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Club SMID

Dialogue and engagement with Small and Mid Cap companies

Investor Briefing

Objectives

To create a **community of responsible investors** dedicated to **dialogue and engagement** with **small and mid-cap companies on ESG issues**. To **share best practices** between investors, **pool and collaborate** for more effective dialogue with these companies. Finally, to be **a key player** in the dialogue with companies of this size, aiming to **contribute to their progress on their various ESG issues**.

Why set up such a club ?

Following various discussions with investors, it was concluded that there was **a need to accelerate the structuring and formalisation of ESG approaches by small and mid-cap companies**. In the short term, these companies, which have limited resources, are particularly **challenged by the implementation of regulations such as the CSRD**. At the same time, **a need has been identified for investors to share best practice and work together to help companies** of this size make the best possible ESG progress.

Why this club within the Frenchsif's engagement platform ?

The Frenchsif's engagement platform was formalised in 2021. Its activities focus on a number of actions – thematic engagements, ESG written questions' campaign at AGMs, investor briefings, etc. - and concern French companies in particular. Its work is overseen by a Commission chaired by Caroline Le Meaux, Head of ESG Research, Engagement and Voting at Amundi, and made up of 42 organisations (including 31 investors, 2 academics, 6 consulting firms, 1 trade union, 1 qualified personality and 1 NGO). Two full-time employees of the Frenchsif are responsible for the implementation of the engagement initiatives approved each year by this Commission. So there is already an **operational structure in place to host a community of investors** wishing to make a collective commitment to helping small and mid-cap companies address their ESG issues.

In addition, several investors who are members of the Frenchsif's engagement commission have already expressed an interest in **extending the platform's activities, which currently focus mainly on French large caps, to include small and mid caps**.

How does the Club work ?

- **Governance**

The Club SMID is integrated to the Frenchsif's engagement platform. As such, it benefits from the support of his teams.

Several working groups will be initiated simultaneously and successively within this club. At a minimum, **a group on the theme of governance, one on human capital and one on the implementation of the CSRD will be launched initially**. Each working group will be **led by one or more lead investors**. At the initiative of the members of the working group, in agreement with the lead(s), **other stakeholders**, primarily members of the Frenchsif, may be invited to contribute with their expertise to all or parts of the group's sessions. Within each working group, **for the companies that will be selected for engagement, one or more lead(s) will be identified to lead the dialogue**. **Support investors** will be able to come and support the leads in the dialogue with the company, by participating in the preparation, the dialogue and the restitution phases.

- **Topics**

At this stage, a number of topics will be addressed in various working groups :

- ◆ **Governance:** Topics could include the **role of governance bodies on extra-financial issues**, the **independence of boards of directors**, the **transparency and content of remuneration**, **employee share ownership**, etc. This group will **aim to pool dialogue on governance between investors and companies**. A panel of French companies will be selected and, once the common objectives have been defined, a meeting will be organised to simultaneously meet several investors who are members of the Frenchsif (for example, as part of a pre-AGM roadshow). This has several advantages, including :
 - for the company: 1) limiting investor relations costs, 2) increasing the chances of obtaining meetings, 3) obtaining the most direct feedback possible on proposed resolutions
 - on the investor side: encourage the emergence of shared feedback, increase leverage.

Eventually, the club could become a partner in the **updating of the Middenext code**.

- ◆ **Support for the implementation of CSRD:** initially, the group of investors will meet to share their experiences and best practices observed around the implementation of CSRD by the small and mid-cap companies in their portfolios. Investor/company's forums bringing together several companies in this segment could also be organised. Finally, a practical guide for investors could be published to provide recommendations on the materiality analysis carried out as part of the implementation of CSRD by companies.
- ◆ **Human capital:** within this working group, a dialogue will be conducted with a list of French companies on topics such as **employee share ownership**, **skills training**, **employee representation on decision-making bodies**, **responsible management of restructuring and employment and retention policies**.
- ◆ Other subjects: **transition plans and supply chain** are also being studied and could be launched if a group pilot(s) is/are identified.

- **Reports**

For each working group, a report on the progress of the work and the outcome of any engagements will be drawn up each year.

- **Participants**

All interested investors, member of the Frenchsif. Other stakeholders, primarily members of the Frenchsif, may also be involved in the work after expressing their interest or expertise in a topic and after validation by the working group pilot(s).

The group already has **19 participating investors, with over 4 610 billions euros in assets under management.**

- **Schedule**

An initial "prefiguration" phase to refine the scope of the work and the procedures for carrying it out, in particular to validate the topics of the working groups, was set up few months ago with a group of 17 investors, members of the Frenchsif.

The club is now open to all interested investors. To find out more about how to join, please contact us at engagement@frenchsif.org