

# SHAREHOLDER ENGAGEMENT POLICY

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## Preamble

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Pursuant to Articles L 533-22 and R 533-16 of the French Monetary and Financial Code, management companies must prepare a document entitled '**Shareholder Engagement Policy**, ' which sets out the conditions under which they monitor their investments in terms of strategy, performance, risk, ESG topics, and intend to exercise the voting rights attached to the securities held by the UCIs they manage.

The scope of the exercise of voting rights extends to all the UCIs concerned, but also includes the FCPE and management mandates for which PALATINE ASSET MANAGEMENT has been delegated the exercise of voting rights by the supervisory boards and principals.

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## **1. Monitoring of companies held: Strategy performance governance**

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The selection and monitoring of the companies held consists of investing in companies with a profile that meets different financial and qualitative criteria. Qualitative criteria are based on the assessment of management quality, the clarity of the strategy and the consistency of its implementation. The preferred financial criteria correspond to those of a fundamental analysis (discounting of future cash flows/rate of return on capital used/growth relative to price, etc.).

For its investment and risk management policy, PALATINE ASSET MANAGEMENT also takes into account criteria relating to compliance with environmental, social and governance quality objectives (ESG criteria), as performance indicators specific to these criteria are used for certain portfolios managed by the company (SRI funds of the range).

The completion of an extra financial analysis makes it possible to select the securities eligible for these portfolios.

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## **2. Dialogue with owned companies**

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Our shareholder and SRI engagement is materialised through dialogue with companies on all ESG areas through seminars, briefings, and face to face. This dialogue with issuers can cover the various commitments and mechanisms put in place by companies (cyber security, anti corruption measures, energy consumption, water related risks, human rights, biodiversity, well being and quality of life, etc.), the evolution of the indicators published on their social responsibility approaches and the management of controversies when there is a.

This in order to detect ESG risks and push companies towards greater transparency and social responsibility. Our objective is to promote good ESG practises within companies of which we are shareholders in order to encourage them to adopt a progress approach.

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### **3. Exercise of voting and other rights attached to shares**

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This paragraph sets out the conditions under which the Management Company intends to exercise the voting rights attached to the securities held by the UCIs it manages.

The persons entitled to vote are the managers of the UCIs concerned.

The Operations Department organises and reports on the exercise of votes.

Since 2015, PALATINE ASSET MANAGEMENT has used the services of ISS, a voting consulting agency, to expand its voting scope.

The investment universe of managed portfolios is almost entirely concentrated in the European Union with a very strong predominance in the euro area, the more international share being very modest.

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#### **Cases in which voting rights are exercised**

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Voting is carried out in accordance with the recommendations made by the ISS proxy advisor for companies comprising the CAC40 index, for companies comprising the assets of SRI labelled UCIs, for French companies with a consolidated holding threshold of more than 0.50% of the market capitalization and finally for foreign companies held with a market capitalization of more than €100M. In other cases, a vote of support or disagreement may be expressed on an ad hoc basis.

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#### **Cases in which voting rights are not exercised:**

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- ✓ They concern all companies held below the thresholds set and countries at POA (Power Of Attorney) where the voting procedure requires additional financial costs.
- ✓ As the Management Company does not, except in exceptional cases, temporarily sell shares, it is not concerned by the legal consequences of temporary sales of securities.

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#### **Principles of voting policy**

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The company ensures that it exercises its voting rights on the basis of the specific context of the company, in particular by taking into account its medium and long term strategic orientations, and its environmental and social policy.

The principles of our voting policy are designed to promote the long term value of our investments and to encourage compliance with and application of best practises in governance and professional ethics.

PALATINE ASSET MANAGEMENT adheres to AFG's main principles of corporate governance:

- One share, one vote,
- A general assembly promoting shareholder democracy,
- An independent and effective board of directors,
- Appropriate, transparent and regularly submitted to the vote of the Annual General Meeting;
- Opposition to anti takeover measures.

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- 950,340,885 RCS Paris - VAT N° FR 25,950,340,885

Website : [www.palatine-am.com](http://www.palatine-am.com) - Tel: 01 55 27 95 37 - A BPCE Group company

In particular, the managers refer to the following principles according to the different types of resolutions submitted to general meetings:

- + Decisions leading to amendments to the Articles of Association: Practises that have a positive effect on shareholders' rights, including minority shareholders, are encouraged.
- + The approval of the financial statements and the appropriation of results: The provision of accurate information on the company's results, as well as its evolution, is encouraged.
- + The discharge: Since the discharge restricts the use of actions for the liability of corporate officers, it does not comply with the protection of shareholder interests.
- + The appointment and dismissal of corporate bodies: The independence of directors or members of the Supervisory Board is encouraged.
- + Regulated agreements: The completeness of the information on which votes will be cast is encouraged. Agreements must be signed in the interest of all shareholders, their clauses must be fair to the interests of all shareholders.

Capital transactions:

- Capital increase with preferential subscription rights  
The AFG considers that authorisations to increase the share capital with DPS, which, potentially combined, do not represent more than 50% of the share capital, are acceptable.
  - Capital increase without DPS  
The AFG recommends that authorisations for capital increases without pre-emptive subscription rights and without a mandatory priority period, potentially combined, be limited to 10% of the share capital.  
Authorisations to increase the share capital without pre-emptive subscription rights with a mandatory priority period of at least 5 days, potentially combined, should not exceed 20% of the share capital, unless a higher percentage can be justified by specific circumstances formally explained.  
The AFG is not in favour of capital increases by private placement, unless there is justification for specific situations formally explained by the issuing company (for example: Capital increase by private placement limited to convertible bonds).
  - Anti takeover measures  
The AFG is not in favour of such arrangements, in the interests of minority shareholders.  
The AFG wants the proposed resolutions not to include ambiguous provisions, and in particular requests that the resolutions relating to the repurchase of shares explicitly mention that the repurchase of shares during a public offer period is excluded.
  - + Share issue and repurchase programs: Issues and redemptions of securities must be justified and limited in time and amounts. They should not be used as anti takeover measures.
  - + The appointment of the Statutory Auditors: The independence of the Statutory Auditors and the transparency of their remuneration are encouraged.
    - - Transparency and fairness in the remuneration of executives and directors
1. Free shares  
Free share authorisations must specify the performance criteria on which these shares will be allocated.

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2. Severance payments for corporate officers

May not exceed twice the annual fixed and variable compensation, excluding contractual indemnities.

The company does not exclude any possibility of voting mode and the voting policy is, except in exceptional

cases, the following:

Resolutions that do not seem contrary to the interests of minority shareholders and the above principles: The powers are entrusted to the Chairman of the company.

Resolutions aimed at weakening the role of the minority shareholder or going against its interest: Vote against.

Results below what the company has hoped for: Abstention or vote against.

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#### Method of exercising voting rights

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PALATINE ASSET MANAGEMENT exercises the voting rights of UCIs by the current method of postal (e mail) or electronic voting. However, it does not exclude, if it deems it necessary, any other possibility of voting, such as:

3. Physical attendance at the General Meeting;
4. Proxy voting.

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#### Organisation of the exercise of voting rights

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The managers participate in the votes following ISS recommendations for all French and foreign companies, as well as for SRI and sustainable development.

For France, the Middle Office publishes the ballot papers and sends them to management for signature. The relevant newsletters are then sent by email to the custodian (TCC).

Outside France, voting is carried out via the ISS system, which is linked directly to the TCC.

In the absence of recommendations from ISS four business days before the meeting, the ballot papers are entered, after analysis, either by participating in the vote for important resolutions under the responsibility of the Director of Management (who has a casting vote in the decision making of the vote), or by giving power to the Chief Executive Officer.

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#### **5. Cooperation with other shareholders**

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To date, PALATINE ASSET MANAGEMENT has not established exchanges with the other shareholders, majority or minority, of the companies in which it invests.

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#### **6. Communication with relevant stakeholders**

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Communication can be established with the management of a company more specifically as part of our SRI investment policy.

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#### **7. Prevention & management of actual or potential conflicts of interest in relation to our commitment**

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PALATINE ASSET MANAGEMENT votes in the exclusive interest of holders or principals by operating in complete autonomy from Groupe BPCE and its various business divisions or subsidiaries.

It may in certain cases deviate from this policy in order to avoid voting against the interests of its holders or principals.

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In the event of a situation of conflict of interest, the management company will assess the usefulness of voting after consulting its RCCI in writing.

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#### **8. Report on the shareholder engagement policy**

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The company reports annually on how it has implemented its shareholder engagement policy, and essentially

the 'voting rights' component, in a report prepared by the Operations Department within four months of the end of the company's financial year.

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## Contents of the report

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The report shall specify:

- The number of companies in which the company exercised its voting rights in relation to the total number of companies in which it held voting rights;
- Cases in which it considered that it could not comply with the principles of its voting policy
- The cases of conflict of interest that she has dealt with during the votes.

## Dissemination of the shareholder engagement policy

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The shareholder engagement policy and the annual implementation report are available on the website [www.palatine-am.com](http://www.palatine-am.com).

They are available to the AMF and may be consulted at the registered office of the Management Company.

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## 9. Review of the shareholder engagement policy

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The engagement policy is reviewed periodically to take into account changes in market practises and corporate governance.

This shareholder engagement policy was approved on 29 April 2022 by the Managing Director of the Management Company.

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