

# SHAREHOLDER'S ENGAGEMENT GROUP POLICY

Policy

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EURAZEO

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## (I) PREAMBLE

### A. Objective

Eurazeo is a listed investment group governed by French and European laws. Several subsidiaries of Eurazeo in France are management companies approved by the French Financial Markets Authority (*Autorité des marchés financiers*): Eurazeo Investment Manager, Eurazeo Mid Cap, Eurazeo Infrastructure Partners and Kurma Partners (the “**Management Company(ies)**”).

Eurazeo is managed in its corporate interest and takes into consideration the social and environmental issues of its activity, in accordance with the provisions of article 1833 of the Civil Code amended by the PACTE law. Eurazeo adheres to the Corporate Governance Code as revised by AFEP and MEDEF in January 2020. The AFEP/MEDEF Code offers a demanding and precise set of recommendations on corporate governance aimed at improving the operation companies and their management with great transparency in order to meet the expectations of investors and the public. The alternative investment funds (the “**Fund(s)**”) managed by the Management Companies subscribe to or acquire shares in companies which are eligible to their respective investment policy (the “**Portfolio Company(ies)**”). The Management Company, through the investments performed by the Funds, is involved in the governance of the Portfolio Companies. This shareholder engagement policy has been written to comply with the requirement imposed by article L533-22 of the French Monetary and Financial Code, for management companies to publicly disclose their policy on shareholder engagement. The shareholder engagement policy is applicable to each Management Company.

### B. Content of the shareholder’s engagement policy

According to Article R533-16 of the French Monetary and Financial Code, the shareholder engagement policy shall include the way the Management Company deals with the following elements:

- 1. Monitoring of strategy, financial and non-financial performance (ESG), risks, capital structure, social and environmental impact and corporate governance
- 2. Dialogue with the Portfolio Companies
- 3. Exercise of voting rights and other rights attached to shares
- 4. Cooperation with other shareholders
- 5. Communication with relevant stakeholders
- 6. The prevention and management of existing or potential conflicts of interest in relation to their commitment

If any of these elements are not relevant, reasons for which these are not relevant and have not been developed shall be described, in accordance with the “Comply or Explain” principle.

### C. Information on the shareholder’s engagement policy

#### a. Annual report on the implementation of the shareholder’s engagement policy

According to Article R533-16 of the French Monetary and Financial Code, an annual report on the implementation of the shareholder engagement policy will be published by each Management Company on the website of Eurazeo. This report relates to the preceding year and includes in particular the following elements:

- General description of how voting rights were exercised,
- Explanation of the choices made on the most important votes,
- Information on the possible use of services rendered by proxy advisers,
- The orientation of votes cast during general meetings, this information may exclude votes which are insignificant due to their object or the size of the participation in the Portfolio Company.

If any of these elements are not relevant, reasons for which these are not relevant and have not been developed shall be described, in accordance with the “Comply or Explain” principle.

## b. Investors’ information

Information relating to the exercise of voting rights on each resolution presented to the general meeting of a Portfolio Company is available to all investors of the Fund, as well as to the French Financial Markets authority, if they request it. In this context, the Management Company indicates:

- Votes expressing opposition to the resolutions proposed by the management board or the board of directors of the Portfolio Company
- Votes that do not comply with the principles set out in the Voting Policy (detailed below)
- Cases of abstention, if applicable

When the Management Company does not respond to a request for information relating to the vote on a resolution, its silence may be interpreted, at the end of a period of one calendar month, as indicating that it has voted in accordance with the principles laid down in the Voting Policy and the proposals of the management board or the board of directors.

## (II) SHAREHOLDER ENGAGEMENT POLICY

### A. Dialogue with Portfolio Companies

Portfolio Companies are followed by a Portfolio Company Manager. This Portfolio Company Manager oversees all matters concerning the Portfolio Company and reports back to the Investment Committee of the Management Company on a regular basis. The Portfolio Company Managers in charge of the Portfolio Companies have the knowledge, experience, and skills to identify any growth strategies and suggest any action should any issue arise. The Portfolio Company Managers fully understand that they are responsible for overseeing these companies and managing investments in the best interests of the Funds and their investors. The Investment Committee and the Portfolio Company Managers are encouraged to discuss with the Portfolio Companies any governance matters.

Management Companies ensure that prior to the date when the investment is made, the board of the Portfolio Company is balanced and represents different abilities, knowledge, and experience. Dialogue is a critical part of the investment approach. When the Management Companies are in the case of controlling interest, they actively interact with all the Portfolio Companies on financial and ESG matters. Management Companies also interact with other shareholders in the Portfolio Companies.

Dialogue with Portfolio Companies is ensured through:

- Regular on-site visits: such visits may be made to the headquarters of the Portfolio Company, or to any place where manufacture is located.
- Regular meetings with the management of the Portfolio Company (either physical or through conference calls)
- Active interaction (by phone or email)
- Voting at all general/board meetings

In addition, where Management Companies are in the case of controlling interest and when their concerns are not adequately addressed, the Management Company may consider soliciting a private meeting with the chairman, independent director, or any board members, or where appropriate, sending a letter to these individuals.

This engagement is directly linked to any decision to re-invest or divest, or to highlight any material issues the Management Company believes the Portfolio Company might face. For each Portfolio Company, the Portfolio Company Manager oversees the decision making of the Portfolio Company and assists the Portfolio Company in implementing all ESG related commitments and engagements when required.

## B. Monitoring of portfolio companies

### ■ Financial Performance and Risk

Management Companies actively measure the financial performance of Portfolio Companies.

This includes the review of annual reports, financial statements and any relevant public announcements as well as the follow-up of the shareholding structure. Financial performance is assessed by the Portfolio Company Manager and the investment team by analysing revenues, EBITDA and other relevant metrics. This process is carried out in the form of an in-depth analysis conducted internally by the Portfolio Company Manager and the Investment team. The methods used in evaluating these include:

- Review of Portfolio Company's financial reports, presentations, and various media releases
- Studies available on information platforms (Prequin, Bloomberg etc.)
- Conferences and trade shows
- Research
- Any other additional data

### ■ Measuring non-financial performance through Environmental, Social and Governance Factors

The review of ESG/Sustainability factors is an important part of Eurazeo Group ESG commitments.

Eurazeo has developed a set of Key Performance Indicators that identify ESG issues that are material to the risk and return of Portfolio Companies across a standard classification system. These KPIs cover all ESG matters:

- The Environmental factors include impacts and management of emissions.
- Social factors cover employment, retention policies, diversity and inclusion.
- Governance matters cover the composition of the relevant governance bodies within a Portfolio Company including the composition of the boards, any committees, and how diverse these are at a company level.

These indicators are reviewed annually, and action is taken where necessary. Finally, the Portfolio Company delivers an ESG report on an annual basis; this ESG report provides the team with an in-depth overview of the achievements of the Portfolio Company and provides information on how ESG considerations may be improved by the Portfolio Company. The purpose of this ESG approach is to ensure that the Eurazeo Group ESG commitments remain coordinated across Management Companies and Portfolio Companies.

At the level of each Management Company, the ESG team meets on a regular basis, generally monthly. This team will seek to actively review ESG of Portfolio Companies, ESG reporting requirements to the investors in the Funds, and any regulatory reporting requirements (eg. with regards to the SFDR requirements). The team will then raise any issues or relevant matters with the relevant person within the investment team.

### ■ Strategy

Upon investment, the Management Company emphasis on the importance of being a part of the board of the Portfolio Company. Through this participation, the Management Company can notably measure the performance of the Portfolio Company's management team and board.

The Management Company seeks to promote efficient governance at the management level of the Portfolio Companies, and therefore to obtain a seat in governance bodies of Portfolio Companies. Governance bodies may include:

- Board of Directors: The Board of Directors supervises the process of information and communications relating to the company. It also promotes and approves various matters within the Portfolio Company.
- Audit Committee: The audit committee supervises the process of preparing and reporting financial information, in compliance with applicable regulations.
- Compensation Committee: This committee, which is comprised of the Board of Directors, reviews and approves any compensation related to any high-level officers.
- Supervisory Committee: The supervisory committee represents the shareholders of the Portfolio Company at a board level. This committee is in charge of representing the interests of the shareholders by taking part in the decision to elect any high-level officers.

Through these governance bodies, the Management Company representative can identify and make recommendations as to any issues that may require action at a Portfolio Company level. Where possible, the Management Company aims at identifying potential issues before they fully develop; the open-dialogue relationship the Management Company seeks to develop with these Portfolio Companies allows them time to improve any potential issues that may arise, prior to action being taken.

## c. Communicating with other shareholders and other stakeholders

The Management Company maintains an ongoing dialogue with other shareholders, with the main objective of acting in the best interests of the Portfolio Company. The frequency of communication and necessity to communicate with other shareholders is assessed on a case-by-case basis and in line with applicable laws and investment policy. In certain cases, it might be relevant for the Management Company to discuss with the Portfolio Company stakeholders before making a material vote.

The Management Company has also the same objective of acting in the best interests of its unitholders.

## D. Voting policy

### a. Governance principles and voting recommendations

#### i. Governance principles

The vote is exercised in the exclusive interest of the shareholders of the Portfolio Company and the investors of the Funds, with the aim of increasing the long-term value of their investments.

Diligence in terms of voting practice apply to the securities held, whether they are admitted to trading on a regulated or similar market in consideration of the regulations and recommendations of the professional associations to which the Portfolio Company and the Management Company respectively belong. Management Companies also play an advisory role to their principals. Furthermore, within Management Company, this voting policy is based on the “one share, one vote” principle<sup>1</sup>.

In this context, the assessment of the vote to be cast is carried out in particular about the initial investment thesis and the agreements then put in place (shareholders' agreement, etc.), the business plan of the Portfolio Company as well as the development of its activity and its prospects. In case of resolutions that relate directly or indirectly to ESG matters, the management company representative shall express their vote in accordance with our O+ strategy.

In the context of an evolution of the activity in accordance with the development plans which motivated the investment in the Portfolio Companies, the management teams in charge of monitoring the investments are most often in phase with the management on the resolutions which are submitted to shareholders' meetings, in particular with regard to the approval of accounts, the allocation of results, the appointment or dismissal of corporate bodies, the approval of "regulated agreements", the appointment of statutory auditors.

In the event of differences of opinion with the management of the Portfolio Companies on certain resolutions submitted to the general meetings of shareholders, or when the evolution of the activity is no longer in phase with the development plan which motivated the investment of the Funds or when the investment management strategy diverges from the common objective set when making the investment, Management Companies may vote against the adoption of certain resolutions submitted to the meeting to protect the interests of the investors in the Funds.

Management Companies do not resort to the temporary sale of shares.

## ii. Voting recommendations

The following recommendations should guide the orientation of votes at ordinary and extraordinary general meetings of shareholders, subject to special circumstances that may apply where applicable:

- **Decisions resulting in a modification of the articles of association:** Depending to the modification of the articles of association envisaged, the vote must be oriented in favour of the shareholders and unitholders
- **Amendments to the articles of association having a negative impact on the rights of shareholders and unitholders:** the protection of existing shareholders must be encouraged. The choice must be made based on the interests of shareholders and unitholders.
  - Change in management mode: public limited company with board of directors, public limited company with supervisory board, creation of structures abroad, etc
  - Double voting rights, limitation of voting rights
  - Increased dividend, creation of preferred capital securities
- **Capital transactions considered as anti-takeover measures (issues of reserved warrants, share buyback program, etc.):** voting must be in the interests of shareholders and unitholders
- **Dilutive capital transactions for the shareholder (capital increase without PSR, greenshoe, loan issues, etc.):** according to the needs of the activity and the interests of shareholders and unitholders
  - Dilution of capital and dividends
  - Level of growth of the company and its capital requirements

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<sup>1</sup> This principle may be adapted according to the legal structuring of the operation, in particular at the SGP level and during the implementation of specific instruments (ADP, etc.)

- Waiver of the Preferential Subscription Right analysed according to the amount of
- The authorization, whether or not there is a priority period and the issue price
- Issue of securities by subsidiaries giving access to the capital of the issuer

■ **Association of managers and employees with the capital (attribution of free shares or allocation of stock options, etc.):** management as a “good father” must be favoured

- Level of dilution for shareholders
- Level of the discount
- Transparency of formulas.

■ **Approval of the accounts and allocation of the result:** agreement subject to proofreading of the accounts and auditor certification

- Quality of the information transmitted to shareholders: transparency, clarity, availability
- Relevance of accounting changes
- Rate and nature of the dividend distribution (cash or securities), payment of an exceptional dividend or justifications for share buyback or capital reduction operations

■ **Appointment and dismissal of corporate bodies (percentage of directors not free of interests, etc.):** to be qualified on a case-by-case basis

- Quality of the information transmitted by the issuers, which makes it possible to form an opinion on the competence and experience of the person proposed
- Curriculum vitae and number of mandates held by the proposed person
- Number of independent directors

■ **Approval of so-called regulated agreements**

- Transparency and analysis of the impact on the results
- Agreement except major difficulty or abuse

■ **Remuneration of corporate officers:** Eurazeo will be vigilant on the inclusion of ESG criteria in the variable remuneration, which are to be based on clearly defined performance criteria (including ESG KPIs).

■ **Programs for issuing and repurchasing equity securities:** according to the interests of the holding

■ **ESG related matters:** Eurazeo generally supports standards based ESG shareholder proposals that enhance long-term shareholder and unitholders value while aligning the interests of the company with those of society at large. In particular, resolutions seeking greater transparency and/or adherence to internationally recognized standards and principles, resolution in line with the goals of our O+ policy.

■ **Appointment of statutory auditors (Appointment, Remuneration):** agreement unless major difficulty or abuse

- Examination of the allocation of mission expenses and audit expenses.

### iii. Organisation and exercise of voting rights

#### Governance and resolutions analysis

The Portfolio Company Manager examines and analyses the resolutions submitted to the general meeting in accordance with the provisions of the voting policy and in the exclusive interest of shareholders and unitholders.

Each Portfolio Company Manager is responsible for collecting the information (date, terms, text of the resolutions) of each general meeting for each of the participations he monitors.

It is specified that, depending on the activity of the Portfolio Company, an adapted voting procedure may be put in place to take into account operational specificities.

In the event of doubt or difficulty in the analysis and assessment of a resolution, the Portfolio Company Manager must refer it to his line manager with the support of the group's Legal Department. In the absence of referral from the management of the Management Company, the Portfolio Company Manager is responsible for voting. He may report to his immediate superior and to the Legal Department the votes expressing opposition to the resolutions proposed by the management bodies of the companies in the portfolio.

The Portfolio Company Manager must be able to report, at any time, on the exercise of voting rights and their voting choices, in particular by keeping copies and traces of emails and postal or proxy votes.

### iv. Voting method

Attendance at meetings is by any means, favouring face-to-face voting. The Portfolio Company Manager may vote by correspondence or by proxy, by post or electronically when internet voting is implemented, under the conditions provided for by the legal and regulatory provisions in force.

In all cases, the right to vote is exercised without any minimum shareholding requirement and without distinction as to the nationality of the portfolio companies held by the Funds, or the type of fund management.

## E. Prevention and management of conflict of interests

Voting rights are exercised in full independence, in accordance with the principles defined by Eurazeo on managing any conflicts of interest.

If any conflict of interest is identified, it is highlighted by the Management Companies in their annual report on the implementation of the shareholder engagement policy.

The employees of the Management Companies manage all conflicts of interests in line with the Group Conflict-of-Interest Policy, which is communicated to all employees when they join the Management Company, and which remains available at any time for all employees.

## F. Website

This shareholder engagement policy and the report on the implementation of the shareholder engagement policy are published on the Eurazeo Group website.

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## APPENDIX

### EXTRACTS FROM THE FRENCH MONETARY AND FINANCIAL CODE

**Article L533-22**

Amended by Law 2019-486 of May 22, 2019 - Art. 198 (V)

I.-The portfolio management companies mentioned in Article L. 532-9, except for those exclusively managing AIFs covered by section I of Article L. 214-167, AIFs covered by section IV of Article L. 532 9, AIFs covered by the second paragraph of section III of Article L. 532-9 or managing other collective investment funds mentioned in Article L. 214-191, shall prepare and publish a shareholder engagement policy that describes how they integrate their role as shareholder in their investment strategy. They shall publish a yearly report on the implementation of this policy.

The content and means of publication of this policy and its report shall be determined by decree in the Council of State.

The persons mentioned in the first paragraph of section I need not comply with one or more of the requirements set out in this Article if they publish the corresponding reasons on their website.

II.-When a company mentioned in 1° of Article L. 310-1 of the French Insurance Code, a company mentioned in 1° of section III of Article L. 310-1-1 of the same code which reinsures the commitments mentioned in 1° of Article L. 310-1 of said code, a supplemental professional retirement fund mentioned in Article L. 385-7-1 of the same code, a mutual health insurance firm or a supplemental professional retirement union mentioned in Article L. 214-1 of the French Mutual Benefit Insurance Code or a supplemental professional retirement institution mentioned in Article L. 942-1 of the French Social Security Code enters into a contract, based on a portfolio management or collective investment fund subscription mandate mentioned in Article L. 214-1 of this code, with a portfolio management company mentioned in the first paragraph of section I of this Article, the latter shall report on how its investment strategy and its implementation comply with such agreement and contribute to the mid- and long-term performance of the assets of the co-contracting investor or the collective investment fund.

The content and means of publication of this report shall be determined by decree in the Council of State.

III.-When a person bound by this Article does not comply with one or more of its provisions, any person concerned may ask the presiding judge of the court, ruling in summary proceedings, to order such person to do so, where necessary, subject to penalties.

*N.B.:*

*In accordance with section V of Article 198 of Law 2019-486 of May 22, 2019, these provisions shall come into effect on a date set by decree, and by June 10, 2019 at the latest.*

**Article R533-16**

Amended by Decree 2019-1235 of November 27, 2019 - Art. 4

I.-The **shareholder engagement policy** mentioned in section I of Article L. 533-22 shall describe how the following are conducted:

- 1° Monitoring of strategy, financial and non-financial performances, risks, capital structure, social and environmental impact and corporate governance;
- 2° Discussions with companies held;
- 3° Exercise of voting rights and other rights attached to shares;
- 4° Cooperation with other shareholders;
- 5° Communication with relevant stakeholders;
- 6° Prevention and management of actual or potential conflicts of interest in relation to their engagement.

Certain information need not feature in the shareholder engagement policy if the reasons why it is excluded are specified in the policy.

In connection with their shareholder engagement policy, portfolio management companies exercise the rights attached to the securities held by UCITS and AIFs covered by paragraphs 1, 2 and 6 of sub-section 2, paragraph 2 or sub-paragraph 1 of paragraph 1 of sub-section 3, or sub-section 4 of section 2 of Chapter IV, Title I, Book II of this code that they manage in the exclusive interest of shareholders or unitholders of these UCITS and AIFs.

II.-The yearly report on the implementation of the shareholder engagement policy mentioned in section I of Article L. 533-22 shall mainly include:

- 1° A general description of how voting rights were exercised;
- 2° An explanation of the choices made on the most significant votes;
- 3° Information on any services rendered by voting advisors;
- 4° The direction of the votes cast during shareholders' meetings. This information may exclude minor votes due to their purpose or the size of the stake in the company.

Certain information need not feature in the yearly report if the reasons why it is excluded are specified in the report.

III.-The shareholder engagement policy and its yearly report are available to the public, free of charge, on the website of the relevant companies.

IV.-The laws and regulations governing the conflicts of interest of the companies covered by Article L. 533-22 also apply to the preparation and implementation of the shareholder engagement policy.

*N.B.:*

*In accordance with Article 9 of Decree 2019-1235 of November 27, 2019, any persons bound by an obligation to communicate or publish information pursuant to Articles 4, 5 and 6 shall do so no later than three months following the publication of this decree.*

**Article R533-16-0**

Created by Decree 2019-1235 of November 27, 2019 - Art. 4

I.-The report mentioned in section II of Article L. 533-22 shall include the following information:

- 1° Most important mid- and long-term risks related to investments under the contract;
- 2° Composition, turnover and turnover costs of the portfolio managed under the contract;
- 3° Where necessary, any services rendered by voting advisors under the shareholder engagement policy mentioned in section I of Article L. 533-22;
- 4° Portfolio management company regular practices regarding security lending, and, where necessary, how they are applied under the shareholder engagement policy during the shareholders' meetings of companies held under the contract;
- 5° An assessment of the mid-and long-term performance of the companies held under the contract, including non-financial performance and, where necessary, assessment methods;
- 6° Conflicts of interest that occur when implementing the shareholder engagement policy, and, where necessary, how they are managed.

II.-The information referred to section I shall be communicated annually to the co-contracting investor mentioned in section II of Article L. 533-22. Depending on the case, it may be communicated at the same time as the annual report referred to in Article L. 214-23 or that referred to in Article L. 214-24-19, or the report referred to in Article L. 533-15. This is not required if such information is already available to the public on the portfolio management company website.

Where this information is not covered by a portfolio management mandate, holders of units or shares in collective investment funds may ask the portfolio management company to communicate such information free of charge.

N.B.: In accordance with Article 9 of Decree 2019-1235 of November 27, 2019, any persons bound by an obligation to communicate or publish information pursuant to Articles 4, 5 and 6 shall do so no later than three months following the publication of this decree.