accessibility and responsiveness of the issuer, probability of success in relation to the subject of the engagement;
 - Needs identified via collaborative initiatives in which Ircantec participates.

According to these criteria, Ircantec will be able to prioritise its engagements in the allocation of its resources. Ircantec is not limited a priori to the biggest issuers in the portfolio or the largest capitalisations, but also targets smaller companies where there is significant potential for improvement and possibility of direct dialogue.

Monitoring: choices and types of engagement

Like its responsible investment policy, Ircantec pursues a progressive and pragmatic approach to its engagement actions, in particular concerning two types of engagement.

Individual shareholder engagement

Individual shareholder engagement consists of a qualitative dialogue with a target company in the portfolio with a view to improving its environmental, social or governance practices. As an active responsible investor, Ircantec has two possible options:

- **Individual dialogue** may take effect in the context of a one-off controversy or be part of the development of a company's activities. It may only concern one company that is particularly impacted by an issue of importance to Ircantec, or it may concern an entire business sector. Depending on the case, the dialogue can take place directly and unilaterally (without intermediation) or indirectly (via one of the asset management companies under the mandate of Ircantec). The objective of the engagement may relate to the degree of transparency of the issuer, the ESG operational performance or the general strategy of the company. On the strength of the diversity of its management mandates, Ircantec may also take part in meetings with certain issuers, depending on the relevance of the issues discussed.
- **Shareholder engagement** consists of specifically directing the vote at General Meetings for the companies in which Ircantec is an investor, and may be accompanied by prior dialogue. In particular, considerable attention is given to the companies on Ircantec's Focus List and this may include specific dialogue on the energy and ecological transition (see the Voting Policy).

Collaborative institutional engagement

By joining forces with other institutional investors, Ircantec can conduct a collaborative institutional engagement. This collaboration enables institutions to compare visions, exchange knowledge and share the impact and scope of commitments.

Thus, Ircantec participates in collaborative institutional engagements at varying degrees of involvement according to its resources:

- Leading position for certain engagements if the subject is of central importance for Ircantec and if its positions in the portfolio are significant for this subject or this issuer;
- Position of support for other engagements;
- Signature of pledges, joint letters and declarations.

Market institutions and international organisations are Ircantec's preferred means of meeting and cooperating with other institutional investors. Ircantec may also conduct advocacy work with market regulators to contribute to the definition of market standards.

Ircantec also supports efforts to research and standardise institutional engagement practices through its activity within market bodies. By contributing to the deployment of standards and good practices and by supporting research of these tools, Ircantec helps to improve stakeholder awareness of these aspects.

Collaborative institutional engagement has many advantages: increased skills and knowledge for the managing service, improved efficiency with the sharing of tasks with other investors and greater weight in discussions with issuers. The definition of clear and explicit common objectives and the interconnection of resources generates optimal efficiency.

Escalation processes

The engagement primarily aims to establish a constructive and quality dialogue between investors and issuers. However, escalation processes have been implemented by Ircantec for issuers whose performance in terms of engagements is unsatisfactory, in particular through placing them under surveillance, divestment, discussions prior to General Meetings and submitting of shareholders' resolutions.

Thus, a company with which the engagement does not lead to the expected result can initially be placed under surveillance, with greater attention paid to the presence of this issuer in the Ircantec portfolio.

Discussions with issuers prior to General Meetings in order to share Ircantec's voting intentions enables Ircantec to manage escalations effectively. Subsequently, if there is no change in the ESG conduct and performances of an issuer, Ircantec may decide to disengage partially or completely divest from this company in its portfolio or include it on the list of excluded companies for all of its asset management companies under mandate.

With a pragmatic and case-by-case approach, Ircantec may also decide to submit shareholder resolutions, alone or with other investors.

In addition, the publication of a public statement by Ircantec can increase the pressure on issuers who refuse dialogue or whose engagement is unsatisfactory.

Conclusion of an engagement

At the end of the engagement with an issuer, Ircantec may assess the quality of the issuer's response through 5 elements:

- Improved awareness of Management;
- Consideration of the issue or subject raised and willingness of the issuer to discuss with investors;
- Policy and strategy (drafting and communication), ideally with associated targets;
- Implementation of actions to drive the strategy;
- Publication of the expected results of the actions and the achievement of the objectives set.

In the event of failure to achieve the objectives set for its engagement, Ircantec may decide to escalate or extend the engagement.

Communication: Engagement Report

For the sake of transparency with all of its stakeholders and other market players, Ircantec publishes an annual chapter summarising its engagements, included in its Sustainability Report.

This report includes in particular:

- The main focus areas, priority topics and corresponding engagement actions;
- The type of engagement (individual shareholder, collaborative institutional) and the degree of involvement of Ircantec (signature of declaration, support, leader);
- Target companies and industries;
- The themes addressed, the expected results, the levels of achievement obtained.

The Engagement Report also allows Ircantec to adjust its engagement actions to better achieve its targets.



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