



# SHAREHOLDER ENGAGEMENT POLICY

## **POLICY FRAMWORK**

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Directive (EU) 2017/828 of 17 May 2017 amending Directive 2007/36/EC with a view to promoting long-term shareholder engagement.

Article 37 of Commission Delegated Regulation (EU) No. 231/2013 of December 19, 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council as regards exemptions, general operating conditions, depositaries, leverage, transparency and supervision.

Order of May 11, 2020 approving amendments to the AMF General Regulation and repealing in particular Articles 319-21 to 319-25; 321-132 to 321-134; 321-158; 321-159 and 321-160 of the RGAMF

Decree No. 2019-1235 of November 27, 2019 transposing Directive (EU) 2017/828 of May 17, 2017 amending Directive 2007/36/EC with a view to promoting long-term shareholder engagement

Article L533-22 of the Monetary and Financial Code

Article R533-16 of the Monetary and Financial Code

AMF Guide - The exercise of voting rights by management companies - DOC-2005-19

## **INTRODUCTION**

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INOCAP Gestion is a management company that manages UCITS and FIA's and carries out management activities on behalf of third parties within the meaning of the MiFID 2 Directive. Due to the investments it makes on behalf of its clients, INOCAP Gestion is led to hold participations in listed and non-listed companies. Consequently, and in accordance with the current regulations, INOCAP Gestion has defined a shareholder engagement policy describing the way in which it integrates its role as shareholder in the investment strategy of the managed funds.

## **EXERCISE OF VOTING RIGHTS AND OTHER RIGHTS ATTACHED TO SHARES**

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The obligations of this policy apply to the securities held by the UCITS managed by INOCAP Gestion when they are traded on a market.

The management team is in charge of the follow-up of each holding, in full independence and in the sole interest of the unitholders.

INOCAP Gestion receives the documents necessary for the exercise of the shareholders' rights (voting form, agenda, resolutions...) prior to the exercise of the votes and studies them.

The management team is in charge of examining and analyzing the resolutions on the basis of the shareholder engagement policy set up by INOCAP Gestion.

The final vote is carried out by the manager and/or the middle office once the manager has communicated his voting decisions to the latter.

For listed securities, voting is done by mail, INOCAP Gestion uses in this context:

- The ISS tool for UCITS deposited with Caceis
- The Broadridge tool for FIA's deposited with SGSS

For unlisted stocks, the votes are carried out by the manager in charge of the participation. These votes are carried out by physical presence during the general meetings or by correspondence (Possibility of giving a proxy to another shareholder or board).

Within the framework of its management activity on behalf of third parties within the meaning of the MiFID 2 Directive, it is expressly provided in the management agreement that "The Principal exercises directly the extra patrimonial rights. He keeps in particular the right to participate in the meetings and to vote".

INOCAP Gestion will make its best efforts to deploy its shareholder engagement policy on all the companies held by the funds it manages. INOCAP Gestion aims to be able to vote at all General Meetings of Shareholders (AGMs), whether in France or abroad, if conditions allow.

An exception is already known, it concerns the countries requiring a POA (Power of Attorney) for the vote in AGM. This legal constraint makes it impossible for INOCAP Gestion to vote.

As previously indicated, for the analysis of these resolutions, INOCAP Gestion teams also rely on the recommendations of the ISS platform.

Particular attention is paid to resolutions dealing with governance, capital transactions, remuneration policy and environmental and social aspects.

## THE PRINCIPLES OF THE SHAREHOLDER ENGAGEMENT POLICY

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### Governance

- Separation of functions:

INOCAP Gestion is in favor of the separation of management and control functions. Thus, INOCAP Gestion will generally vote against the election or re-election of the same person fulfilling the functions of Chairman and Chief Executive Officer. However, a favorable vote could be given if the cumulation of the functions is only planned for an interim period.

- Independence of the board of directors or supervisory board:

Like the separation of functions, the level of independence of the board of directors or supervisory board is a criteria of our ESG rating. In this context, INOCAP Gestion will generally vote against the election or re-election of directors who exceed the following thresholds: 1/ at least 50% independent for non-controlled companies, 2/ at least 1/3 independent for controlled companies.

- Resolutions that introduce provisions contrary to the "one share, one vote, one dividend" principle:

INOCAP Gestion will generally vote against resolutions aiming at the introduction of a new class of shares with rights superior to those of ordinary shares (shares with increased dividends, shares with double voting rights...)

- Regulated agreements :

INOCAP Gestion is attentive to the accessibility of regulated agreements and to the fact that their content is not contrary to the rules of good governance. In particular, these agreements are evaluated

Key ISS voting principles on which our analyses are based :

[Europe-Voting-Guidelines.pdf \(issgovernance.com\)](#)

in relation to the following themes: executive compensation, consulting services, commercial transactions...

## Capital transactions / Protection of minority shareholder's interests

- Issuance of shares with or without preferential subscription rights for existing shareholders:  
INOCAP Gestion generally votes in favor of 1/ share issues with preferential subscription rights insofar as they concern a maximum of 50% of the outstanding capital and 2/ share issues without preferential subscription rights concerning a maximum of 10% of the outstanding capital.

- Anti-takeover measures ("poison pill")  
INOCAP Gestion generally votes against anti-takeover measures unless they are structured to give shareholders the final decision on the offer.  
For French companies, INOCAP Gestion votes against any capital transaction (including capital increases with or without Preferential Subscription Rights) that could be used to counter a takeover bid without obtaining the explicit prior approval of shareholders.

- Issuance of share subscription warrants (BSA) or any other security giving access to the capital for the exclusive benefit of a category of shareholders, thereby diluting the other shareholders:  
INOCAP Gestion generally votes in favor of equity compensation proposals for employees if the plan(s) are in line with the long-term interests of the shareholders and thus generate an alignment of interest with the creation of shareholder value. However, the volume of shares reserved for employees must not be excessive in relation to the existing capital.

## Remuneration of executives

INOCAP Gestion pays particular attention to the remuneration of executives and to their transparency on this subject. The management team will therefore be attentive to resolutions relating to executive compensation, in particular to the transparency of the amounts and methods of calculation of direct, indirect and/or deferred compensation, and to consistency with the evolution of value creation within the company.

We will evaluate on a case-by-case basis management proposals to ratify elements related to the compensation of a company's executives.

We may vote against it, for example, in cases where ISS would recommend a vote against the compensation proposal and the proposal is motivated by common sense and is justified.

## Environmental and social

As a signatory of the United Nations Principles for Responsible Investment (UN PRI), INOCAP Gestion is committed to its activities. Aware that the environmental, social and governance impact is a key issue in the decision-making process, INOCAP Gestion ensures that the decisions taken in the framework of its shareholder engagement are in compliance with its ESG integration, exclusion and engagement policies.

In the event of a resolution on these issues, INOCAP Gestion will pay particular attention to issues related to consumer and product safety, environment and energy, labor standards and human rights,

workplace and board diversity, and corporate political issues. While a variety of factors go into each analysis, the general principle guiding our votes focuses on how the proposal can enhance or protect shareholder value in the short or long term.

INOCAP Gestion may disagree with ISS recommendations on resolutions presented at the AGM. In some cases, INOCAP Gestion may abstain or refuse resolutions if they are not consistent with our financial and extra-financial commitments.

All voting at the AGM is done directly on the ISS platform. The middle office team is responsible for verifying that the votes have been processed and validated.

## **COOPERATION WITH OTHER SHAREHOLDERS**

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For instant, INOCAP Gestion does not intend to enter into agreements with third party shareholders in the context of decision-making for the implementation of its shareholder engagement policy.

## **PREVENTION AND MANAGEMENT OF ACTUAL OR POTENTIAL CONFLICTS OF INTEREST IN RELATION TO COMMITMENTS**

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INOCAP Gestion ensures that its employees are in a position to act at all times in the exclusive interest of the Fund's unit holders, while respecting the integrity of the market.

All the employees of the management company are signatories of the codes of ethics of the professional associations and are subject to strict rules of ethics concerning operations on the financial markets in a personal capacity.

INOCAP Gestion believes that it is reasonably safe from possible conflicts of interest that could affect the free exercise of voting rights. However, if a conflict of interest situation were to occur, of any nature whatsoever, the case would be submitted to the RCCI.

## **ANNUAL REPORT ON SHAREHOLDER ENGAGEMENT POLICY**

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In the four months following the end of the financial year, INOCAP Gestion will report on the conditions in which its shareholder engagement policy has been implemented.

This report shall include in particular:

- 1° A general description of the manner in which voting rights have been exercised;
- 2° An explanation of the choices made regarding the most important votes;
- 3° Information on the possible use of services rendered by voting consultants;
- 4° The orientation of the votes cast during the general meetings; this information may exclude votes that are insignificant because of their purpose or the size of the holding in the company;

One or more of these items of information may be omitted from the annual report if the reasons for their exclusion are given.

The shareholder engagement policy and its annual report are available to the public free of charge on the INOCAP Gestion website.

Documents relating to the exercise of voting rights are saved on the computer network:  
P:\Gestion\Coté\Vote AG.