

SHAREHOLDER ENGAGEMENT AND VOTING POLICY OF LBO FRANCE GESTION

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Overview

The "Shareholders' Rights" Directive transposed into French law aims to strengthen long-term investment in companies and to promote the transparency of investments made by "institutional investors". LBO France Gestion is required to describe and make publicly available its long-term commitment to the issuers of equities in which it invests.

This policy sets out LBO France Gestion's shareholder engagement process and its voting policy. It describes how LBO France Gestion incorporates its role as a shareholder into its investment strategy. It covers the entire voting policy and describes the additional mechanisms put in place by LBO France Gestion to strengthen dialogue with issuers.

With the exception of the voting policy applied regularly at each general meeting it attends, the management company monitors as much as possible the various shareholder engagement criteria described below. For cases where it does not apply them, or partly applies them, it sets out the reasons in this policy.

1 Scope

The shareholder engagement policy describes how the company incorporates its role as a shareholder into its investment strategy. It targets investments in equities.

2 Objectives of the shareholder engagement policy

The shareholder engagement policy describes how the following are ensured in particular:

- Monitoring of the strategy, the financial and non-financial performance, risks, the capital structure, social and environmental impacts and corporate governance;
- Dialogue with the portfolio companies;
- The exercise of voting rights and other rights attached to the shares (limited to shares held through mandates and funds);
- Cooperation with the other shareholders;
- Communication with relevant stakeholders;
- The prevention and management of actual or potential conflicts of interest in relation to their engagement.

The shareholder engagement policy and the related annual report are made available to the public on the LBO France Gestion website, free of charge.

3 Policy provisions

3.1 Monitoring of issuers

The monitoring of the strategy, financial performance, risks, capital structure and corporate governance of issuers are inherent elements of LBO France Gestion's investment selection process.

LBO France Gestion undertakes to fully exercise its shareholder responsibility in the interest of the holder by investing with a long-term horizon and analysing in detail the prospects of the companies held with the aim of creating value. To this end, the account managers carry out an analysis of the economic and financial performance of the companies in which they invest and pay particular attention to the effective nature of their governance as well as their social and environmental footprint.

LBO France Gestion's management team meets with the managers of the companies in which it has invested. These meetings involve discussions to better understand and update their knowledge of the companies' strategy, opportunities and risks.

Initially through its real estate activity in 2003 and more generally from 2011 with the signature of the PRI (Principles of Responsible Investment) and the formulation of its own engagement charter, LBO France applies an ESG approach. With regard to its portfolio companies and new acquisitions, ESG is an essential component of operational efficiency for LBO France in that it helps to strengthen the robustness, adaptability and resilience of the activities and provides development opportunities. It is therefore fully included in a consistent and pragmatic manner across all of the investment processes of all of its activities; it was gradually extended to the innovation activity in 2017 and to the debt activity in early 2018.

3.2 Dialogue with the portfolio companies

LBO France Gestion takes an active interest in the approach adopted by the management of the portfolio companies and issuers in order to assess their managerial capacity. The management team dialogues with the companies and issuers on the implementation of their corporate strategy, their results, financial and non-financial risks, and capital allocation.

The listed companies in which LBO France can invest are accustomed to dialogue and transparency with investors, not only through their periodic regulated communication and general meetings, but also during events such as analyst meetings and trade shows dedicated to meetings with investors.

LBO France Gestion favours face-to-face meetings as much as possible but also takes part in videoconferences, conference calls and contacts by e-mail.

3.3 Exercise of voting and other rights attached to the shares

Each year, the company must present a report on the implementation of the shareholder engagement policy. It mainly covers voting at shareholder meetings and the engagement policy.

Listed securities are held based on the investment strategy:

Under the strategies of unlisted funds, listed securities are held directly only in cases where they are (i) received in exchange following the IPO of the Investment, after subscription or acquisition by the FPCI (innovation fund) or (ii) received as payment in connection with a sale transaction or (iii) acquired with a view to delisting or (iv) acquired as part of a risk diversification or liquidity management approach.

The management company or employees of the management company must hold a seat on the corporate bodies of the portfolio companies. In the context of LBO arrangements, employees hold a position, not in the executive body of the portfolio company but rather on the Supervisory Board (or equivalent body) of its holding company

The strategy of listed equity funds is to invest mainly in listed equities. The management company or its employees may seek a seat on the board of directors of the portfolio companies, although this is not systematic.

General principles applied when analysing resolutions

The management company's principles are to:

1. act in the exclusive interest of the unitholders, in compliance with the Fund regulations and the applicable rules for managing conflicts of interest,

2. ensure that there is transparency around the information provided to the shareholders,
3. ensure that the powers of the general meeting are maintained.

The decision to invest in a company largely depends on the quality of the relationship with the managers of that company. Their ability to create value for their shareholders, and their track record in this area, is a fundamental criterion. The management company therefore generally votes in favour of the management on routine issues, in particular:

- Decisions resulting in an amendment to the articles of association:

Amendments to the articles of association are analysed on a case-by-case basis.

- Approval of the financial statements and appropriation of income:

The principle underlying approval of the company financial statements is that of the integrity of the financial statements. The company's information must be accessible, accurate and consistent, and the strategy presented must be legible and stable.

Subject to the above provisions, there are no reasons not to support the Management Board or the Board of Directors when voting on the resolutions to approve the financial statements, the management and discharge.

Proposals on income distribution are analysed on a case-by-case basis and we generally vote in favour of the payment of dividends in shares.

- Appointment and dismissal of corporate bodies:

In the event of a change or dismissal of a corporate body, the amendments to the articles of association relating to the company's method of administration (Board of Directors, Management Board/Supervisory Board) are analysed on a case-by-case basis.

- Regulated agreements:

All agreements must be signed in the interest of all shareholders, and therefore must be clearly detailed and strategically justified, and their conditions must take equal account of the interests of all shareholders. They are analysed on a case-by-case basis.

- Appointment of statutory auditors:

The appointment and re-appointment of the principal and alternate statutory auditors is analysed on a case-by-case basis.

- Capital transactions:

Particular attention is paid to capital transactions, strategic operations and capital management. Every capital transaction proposed to the shareholders (contribution, merger, reserved issue) must be strategically justified and financially balanced and is examined on a case-by-case basis. However, the management company may vote against the managers if the following principles are not upheld:

- The application of best practices in terms of corporate governance;
- The protection of the rights of existing majority and minority shareholders and the value of their shares;
- Transparency.

Method of exercising voting rights

LBO France Gestion exercises its voting rights by post or by attending general meetings.

3.4 Cooperation with other shareholders in the strategy of listed equity funds

LBO France Gestion does not, in principle, interact with the other shareholders. That said, it does not refrain from doing so. If the management company is required to communicate with other shareholders, the Compliance and Internal Control Manager is notified in advance in order to oversee the necessary controls on each exchange and on any action taken.

The equity fund investment strategy places significant importance on engagement to encourage issuers to better incorporate ESG criteria.

Shareholder dialogue may therefore extend to other shareholders, particularly in the context of global and systemic issues that require collaborative action in order to achieve the best results in promoting best practices. Regarding collaborative commitments and collaboration with other investors, we only participate after we conduct a case-by-case analysis of the situation and the subject in question.

LBO France Gestion never partners with other minority shareholders to vote as part of a concert party at general meetings.

3.5 Communication with relevant stakeholders

LBO France Gestion interacts with several stakeholders to conduct its ESG analysis and to exercise shareholder engagement under the best possible conditions. These include:

- Financial market management bodies (AFG, AMF, etc.)
- Brokers
- The media
- ESG data providers

LBO France Gestion does not in principle use the services of third party proxy voting providers.

3.6 Prevention and management of conflicts of interest

LBO France Gestion is an independent management company that is majority owned by its managers. As such, it is not a subsidiary of a major financial institution that could lead to a conflict of interest.

All of the employees and managers of LBO France Gestion have certified that they have read the "management company's code of conduct, which complies with the code of conduct for portfolio management companies involved in private equity" published in April 2013 by AFG (French asset management association) and AFIC (French private equity investors association) and approved by the AMF (French financial market authority), and the recommended best practices.

If, however, a conflict of interest should arise, the situation would be submitted to the Compliance and Internal Control Manager for a decisive opinion on how to deal with it.

LBO France Gestion also complies with the management companies governance guidelines published by AFG in January 2017.

4 Formalisation and provision

The portfolio management company provides a report, which may be appended to the Board of Directors' management report, on the conditions under which it exercises voting rights.

This document is available to the AMF. It can be consulted at the registered office of the management company. It is made available free of charge to unitholders upon request.

In cases where the portfolio management company has not exercised any voting rights during the financial year, in accordance with its voting policy on listed securities, it does not prepare a report to be appended to the Board of Directors' management report but ensures that its voting policy is available to unitholders.

5 Dissemination and review of the policy

LBO France Gestion makes this policy and the annual reports on its application available to its clients and AIF unitholders upon request. This policy is also available on the LBO France Gestion website: www.lbofrance.com

The Management Company updates this information on a regular basis and whenever necessary.

6 Shareholder engagement report

Each year, LBO France Gestion provides its clients and potential clients with its shareholder engagement report. This report is available on the LBO France Gestion website: www.lbofrance.com