



SHAREHOLDER ENGAGEMENT AND VOTING POLICY

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I. SHAREHOLDER ENGAGEMENT POLICY

1. Our philosophy as a responsible investor

a. The doctrine

"Socially responsible investment (SRI) is a multi-faceted and constantly evolving concept"¹ at the crossroads of economic and societal demands. A major turning point came in the 90s, when SRI, at the time mainly based on ethical considerations, broadened its focus to include the concept of sustainable development. Non-financial, ESG (Environment, Social and Governance) criteria were gradually integrated into financial management, supported by an informal framework that has since become statutory.

b. Our values

DNCA Finance is an asset management company founded in 2000 by specialists in wealth-management for private and institutional investors. Over the years, the founders have assembled a team of experienced and highly rated fund managers to develop a range of simple, easy-to-understand, high-performance funds based on conviction-based management.

Our investment choices are the result of in-depth fundamental analysis of companies.

Before investing, we study a security in its entirety to select the bonds and equities offering the best performance potential for a given level of risk.

Our investments are resolutely geared towards long-term performance that takes account of all the risks and challenges facing companies. Of course, our analyses and the ongoing dialogue we maintain with companies are shaped by strategic and financial issues. Governance has always been a decisive criterion, and today it is unthinkable to invest in a company without verifying the quality of its management, the independence of its supervisory bodies and its respect for minority shareholders. DNCA Finance believes that it is no longer possible to separate financial and non-financial issues, as the dual materiality of ESG issues results in financial impacts (fines & remedies, licence to operate, loss of investor confidence, etc.). As such, ESG criteria have been fully integrated into DNCA Finance management.

DNCA Finance's shareholder engagement policy is framed by the Sustainability Risk Management Policy (which addresses financial risks related to environmental, social or governance events) and by the Policy for Managing Sustainability Adverse Impacts (which looks at how DNCA Finance's investment decisions affect sustainability factors).

c. Our conviction

In 2017, DNCA Finance signed the United Nations Principles for Responsible Investment (UNPRI) to provide a structuring framework for our approach and take part in market debates as an active long-term investor. This step embeds our conviction as responsible managers, both for our investor clients and for the companies we finance.

Our ambition is to offer a differentiating and innovative approach that evolves in line with the new challenges we face. To this end, our Responsible Investment policy distinguishes between two concepts: Responsibility Risk and Sustainable Economic Transition. The assessment of these two dimensions is based on an in-depth analysis of economic and social trends and our recognised expertise in the field of Responsible Investment. The rest of this

¹ SRI: Responsible Investment, Hors Collection, Ellipse 2014

document describes in detail the emergence of these two concepts and our approach to addressing them within the framework of Responsible Investment management.

Our Responsible Investor policy is available on our [website](#).

2. Engagement at the heart of our responsible investment approach

As a responsible investor, we attach the utmost importance to ongoing dialogue with the companies in which we invest. Whether it's providing additional insight to our financial and non-financial analysis or encouraging the companies we finance to adopt best practice, we see shareholder engagement as a fundamental pillar of our approach as a responsible investor and of our fiduciary responsibility.

We interact with companies in two ways: dialogue with companies and shareholder (or investor) engagement. We supplement these interactions with regular site visits.

a. Dialogue with companies

As conviction managers, we believe it is essential to meet frequently with the companies in which we invest or are considering investing. This applies to both financial analysis (profitability, growth prospects, balance sheet structure) and ESG analysis. These meetings give us the opportunity to question management about their strategy and how far its implementation considers the interests of all stakeholders. These discussions generally provide us with a much more accurate picture of the extent to which ESG issues are integrated into the corporate culture than simply reading the documents published by the companies. The information obtained during these meetings makes a significant contribution to the quality and responsiveness of our ESG research.

b. Investor engagement²

Convinced that improving the practices of the companies in which we invest helps to protect the value of our clients' investments, we have put in place an engagement process to encourage better consideration of ESG issues by companies, directly linked to the Sustainability Risk Management Policy. More generally, we believe that it is our fiduciary responsibility not only to select the best investments, but also to encourage best practice and transparency by companies and in the wider markets.

There are two types of engagement:

- Proactive engagement, to encourage companies to develop greater transparency and better management of their ESG issues.
- Reactive engagement, following a controversy or a particular incident;

These two cases are formalised in the engagement process detailed in the next section.

As a result, certain engagement actions are given special attention, with increased vigilance over time and often involving the setting of targets set for the company concerned. This more ambitious engagement activity is expressed through the engagement campaigns conducted by DNCA Finance. The type of engagement in these campaigns can be proactive and/or reactive.

² Our engagement also applies to companies whose debt we hold.

c. Site visits

In addition to the institutionalised dialogue with company management, we believe it is essential to add a more operational dimension, enabling us to deepen our knowledge of the activities and practices of the companies in which we invest. For example, we regularly take part in on-site visits, which provide an opportunity to talk to operational staff on the ground and to shed more light on the way the company manages its financial objectives and ESG issues.

d. Collaborative engagement

As an extension of our responsible engagement policy, DNCA Finance partners with other investors to send a message to companies where we alone may have limited influence. We also believe that collaborative action can, in some cases, achieve better results with issuers, so we select engagement themes after careful analysis of the situation. DNCA Finance drives its collaborative engagement activity through direct contact with investors and through participation in engagement initiatives involving many international investors.

DNCA Finance is a signatory to the United Nations Principles for Responsible Investment (UNPRI), an initiative with over 7,000 signatories worldwide. DNCA Finance is also a signatory of the Carbon Disclosure Project (CDP), an initiative aimed at improving corporate transparency on climate change. We are also a member of Climate Action 100+, an engagement group for the world's most polluting international companies.

DNCA Finance wishes to demonstrate its engagement as a responsible company and participates in market organisations addressing the practice of responsible investment, such as the Association Française de la Gestion Financière (AFG). DNCA Finance also supports international initiatives such as the principles of the Task Force on Climate-related Financial Disclosure (TCFD).

We reserve the right to take part in collaborative ventures and collaborations with other investors, subject to a case-by-case analysis of the situation and the nature of the venture.

3. Our engagement process

We have formalised our engagement process based on 3 stages:

- Identifying engagement targets;
- Setting up the engagement process;
- Integration into our ESG analysis model and investment decisions

This engagement process is one of the action levers of the sustainability risk policy (included in the "Responsibility Risk" rating) and the Policy for Managing Sustainability Adverse Impacts.

a. Identifying engagement targets

The companies targeted by an engagement action are drawn from the active universe³ of our in-house ABA tool. Depending on the type of engagement, whether proactive or reactive, the identification of engagement targets proceeds differently:

³ ABA's active universe corresponds to all the companies in the tool's database (around 1,000 companies).

1) Proactive engagement

First, ESG-sensitive information and significant downgrades in companies' non-financial assessments are communicated regularly to all DNCA Finance managers at the DNCA Finance weekly management meeting. This meeting brings together all the company's managers and analysts. This ensures all managers and analysts are well informed and able to engage in proactive dialogue on a case-by-case basis.

Secondly, DNCA Finance carries out systematic proactive engagement actions on certain companies who are targeted for engagement based on several factors:

- Our stake in the company's capital, which partly determines our power of influence;
- The weight that our investment in the company represents for DNCA Finance, which determines our level of risk exposure;
- The company's 'Responsibility Risk' rating, which may alert us to inadequate ESG risk management.
- The presence of this company in our SRI funds, which justifies increased attention to ESG risks;

Every year we select a list of at least 10 companies with which we wish to begin or continue an engagement process. Priority in the selection process is given to the following two areas:

- Companies whose 'Responsibility Risk' rating has been significantly downgraded during the year.
- Companies that have experienced a high level of controversy during the year.

As part of our climate engagement, every year we select a list of at least 10 companies with which we wish to begin or continue an environmental engagement process. These targeted companies are presented annually in the "Climate trajectory of DNCA Finance portfolios" report. Priority in the selection is given to the following two areas:

- The 5 companies with the worst temperature ratings.
- The 5 companies with no climate data and no engagements representing the largest exposure in terms of assets under management.

Proactive engagement interactions are presented in DNCA Finance's annual engagement report. This report also includes detailed examples. Details of engagement campaigns with targeted issuers are also provided in the annual engagement report.

2) Reactive engagement

Our daily monitoring of newsflow on the companies we cover, as well as our detailed analysis of the controversies they are facing, enable us to identify the companies with which we wish to conduct a reactive engagement. We systematically request meetings with any companies facing controversies that we consider to be "serious".

Serious controversies are major events that immediately lead to a deterioration in the company's risk profile, in the same way as significant financial information (profit warnings, etc.).

Reactive engagement interactions are presented in DNCA Finance's annual engagement report. This report also includes a detailed example.

3) Collaborative engagement

The identification of target companies for collaborative engagement considers the same factors as for proactive engagement plus information on:

- The materiality of the engagement theme for targeted issuers;
- Careful analysis of the situation
- The credibility of the investors with whom we partner.

The collaborative engagement initiatives in which DNCA Finance participates are described and detailed in our annual engagement report.

b. Setting up the engagement process

The implementation of the engagement process is similar for proactive and reactive initiatives.

Once a company has been identified in our target list, an engagement plan is put in place by the ESG research team.

This plan includes:

- Engagement objectives, which must be clear, precise and measurable;
- Indicators for monitoring the progress and success of the engagement, which must include both qualitative and quantitative data;
- Target contacts (top management, IR, HR manager, health and safety manager, environment officer, etc.);
- The estimated duration of the engagement process (after which escalation procedures may be triggered).
- Discussions with the company are then organised based on this engagement plan.
- The progress of the engagement process is graded according to its status (in progress/closed) and its momentum (positive/negative). The results of engagement discussions are systematically communicated to the managers concerned and are specifically reported to clients in our annual engagement report.

c. Incorporating ESG analysis into our investment decision-making model

1) Integration into our ESG analysis

Dialogue with the companies in which we invest is an invaluable source of added value for our analyses, whether financial or specifically ESG. As such, we systematically record all dialogue and engagement actions in our proprietary ABA tool, to adjust the company's 'Responsibility Risk' or 'Sustainable Transition' ratings where necessary, and to keep a record of our regular exchanges with the management of the companies we invest in.

2) Integration into our investment decisions

The results of our engagement actions are integrated into our ESG analysis using our proprietary ABA tool and can have a significant impact on a company's 'Responsibility Risk' rating. This rating, available to all managers, gives an indication of the company's level of ESG risk and has a direct impact on whether it is included in the eligible universe of SRI funds.

The results of engagement are systematically communicated to the management teams via the ABA tool, and directly to the management committee when current events so require. Managers are systematically invited to take part in engagement meetings with the companies in their portfolios.

3) Integration with our voting policy

As an active, conviction-based investor, we attach the greatest importance to the effective exercise of our voting rights to ensure each company is managed in the best interests of our investor clients. To this end, we hold regular discussions with the companies in which we hold shares in the run-up to their Annual General Meetings to discuss the resolutions and to explain our voting decisions to management where appropriate. Finally, we attach special importance to shareholder dialogue on environmental and social resolutions, which provide an opportunity to remind management of our engagement and expectations in these areas.

4) Escalation procedure

Escalation procedures can be triggered if the target company refuses to respond or does not put in place the appropriate means to address the problems or weaknesses identified. These escalation procedures are determined on a case-by-case basis, in collaboration with the management teams.

Where our expectations are not met, our downgraded opinion of the company's profile is reflected first in its corporate responsibility score in the ABA tool. If this score falls below a certain threshold (below 4 out of 10 in the BEYOND SRI range or below 2 out of 10 in the Responsible SRI range), the issuer is excluded from SRI-labelled investments. These thresholds are systematically communicated to all management teams (at the weekly management meeting) and are monitored by the DNCA Finance risk team.

In the case of the most serious breaches or controversies, the ethics committee may decide to divest or exclude the issuer from all DNCA Finance investments.

d. Integration with DNCA Finance's climate engagement

DNCA Finance's Environmental Policy adopts the reporting framework recommended by the TCFD (Task-force on Climate-related Financial Disclosure).

DNCA Finance pays particular attention to the objective of combating climate change, in line with the 2015 Paris Climate Agreement. This agreement aims to promote actions supporting the energy and ecological transition, and promoting environmental protection more broadly; it incorporates the desire to align financial asset portfolios with the "2 degrees trajectory".

The European Commission's target is even more ambitious, including carbon neutrality by 2050 and a reduction of at least 55% in greenhouse gas emissions compared with 1990 levels.

DNCA Finance fleshes out its environmental policy and its exclusion policy in the shareholder engagement and voting policy to set the contours of its climate engagements:

- Objectives;
- Date of application;
- Scope;
- Objectives in terms of resources and/or results.

Details of DNCA Finance's climate engagements, presented below, are available on our website: <https://www.dnca-investments.com/expertises/isr>.

1) Objectives

DNCA Finance has deliberately adopted a qualitative and pragmatic approach, prioritising the quality of measurements and the appropriateness of analysis technologies over the setting of precise quantitative targets.

DNCA Finance has several objectives:

- Short-term qualitative objectives
- Medium-term targets for the phase-out of unconventional fossil fuels and coal (2030 - 2040)
- Medium-term objectives for portfolio alignment (2030)
- Long-term ambitions (2050)

2) Short-term objectives

DNCA Finance is keen to develop methodologies for measuring and analysing data related to global warming:

- Measuring carbon footprints, including scope 3
- Methodology for calculating induced temperatures based on carbon emissions

In addition, DNCA Finance already includes climate issues in its "Voting Policy" by supporting climate resolutions.

By way of illustration, the short-term objectives for 2023 were:

- Improved data coverage
- Dialogue with at least 5 of the "worst contributors" in terms of their induced temperature rating.
- Dialogue with at least 5 companies with no climate objective and representing the largest exposure in terms of assets under management
- Support for climate resolutions
- Implementation of management tools to achieve medium-term objectives
- Inventory of carbon emissions by public issuers
- Exclusion of investments exposed to coal, 10% of revenue
- Exclusion of investments exposed to the production of unconventional oil and gas, up to 10% of revenue

Short-term targets for the 2024 period are currently being finalised.

3) Medium-term objectives for the phase-out of unconventional fossil fuels and coal (2030 - 2040)

- Exclusion of investments exposed to coal, up to 5% of revenue by 2027.
- Exclusion of investments exposed to coal, 0% of revenue by 2030 for OECD countries.
- Exclusion of investments exposed to coal, 0% of revenue by 2040 for non-OECD countries.
- Exclusion of investments exposed to the production of unconventional fossil fuels, up to 5% of sales by 2030.

- Exclusion of investments exposed to the production of unconventional fossil fuels, 0% of sales by 2040.

4) Medium-term objectives for portfolio alignment (2030):

- The average temperature index of DNCA Finance's portfolios is less than 2.2°C (compared to 31/12/20), according to an analysis methodology that currently only includes scopes 1 and 2.
- DNCA Finance is committed to integrating scope 3 analysis for all its holdings once it is available and standardised. At this point, DNCA Finance reserves the right to adjust its objectives. In the meantime, DNCA Finance will provide qualitative comments to report on these objectives.
- The objectives are based on a constant scope as defined in this policy.

5) Long-term ambitions (2050):

- The average temperature index of DNCA Finance's portfolios is less than 2°C (compared to 31/12/20), according to an analysis methodology that currently only includes scopes 1 and 2.

6) Application/reference date

At the time of the first publication of the "Climate Trajectory" document in 2021, DNCA Finance positioned itself as a protagonist in the fight against climate change and for alignment with the Paris Agreement and the limitation of global warming to 2° by the year 2100. From 2022 onwards, DNCA Finance has published objectives linked to combatting climate change accompanied by specific engagement campaigns.

7) Scope

DNCA Finance's Climate Engagement Policy is applied to all assets managed by the following teams, except for portfolios where external constraints (conditions of a discretionary management mandate, for example) make application impossible:

- Mixed funds
- Flexible funds
- Europe and International Growth Fund
- Multi-management
- Thematic equities
- Europe equities all caps quality growth
- Absolute equity return
- European value equities
- Multi-strategy bonds
- Emerging market equities
- Europe small cap equities
- Convertible bonds
- Beyond fund

The application of the Policy is adapted according to the type of assets managed and the strategies adopted.

8) Objectives of resources and/or results

A Responsible Investment management and expertise unit has been set up to target engagement initiatives and develop the necessary monitoring tools. In the case of collective engagement initiatives or campaigns, the expertise unit is responsible for defining and monitoring them. In the case of targeted proactive or reactive engagement, the management teams holding the positions are responsible for monitoring supported, where appropriate, by the expertise unit.

In 2019, DNCA Finance developed a climate analysis model for issuers, based on the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), the energy scenarios produced by the IPCC's International Energy Agency (IEA) and the Science Based Targets (SBTi) initiative.

DNCA Finance uses the Carbon Disclosure Project (CDP) temperature scores to monitor the temperature pathway of its investments. The CDP temperature score database provides a temperature pathway for nearly 4,000 companies, based on their greenhouse gas emission reduction targets and covering each company's value chain (scope 1, 2 and 3).

DNCA Finance has developed "ABA Temp", a tool for aggregating CDP temperature scores at portfolio level and communicating this induced temperature to the teams of managers and financial analysts. Investment teams thus have access to a portfolio temperature dashboard. The 'ABA Temp' tool enables them to analyse the ex-post temperature of their portfolios and integrate this dimension into their investment decisions.

The application of the Environmental Policy is subject to certain constraints:

- ESG data quality: DNCA Finance's investment and risk management processes rely on the analysis of external data provided mainly by issuers and ESG data providers. DNCA Finance will implement a quality control process for ESG data received from its suppliers. However, DNCA Finance cannot guarantee the accuracy of the data or correct any methodological and cultural biases introduced by the data providers.
- Maturing methodologies: DNCA Finance is aware of the technical limitations of still-maturing analysis technologies, particularly concerning climate and biodiversity. It has opted for a continuous improvement approach to ESG processes to overcome these shortcomings.

DNCA Finance has therefore opted for the principle of gradual deployment of ESG policies, to allow pragmatic application and integration of ESG issues in all links of its value chain.

DNCA Finance's environmental policy is in line with the contribution made to international objectives by the Conference of the Parties: Paris Agreement and the objectives of the Convention on Biological Diversity (see above).

4. Our transparency requirements

a. Defining engagement objectives

Our engagement activities make a significant contribution to the quality and integration of our ESG approach. As such, we have set ourselves ambitious targets for our interactions with the companies in which we invest.

Each year, we commit to holding at least 500 meetings with companies (dialogue or engagement);

Most of companies in our SRI funds will have to meet with us at least once a year (dialogue or engagement);

All portfolio companies with a controversy deemed severe in our proprietary analysis tool will have to undergo an engagement process.

b. Reporting on our engagement activities

As engagement is an integral part of our approach as a responsible investor, we want to be as transparent as possible about our dialogue and shareholder engagement activities.

An annual report on engagement activities and the exercise of voting rights is published each year. It enables our customers and stakeholders to assess our actions to influence the companies we finance.

5. Our areas of engagement

Besides collecting valuable information needed for investment, direct and ongoing dialogue with management teams also enables us, as shareholders, to encourage companies to be more transparent and to improve their environmental, social and governance practices. In addition, DNCA Finance uses the power of its vote at general meetings as an incentive.

A good understanding of non-financial issues is essential for a pragmatic and constructive dialogue, tailored to the particular circumstances of each company.

DNCA Finance structures its engagement practice around five areas, directly linked to its Sustainability Risk Management Policy and Policy for Managing Sustainability Adverse Impacts:

a. Non-financial transparency

Transparency is essential because it gives us a better understanding of environmental, social and governance issues. It is also an important sign that a company's management team takes these matters into account in its management. DNCA Finance makes due allowance for regional differences in regulations and customs, but nevertheless bases its expectations on global best practice.

DNCA Finance considers certain information as essential but encourages companies to go beyond this minimum and communicate more advanced information. DNCA Finance therefore attaches importance to the publication of a sustainable development report, or its inclusion in annual reports. Ideally, this report should be audited. Furthermore, the information must cover all the company's activities across as broad a scope as possible. This requires considerable effort by companies to put in place systems for collecting and aggregating data.

It is also important that the management team to take responsibility for non-financial issues as this ensures they are better addressed within the company and its culture.

Certain initiatives dedicated to the communication of non-financial issues, such as the GRI reference framework⁴, are important to improving the transparency of companies. More recent initiatives such as the United Nations' Sustainable Development Goals also enable companies to adopt advanced approaches to sustainable development.

DNCA Finance therefore pays close attention to the publication of information that allows us to assess the company's non-financial challenges as accurately as possible. In addition, we are always keen to encourage issuers to improve their communication with the aim of

⁴ The Global Reporting Initiative, or GRI, is an NGO set up in 1997 by CERES (Coalition for Environmentally Responsible Economies) and UNEP (United Nations Environment Programme). It was set up to establish a set of indicators to measure the progress of companies' sustainable development programmes.

providing a clear understanding of their impact on their social, societal and ecological environment.

b. Governance

DNCA Finance supports companies in adopting best governance practice. This enables the company to be better aligned with a long-term vision that benefits all stakeholders.

DNCA Finance encourages a governance structure adapted to the company's activities. It therefore encourages management teams to include members with skills that address the company's current and future challenges and to embrace cultural and gender diversity. Independence in the management bodies must help protect the interests of minority shareholders. The management of conflicts of interest within executive bodies is also a sign of rigorous management.

DNCA Finance pays close attention to remuneration practices, which must be appropriate to the company's environment. Several criteria are considered, such as size, sector of activity, geographical footprint, and consistency with the remuneration of the workforce as a whole. DNCA Finance pays particular attention to remuneration mechanisms and ensures the remuneration of management teams align with the interests of stakeholders. DNCA Finance encourages companies not to pay excessive remuneration or top-hat pensions.

DNCA Finance encourages transparent tax practices appropriate to the geographical footprint of the business. DNCA Finance uses all available information to engage in a frank dialogue on tax and accounting issues, including any controversies that may become public.

The same principle is applied to business ethics. DNCA Finance advocates the development of strong internal audit procedures and a zero-tolerance approach. DNCA Finance also encourages all stakeholders to be aware and vigilant of these issues.

DNCA Finance is consistent in its responsible investment policy and wants dividends to be in line with the company's development capacity and not to favour one stakeholder over another. It is therefore essential to have a balance in the distribution of the value created between employees, shareholders, suppliers, and governments.

c. Engagement to compliance with major international standards

DNCA Finance supports compliance with major international standards and urges all the companies it invests in to share this policy. Compliance with the standards of the International Labour Organisation, the recommendations of the United Nations Global Compact and those of the OECD is mandatory for any company wishing to adopt a sustainable development approach.

d. Engagement to the environment and the climate

1) Environment

DNCA Finance has drafted an Environmental Policy to better measure and manage environmental risks, covering both financial risks related to the environment or the consequences of investment decisions for the environment. DNCA Finance would like all companies to take environmental and climate issues into account, at the very least by seeking to manage the associated risks.

DNCA Finance encourages all companies to adopt a comprehensive environmental and climate strategy, and to integrate the management of this strategy in a similar manner to the usual strategic issues of the business. This strategy must be accompanied by clear and quantifiable targets for improving companies' footprints. We expect regular publication of information on the company's environmental footprint. DNCA Finance supports the

adoption of transparency standards that allow companies to be harmonised and compared, such as the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

DNCA Finance wants environmental strategy not to be limited to a company's own operations, but to include all stakeholders. It must therefore include the entire value chain: upstream suppliers, the company's operations, and the product life cycle with the customer. Innovation also plays a central role in meeting these challenges, so it is important that these environmental considerations are integrated from the earliest stages of product or service design.

In line with its responsible investment policy, DNCA Finance encourages the following issues to be considered in a transparent manner:

- **Climate:** As part of its climate engagement, DNCA Finance encourages all companies to report and reduce their greenhouse gas (GHG) emissions. We also encourage them to limit and reduce their energy consumption to ensure more sustainable growth.
- **Water management:** Water management is an aspect of environmental policy that also has societal implications. DNCA Finance therefore encourages companies to limit and reduce their consumption of water, particularly drinking water, a vital resource to conserve. Certain geographical areas are particularly prone to drought and water stress and DNCA Finance expects companies exposed to them to be aware of this and take due care. DNCA Finance also encourages companies to sign up to the CDP⁵ on this issue and to publish their data annually.
- **Waste management:** Waste management is a major source of pollution and needs to be dealt with properly. Certain issues, such as the use of plastic and packaging, are at the heart of current environmental concerns. DNCA Finance would like companies to inform us about the nature of the waste they generate and the recycling and recovery practices they have put in place. In addition, DNCA Finance encourages companies to find innovative solutions to better manage these issues. Furthermore, the circular economy offers interesting prospects for adapting our economy to more rational waste management, and DNCA Finance encourages all companies that can to contribute to this effort.
- **Protecting biodiversity:** Biodiversity issues come in many forms and represent the impact of activities on the land, wildlife and flora. Economic growth must be compatible with their conservation. Marine flora and fauna are also an integral part of global biodiversity. DNCA Finance encourages companies to assess and limit their impact on biodiversity, based on their use of land or sea. DNCA Finance encourages the conservation of forest and marine areas, using responsible labels that allow companies to certify and justify their use of these resources.
- **Respect for local communities:** Companies must listen to local communities and DNCA Finance wants every company to be able to integrate consultation into its strategic decisions. Operations can only be sustainable if common interests are respected.

2) Climate

Climate policy is a central issue of our time and is leading to increasing regulatory pressure, such as countries' engagement to the Paris Agreement (COP 21). DNCA Finance encourages all companies to take climate issues into account by limiting and reducing polluting emissions such as carbon.

⁵ CDP is a not-for-profit charity that manages the global disclosure system that enables investors, companies, cities, states and regions to manage their environmental impacts. The CDP is regarded by the global economy as the benchmark for environmental reporting, with the richest and most comprehensive set of data on the actions of companies and cities.

DNCA Finance publishes an annual report on the alignment of its investments with the objectives of limiting the rise in global temperature to 2°C in line with the ambitions mentioned on page 13.

DNCA Finance also supports companies joining initiatives such as the Carbon Disclosure Project (CDP), the Science Based Targets Initiative (SBTi) and the principles of the Task Force on Climate-related Financial Disclosures (TCFD). These initiatives promote the transparency and consistency of climate strategies on a global scale.

In addition to transparency on these issues, DNCA Finance encourages the implementation of a climate strategy containing emission-reduction targets in line with those of the Paris Agreement.

Finally, DNCA Finance would like companies to incorporate the new European Taxonomy regulation⁶ into their reporting by publishing a report that includes the "green share" of sales, capex and opex⁷ identified according to the taxonomy.

DNCA Finance is convinced that placing environmental issues at the heart of its dealings with companies makes it easier for them to adopt a sustainable development approach. This positioning also creates a virtuous circle that supports companies offering solutions to this increasingly worrying global challenge.

e. Societal Engagement

In addition to the social risks related to a company's internal governance, societal issues affect the environment in which the company operates. DNCA Finance is therefore convinced that good management of societal issues can improve companies' operational performance and better manage any negative impacts.

1) Employee engagement and working conditions:

DNCA Finance encourages companies to disclose all data relating to their workforce. DNCA Finance also wants all companies to enforce respectful and sustainable working conditions. Respectful in that they meet ethical standards, such as human rights conventions and International Labour Organisation conventions. Sustainable because they avoid precarious employment.

DNCA Finance supports the establishment of social dialogue and employee representation on governing bodies, such as the Board of Directors.

Companies must also have a pay policy that makes them attractive on the job market, so that they can acquire the skills needed for the organisation's development. The company's internal promotion policy is another major factor in its appeal for employees, In addition, the employee training policy can help maintain a uniform level of skills within the workforce.

Employee diversity supports good decision-making. DNCA encourages companies to promote diversity (of gender, skills, and culture) in their workforce, as well as in their management teams.

DNCA Finance regularly engages with companies on these issues to ensure, first, that the risks associated with the treatment of employees are properly understood and, secondly, that the corporate culture fosters a more efficient and sustainable operating profile.

⁶ Regulation (EU) 2019/2088 of the European Parliament and Council of 27 November 2019

⁷ Opex or operating expenses are the ongoing costs of running a product, business, or system.

Capex or capital expenditure refers to fixed assets, i.e. expenditure that has a positive value over the long term.

2) Engagement with suppliers:

DNCA Finance wants all issuers to give as much importance to the social issues of their suppliers as to those of their own company. This is all the more crucial when outsourcing is high, the number of suppliers is large, and the geographical footprint is global. DNCA Finance encourages companies to formalise these expectations in their contractual relationships, to develop appropriate verification procedures, and to implement an engagement strategy with their suppliers.

DNCA Finance is convinced that including suppliers in a company's sustainability vision will amplify its impact.

3) Engagement to data protection and cybersecurity:

The protection of personal data and IT systems is becoming increasingly important with the growing digitisation of the business environment. DNCA Finance encourages companies to put in place all the necessary measures to preserve the integrity of IT systems. In addition, DNCA Finance wants companies that collect and analyse personal data to be as transparent as possible about how they are used.

II. VOTING POLICY

1. Conditions for exercising voting rights

a. Scope

DNCA Finance exercises all the voting rights attached to the securities held in the portfolio which DNCA Finance manages directly or by delegation and which it is responsible for exercising.

As a matter of principle, DNCA Finance makes every effort to vote at all General Meetings relating to the securities held in the portfolio of any fund. As an exception, DNCA Finance may not vote at a limited number of these General Meetings if the regulatory provisions and technical constraints imposed by the markets, custodians or external service providers make it impossible to vote in the interests of unitholders.

The proportion of General Meetings at which DNCA Finance votes during the year is specifically reported in the "Report on the exercise of voting rights" for the year in question.

DNCA Finance votes at General Meetings which require the shares concerned to be blocked for the period between registration of the shares and the vote.

b. Calendar of General Meetings

The calendar of General Meetings in which DNCA Finance must participate is drawn up by an external service provider. The calendar covers all securities held in portfolios for which the date of the General Meeting has been confirmed (i.e. for all funds managed by DNCA Finance, where DNCA Finance is responsible for exercising the voting rights, combined).

The calendar is sent to all management teams and can be consulted at any time. It is constantly updated by the external service provider (on a daily basis).

c. Voting instructions

DNCA Finance uses an external service provider for voting instructions. This service provider hosts an online voting platform and forwards the vote to the issuers.

DNCA Finance votes either by post (particularly in France) or by proxy, in which case votes are entered directly into the external service provider's voting platform. DNCA Finance also reserves the right to attend General Meetings and to vote in person.

DNCA Finance may also act as scrutineer if its shareholding allows it to do so.

d. Analysis of resolutions and voting responsibilities

DNCA Finance relies on an initial analysis of the resolutions carried out by the external service provider, in accordance with the voting principles set out in the DNCA Finance voting policy. The management team then analyses the recommendations presented and makes its voting decisions in accordance with DNCA Finance's voting policy. However, if based on an analysis of the circumstances of a given resolution, the management team considers that it is in the interest of the holders or shareholders of DNCA Finance funds to derogate, on an exceptional basis, from a principle of the voting policy, then DNCA Finance may vote accordingly. These cases are disclosed specifically in the "Report on the exercise of voting rights" for the year in question.

Internal analysis can be enhanced by AFG's "SBF 120 AGM Alerts" notices. As part of its programme to monitor General Meeting resolutions, the AFG publishes resolutions

considered to be contrary to the corporate governance code. These recommendations are not binding on DNCA Finance's voting policy.

Finally, preparatory meetings may be organised with issuers in advance of General Meetings. These meetings are an opportunity for DNCA Finance's management teams to discuss draft resolutions with companies and decide if they are appropriate, while also putting forward DNCA Finance's point of view.

e. General principles for analysing resolutions

DNCA Finance is particularly attentive to the imposition of administrative or technical barriers. DNCA Finance votes in part by mail, which means it needs sufficient time to receive information and regulatory documents. DNCA Finance supports resolutions that make it easier for shareholders to express themselves at general meetings. It is also important for DNCA Finance that shareholders should themselves as a body at general meetings and is not in favour of quorums that are too low. DNCA Finance favours separating resolutions according to each decision on which a vote is required. It will vote against resolutions that bundle together several sub-resolutions. Resolutions concerning appointments, capital increases and related-party agreements should be the subject of as many resolutions as there are decisions to be taken.

DNCA Finance also retains the right to attend general meetings in person, in its capacity as a shareholder, but is not opposed to holding entirely virtual general meetings.

The principle of transparency of information is a cornerstone of our voting policy. DNCA Finance wishes to be aware of all the information required to make a coherent decision. As such, DNCA Finance will contact issuers if necessary and will vote against a resolution if it does not have all the necessary information.

f. Role of scrutineer

DNCA Finance wishes to play an active role in the General Meetings of the companies in which it invests. DNCA Finance may therefore take the role of scrutineer whenever its shareholding in the company concerned allows it to do so at least when the General Meeting is held in France.

At a General Meeting, the scrutineer is the person responsible for ensuring that the ballot is properly conducted and counted. The General Meeting must appoint a panel comprising a chair and two scrutineers. The chair is held by the Board (or the Chairman of the Board). The officers are responsible for certifying the attendance register based on the information collected by the centralising agent, in accordance with the terms of the contract signed by the latter with the issuer (AMF Recommendation 2012-05), and for ensuring that the General Meeting is properly conducted. The two scrutineers are the two members of the General Meeting with the highest number of votes who accept this role (Article R.225-101 1 of the French Commercial Code). The scrutineers have no powers of their own but derive their powers from their membership of the panel. The panel is a collegiate body. The role of the scrutineers is to assist the Chair of the General Meeting in verifying the validity of votes and counting them. After the General Meeting, the scrutineers sign the minutes to indicate their agreement with their content, which they may refuse to do if they see fit ("Vade-mecum à l'attention des membres du bureau des Assemblées Générales" drawn up by AFEP in conjunction with ANSA).

2. Composition and operation of the Board

a. Governance structure

DNCA Finance has no preference between a one-tier structure (Board of Directors) or a two-tier structure (Management Board and Supervisory Board) as long as the governance structures act in the interests of all shareholders.

DNCA Finance prefers to split the functions of Chairman and Chief Executive Officer when the company is governed by a Board of Directors. However, specific situations may justify combining these functions, in which case appropriate control and power-balancing measures must be put in place (an independent lead director, reinforcement of the Board's independence requirements).

In the case of banks, DNCA Finance is opposed to combining the roles of Chairman and Chief Executive Officer, in line with regulatory recommendations⁸.

b. Composition of the Board

The Board of Directors carries out the tasks reserved to it by law and acts in the corporate interest of the company. It endeavours to promote the creation of long-term value by the company, considering the social and environmental challenges of its activities. If necessary, it proposes any changes to the Articles of Association that it considers appropriate.

DNCA Finance attaches particular importance to the quality of the Board and the coherence of its composition with the company's strategy. Accordingly, DNCA Finance votes positively in the following situations:

- A Board of between 5 and 15 members is appropriate;
- The professional skills, complementary profiles, and diversity (nationality, gender, age) of the Board's directors are essential selection criteria;
- The composition should reflect the company's shareholder base as far as possible;
- The proportion of women must be at least 40%;
- The Board must be at least 33% independent if the company is controlled and at least 50% independent if the company is not controlled;
- A director's term of office must be limited to 4 years, renewable a maximum of 2 times.

Finally, preparatory meetings may be organised with issuers in advance of General Meetings. These meetings are an opportunity for DNCA Finance's management teams to discuss draft resolutions with companies and decide if they are appropriate, while also putting forward DNCA Finance's point of view.

Each Board must consider the desirable balance of its membership and that of its committees, particularly in terms of diversity (representation of women and men, nationalities, age, professional qualifications, and experience, etc.). It must publish in the corporate governance report a description of the diversity policy applied to the members of the Board of Directors together with a description of the objectives of this policy, the methods used to implement it and the results obtained during the past financial year.

⁸ Article 88 - paragraph 1,e - of Directive 2013/36/EU of 26 June 2013.

As an extension of its responsible investor policy, DNCA Finance encourages the presence of at least one director, preferably independent, who has the qualifications to discuss the company's social, societal and environmental issues.

DNCA Finance analyses the independence of directors according to the criteria recommended in the AFP-MEDEF code⁹.

Directors or members of the Supervisory Board must be free of any interest. These corporate officers must therefore not be in a position of potential conflict of interest, such as being former officers or employees, current officers or employees, or officers or employees of partner firms (financial, commercial, advisory, etc.). The table below sets out the AFEP-MEDEF independence criteria¹⁰.

<p>Criteria 1 Company officer during the previous 5 years</p>	<p>Not to be, or not to have been in the previous 5 years:</p> <ul style="list-style-type: none"> - Employee or executive director; - Employee, executive officer, or director of a consolidated subsidiary of the company ; - Employee, executive officer, or director of the company's parent company or of a company consolidated by the parent company.
<p>Criteria 2 Cross-directorships</p>	<p>Not to be an executive director of a company in which the company directly or indirectly holds a directorship or in which an employee appointed as such, or an executive director of the company (currently or within the last 5 years) holds a directorship.</p>
<p>Criteria 3 Significant business relationships</p>	<p>Not be a customer, supplier, investment banker, commercial banker, significant advisor to the company or its group, or for whom the company or its group represents a significant proportion of the business.</p> <p>The Board shall decide whether the relationship with the company or its group is significant, and the quantitative criteria used to make this assessment (continuity, economic dependence, exclusivity, etc.) shall be explained in the company's report.</p>
<p>Criteria 4 Family ties</p>	<p>Have no close family ties with a corporate officer.</p>
<p>Criteria 5 Statutory auditor</p>	<p>Not have been the company's statutory auditor during the last 5 years.</p>
<p>Criteria 6 Terms of office exceeding 12 years</p>	<p>Not to have been a director of the company for more than 12 years. Independent directors cease to be independent on the 12-year anniversary of their appointment.</p>
<p>Criteria 7 Status of non-executive corporate officers</p>	<p>A non-executive director cannot be considered independent if they receive variable remuneration in cash or shares or any remuneration linked to the performance of the company or the Group.</p>

⁹ In the specific case of Japan, different criteria are applied to define the independence of directors

¹⁰ Updated in January 2020.

Criterion 8
Status of major shareholder

Directors representing major shareholders of the company, or its parent company, may be considered independent provided that these shareholders do not participate in the control of the company.

However, above a threshold of 10% of share capital and voting rights, the Board, acting on a report from the Appointments Committee, shall systematically consider whether a director qualifies as independent, considering the composition of the company's share capital and any potential conflict of interest.

c. Appointment and reappointment of directors

The proper functioning of a Board depends on the integrity, availability, skills, and involvement of its directors. DNCA Finance therefore casts a negative vote in the following situations:

- A candidate has served on the Board for more than 12 years;
- A candidate holds more than 5 executive and non-executive directorships in listed companies (excluding subsidiaries);
- A candidate is proposed based on considerations that are manifestly not solely related to the interests of the company;
- A candidate's past behaviour has not always respected the interests of minority shareholders;
- In the context of a financial restructuring transaction, the candidates proposed for appointment or reappointment do not seem to have the skills required for the new strategy envisaged;
- A candidate for reappointment has a poor attendance record at Board meetings.

DNCA Finance is in favour of staggered renewal of Board membership.

Also, DNCA Finance may refuse to approve directors' discharges where this has legal implications that may restrict shareholders' ability to take action.

In Italy, where regulations impose a "voto di lista" system for the election of directors when the entire board is up for reappointment, DNCA Finance will support the list presented by the non-controlling shareholders. However, DNCA Finance would like information on the candidates to be disclosed (biography, professional experience, date of first appointment, etc.).

d. Employee representatives and directors proposed by shareholders

DNCA Finance supports the inclusion of employee representatives on boards and committees, including in countries where this practice is not required by law. Employee representatives are excluded from the calculation of the independence ratios of the Board and its committees. In countries where legislation requires most directors to be employee representatives, DNCA Finance considers that an independence rate of 33% is satisfactory.

DNCA Finance is in favour of the presence of employee shareholder representatives on boards and recommends greater transparency in the selection process for employee shareholder representatives presented to shareholders for a vote. DNCA Finance will vote for the employee shareholder representative to the Board who receives the most votes from employee shareholders.

e. Directors proposed by one or more shareholders

DNCA Finance is in favour of the appointment of directors whose candidacy is proposed by one or more shareholders, provided that the candidates meet the conditions of integrity, availability, skills, and involvement set out above. In addition, the number of representatives must be consistent and proportionate to the portion of the company's capital held by the shareholders in question.

f. Non-voting directors

DNCA Finance favours the appointment of voting directors to the Board. We are therefore opposed to the appointment of a non-voting director except where it is warranted by particular circumstances.

g. Committees reporting to the Board

The formation of Board committees is essential to the proper preparation of Board meetings. The number and structure of committees depends on each Board.

However, in addition to the duties devolved by law to the Audit Committee, it is recommended that remuneration, as well as the appointment of directors and executive directors, should be the subject of preparatory work carried out by a committee reporting to the Board. As with the Board, we attach particular importance to the composition of these committees and to their independence.

In addition, as an extension of DNCA Finance's responsible investment policy, DNCA Finance encourages the creation of a committee dedicated to Corporate Social Responsibility issues.

h. Directors' remuneration

The Remuneration Committee is responsible for studying and making recommendations on the remuneration package and terms and conditions for directors. The total amount voted at the Annual General Meeting is set by the Board. It must take account of the effective participation of directors on the Board and in the committees, and therefore include a predominantly variable component. It must also be consistent with the size of the company and its sector.

Directors' membership of specialist committees may give rise to the payment of additional remuneration. Similarly, the performance of specific duties, such as those of lead director, may give rise to such an award or to the payment of exceptional remuneration, which is subject to the rules governing regulated agreements.

The level of remuneration should be commensurate with the level of responsibility assumed by directors and the time they are required to devote to their duties. We favour remuneration that is conditional on attendance at Board meetings. The rules for allocating remuneration and the individual amounts paid to directors in this respect must be transparent and set out in the corporate governance report.

DNCA Finance strongly encourages directors to be shareholders in a personal capacity and to own a minimum number of shares, significant in relation to the remuneration received. If they do not hold these shares when taking up their appointment, they may use their remuneration to acquire them. The director must provide this information to the company, which must include it in its corporate governance report.

DNCA Finance is opposed to the use of variable incentive compensation (performance conditions, stock options, etc.), which could compromise the objectivity and independence of directors. DNCA Finance is attentive to the strict application of this rule for non-executive directors and statutory auditors.

DNCA Finance is opposed to proposals relating to the indemnification of directors and senior executives or shielding them from liability. We vote against the proposals to limit or eliminate the liability of directors and senior executives for pecuniary damages in the event of failure to exercise due diligence. We vote against proposals for indemnification that extends the protection of directors and senior executives beyond the simple reimbursement of legal costs for actions that are more akin to serious breaches of duty than to simple negligence.

3. Executive remuneration

a. Principles and transparency

Remuneration policy is a fundamental tool for aligning the interests of executives with those of shareholders and is therefore the focus of particular attention.

The Board must discuss the performance of senior executives in the absence of the persons concerned. The Board is responsible for setting executive remuneration, based on proposals made by the Remuneration Committee. The Board must give reasons for its decisions in this area.

In determining executive remuneration, the Board and its committees must take into account and rigorously apply the following principles:

- **Exhaustiveness:** all elements of remuneration must be considered in the overall assessment of remuneration;
- **Balance** between components of remuneration: each component of remuneration must be clearly justified and in line with the company's corporate interests;
- **Comparability:** remuneration must be assessed in the context of the business and the reference market. Remuneration must also be established on the basis of responsibilities assumed, results achieved, and work done. It may also reflect the nature of the assignments entrusted to the person concerned, or special situations (for example, the turnaround of a company in difficulty).
- **Consistency:** the remuneration of the executive director must be consistent with that of the company's other directors and employees;
- **Transparency:** the rules must be simple, stable, and transparent. The performance criteria used must correspond to the company's objectives, be demanding, explicit and, as far as possible, sustainable. The amounts must be stated individually.

DNCA Finance considers that these principles apply to all components of remuneration, including long-term and exceptional remuneration. DNCA Finance is in favour of resolutions allowing shareholders to express their opinion on the general principles of remuneration and on the application of these principles by the Board.

b. Alignment with performance

DNCA Finance believes that executive remuneration should be competitive, adapted to the company's strategy and circumstances, and should aim to promote the company's performance and competitiveness over the medium and long term by incorporating one or more criteria relating to corporate social responsibility. Remuneration must make it possible to attract, retain and motivate high-performing executives.

In connection with the resolutions proposed at General Meetings, DNCA Finance is :

- in favour of the introduction of variable or exceptional remuneration aligning the interests of executives with those of shareholders. Quantitative performance criteria

must be clearly communicated in the annual report and the weight of discretionary performance assessment must be limited. In this respect, DNCA Finance pays close attention to the implementation of remuneration systems that depend on the Board's discretion;

- in favour of the integration of transparent and demanding quantitative non-financial criteria linked to the company's Corporate Responsibility policy and to the challenges of Sustainable Development specific to the company;
- against remuneration deemed manifestly excessive;
- against aggressive increases with no coherent justification on the part of the company, or during periods of workforce restructuring;
- against the introduction of "top-hat" pension schemes.

c. Severance pay

It is unacceptable for executives whose company is failing or who are themselves failing to leave with compensation. The law gives shareholders a major role in these circumstances by making these predefined severance payments, to be paid on termination of the executive's duties, subject to the procedure for related-party agreements. It imposes total transparency and makes severance payments subject to performance conditions.

In addition to the legal rules, when an executive leaves the company, the financial terms of their departure must be detailed in full. Published information must include:

- The fixed remuneration paid to them for the current financial year;
- The method used to calculate the variable annual remuneration for the current financial year and any exceptional remuneration;
- What happens to outstanding variable multi-year or deferred remuneration plans, unexercised stock options and unvested performance shares;
- Payment of any severance or non-compete compensation;
- Any benefits from a supplementary pension.

The performance conditions set by the Board for these indemnities must be assessed over at least two financial years. They must be demanding and only authorise the payment of compensation to an executive in the event of forced departure.

Regarding General Meeting votes on severance compensation, DNCA Finance is:

- against the payment of severance pay to an executive who voluntarily leaves the company to take up a new position, changes role within the same group, or is eligible for retirement;
- against a severance package exceeding two years' (fixed and variable annual) remuneration, including any payments under a non-compete clause;
- against the granting of stock options or performance shares at the time of their departure;
- in favour of cancelling stock options or performance shares for which the performance conditions can no longer be met, due to departure.

d. Management shareholding

To encourage the alignment of interests, DNCA Finance is in favour of executives holding shares.

DNCA Finance therefore recommends a precise description of the policy for executive stock options.

This should include the type of options (purchase or subscription), the timing of the plans and the conditions set by the Board for exercise of the options. A summary table should be presented showing all the relevant data for the stock option plans in force, as required for the corporate governance report:

- A description of the policy for granting shares to executives, the conditions and, where applicable, the criteria set by the Board;
- The number of performance shares granted to each executive;
- Valuation at the time of grant;
- The share of capital granted to each executive.

When voting at General Meetings, DNCA Finance favours the following rules after analysing companies on a case-by-case basis:

- Detailed award and performance conditions;
- Report on the use of the different plans in force over the last three years;
- The vesting and performance period must be sufficiently extended over time, and the shares must not be granted at a discount;
- The total amount of outstanding plans may not exceed 1% of the share capital, with preference being given to the use of existing shares to limit dilution.

4. Approval of accounts and management

a. Approval of the accounts

DNCA Finance approves the financial statements when the statutory auditors have made no comments or refused to certify the accounts and their report is included in the management report.

DNCA Finance considers that the lack of an audit committee reporting to the Board is a reason not to approve the financial statements. The same applies if an executive officer is a member of this committee.

b. Appropriation of earnings

DNCA Finance pays particular attention to the policy on shareholder returns and expects it to be consistent with the company's results and strategy. After a detailed analysis of the circumstances of each company, DNCA Finance opposes the appropriation of earnings if:

- Dividends are rising at the expense of investment in growth;
- Cash flow is not sufficient to finance the dividend.

DNCA Finance has no preference as to whether dividends are paid in shares or in cash. However, in the case of payment in shares, DNCA Finance is vigilant about the optional nature of this payment as well as any discount on the shares offered.

c. Related-party agreements

We study the content of these transactions to assess whether they are well-founded and in the interests of the company and its minority shareholders. DNCA Finance votes against related-party agreements when they are contrary to the company's interests and/or when there is insufficient transparency to analyse them. In addition, sufficient time must be allowed to permit this analysis.

d. Appointment and remuneration of statutory auditors

The role of the statutory auditors is to check that the annual accounts drawn up by the company are true and fair, by carrying out an accounting and financial audit.

To ensure that statutory auditors are completely independent in their judgement, DNCA Finance supports the European audit reform and casts a negative vote when the statutory auditor's term of office exceeds 12 years (24 years in the case of a joint audit). We also encourage the appointment of deputy auditors who are independent of the principal auditor.

Also, DNCA Finance may refuse to approve the statutory auditors' discharge where this has legal implications that may restrict shareholders' ability to take action.

Finally, in the context of the case law relating to the Enron Act in the United States (2001), DNCA Finance is in favour of the separation of audit and consultancy activities. For this reason, particular attention is paid to the fees received by the statutory auditors and to the fact that these are mainly linked to audit activities.

5. Capital transactions

a. Capital transactions

Resolutions concerning capital transactions are analysed on a case-by-case basis, depending on the structure of the transaction and its potential to dilute shareholdings. Any such transaction must have a clear strategic and financial justification.

DNCA Finance applies the following principles to share buyback programmes outside a public offer period:

- Vote in favour of share buybacks up to 10% of capital;
- Specific examination of takeover bids with no predefined capital limit;
- Examination of the terms and conditions of buybacks and the resale/cancellation of repurchased shares.
- DNCA Finance applies the following principles to capital increases:
 - DNCA Finance votes in favour of share issues with preferential subscription rights provided they do not exceed 50% of the number of existing shares. Above this threshold, the capital increase must be clearly justified and demonstrate clear benefits for the shareholder;
 - A reserved capital increase or a private placement without preferential subscription rights must be limited to 10% of the share capital.

Wherever possible, DNCA Finance would like shareholders to have priority subscription rights.

However, a capital transaction without preferential subscription rights above this threshold may be approved if it creates real value and is in the interests of all shareholders.

We apply the following principles to capital increases reserved for employees:

- A minimum holding period must be specified;
- The capital increase must not exceed 5% of the capital or 3% if the maximum discount is set at 30%.

Cumulative capital increases must not exceed 50% of the total number of existing shares. Any resolutions to over-allot shares must also comply with this maximum threshold.

Capital increases reserved for specific investors (private placement, remuneration of contributions in kind or public exchange offer) are a special case and require maximum transparency. Such transactions are analysed on a case-by-case basis.

b. Capital transactions during takeover bids

Takeover bids are analysed on a case-by-case basis and it is up to shareholders to decide whether or not to authorise a takeover. For this reason, DNCA Finance opposes all resolutions favouring anti-takeover measures and is not in favour of capital transactions being proposed during an offer period.

c. Convertible bonds

DNCA Finance approves the issue of convertible bonds if the transaction results in the creation of potential shares totalling less than 20% of the existing shares.

d. Mergers/Acquisitions

DNCA Finance approves mergers and acquisitions when they are strategically justified and create long-term value.

e. Transactions on outstanding shares

DNCA Finance is in favour of share consolidations and splits, after examining the conditions, particularly the adjustment of share issue authorisations.

6. Corporate responsibility

a. Shareholder rights and transparency of information

1) Shareholder voting rights

DNCA Finance supports the general principle of "one share, one vote".

However, for French companies, in the context of the Florange Act, DNCA Finance believes that holding shares over the medium term should be encouraged through incentive mechanisms such as the payment of a higher dividend for loyal shareholders or the distribution of additional shares when bonus shares are allocated, or even the allocation of double voting rights.

As part of its long-term investment policy, DNCA Finance attaches particular importance to all mechanisms that foster shareholder loyalty but remains vigilant to ensure that they are implemented fairly and do not result in an excessive accumulation of power at the expense of non-controlling shareholders.

For non-French companies, except for the principle that shareholders may be granted double voting rights subject to a minimum holding period, DNCA Finance is opposed to granting multiple voting rights to certain shareholders.

Similarly, DNCA Finance is against resolutions that limit voting rights at any level.

2) Employee shareholder loyalty schemes

DNCA Finance is in favour of programmes for the allocation of free shares, stock options and capital increases reserved for employees (PEE, etc.) provided the total dilutive effect is no more than 1% of the capital per year.

In general, DNCA Finance prefers profit-sharing schemes offered to all staff.

3) Amendments to Articles of Association

The Board carries out the tasks assigned to it by law and acts in all circumstances in the corporate interest of the company. It endeavours to promote the company's long-term value creation by considering the social and environmental challenges confronting its activities. If necessary, it proposes any changes to the Articles of Association that it considers appropriate.

Each resolution entailing an amendment to the Articles of Association is analysed on a case-by-case basis. In general, DNCA Finance is not in favour of:

- moving the registered office to a country for reasons unrelated to the company's actual economic activities, particularly to tax havens;
- a change in the statutory age limit in the absence of succession arrangements;
- the inclusion of a social mission that is too vaguely drawn and open to too broad an interpretation and which could be tantamount to an anti-takeover mechanism.

4) Shareholder resolutions

When resolutions on the agenda come from shareholders, DNCA Finance analyses them on a case-by-case basis. In general, DNCA Finance is in favour of all resolutions that require greater transparency from management, particularly on environmental and social issues, in line with our responsible investment policy. Accordingly, DNCA Finance may decide to consult with all stakeholders at general meetings.

DNCA Finance also favours a clear separation of powers between governance bodies (General Meeting, Board of Directors, and Executive Committee). DNCA Finance therefore does not wish to constrain the management of companies and does not wish to practice forms of activism beyond its shareholder engagement mission.

DNCA Finance is not in favour of shareholder resolutions aimed at reducing the ability of non-controlling shareholders to express their views, such as changing the majority required to approve resolutions on the agenda.

b. Integrating environmental and social issues

Taking account of environmental and social risks and challenges is an integral part of good business management and tends to create long-term value.

DNCA Finance therefore encourages companies to communicate clearly and regularly on these issues. DNCA Finance is particularly in favour of the publication of an "Integrated Report", which allows environmental, social and governance issues to be considered in the company's strategic and financial communications.

DNCA Finance encourages companies to ensure these issues are addressed in their corporate governance processes. This can be achieved by creating a Board committee

dedicated to these issues, by dedicating one or more Board meetings per year in part to these issues, and by appointing independent directors with expertise in the environmental and/or social issues facing the company.

In line with its responsible investor policy¹¹, DNCA Finance supports resolutions on social, societal or environmental issues. These resolutions are analysed on a case-by-case basis, depending on the ESG (Environmental Social and Governance) issues and risks faced by the company, and with the constant aim of maintaining sustainable growth and value creation.

With the emergence of climate issues, more and more companies are giving their shareholders the opportunity to express their views on their climate strategy through a Say on Climate resolution. DNCA Finance is in favour of this type of resolution, although each will be analysed on a case-by-case basis. The points considered are:

- The level of transparency of the company's climate policy;
- The scope of activities covered by the strategy;
- The level of ambition of the climate strategy and the associated investment policy;
- The company's environmental footprint.

In addition, DNCA Finance is not in favour of donations to political organisations and is vigilant about the ethics of lobbying activities. DNCA Finance is not in favour of lobbying that is not in line with its responsible investment policy.

Finally, in the event of serious breaches or violations of the principles of Corporate Responsibility, DNCA Finance reserves the right, in addition to its regular engagement with the companies in which it invests, to oppose certain resolutions (discharge, election of directors, remuneration policy).

¹¹ https://www.dnca-investments.com/isr/politic-investor_fr.pdf

III. CONFLICT OF INTEREST POLICY

In addition to its general policy on managing conflicts of interest, which is available on its website (www.dnca-investments.com), DNCA Finance applies the following specific rules to the exercise of voting rights.

Generally, the management company votes exclusively in the overall interests of the shareholders, without taking account of its own interests, and in accordance with the principles it cites as a reference when casting its vote.

In this context, DNCA Finance makes every effort to prevent, detect and manage conflicts of interest. As a result:

- If a conflict of interest were to arise between DNCA Finance and one of its clients or an issuer where a vote is to be cast, the Head of Compliance and Internal Control (RCCI), in consultation with the manager in charge of the vote, would decide on the attitude to adopt.
- If a manager responsible for voting finds themselves in a conflict of interest regarding a vote, they must immediately inform the RCCI and take no part in the vote concerned.

If the exercise of voting rights on a company would expose DNCA Finance to a potential conflict of interest, the case will be submitted to the RCCI, which will decide on the position to take and, in particular, whether or not to participate in the general meeting of the said company.

In 2023, DNCA Finance has identified no conflicts of interest arising from the exercise of voting rights at General Meetings of companies whose shares are held in the portfolios of managed funds.

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DNCA Finance - 19 place Vendôme, 75001 Paris - Phone : +33 (0)1 58 62 55 00 Email : dnca@dnca-investments.com - www.dnca-investments.com

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