



GAY-LUSSAC
GESTION

SHAREHOLDER
ENGAGEMENT
POLICY

March 2022



Gay-Lussac Gestion

Shareholder Engagement Policy / Stewardship Policy

Table of Contents

Regulatory Framework.....	2
Scope of application.....	2
Content of the policy.....	3

Editorial History

Version	Date	Editor	Description
1.0	October, 27 2020	Edwin Faure	New procedure
2.0	March, 15th 2022	Daphné Parant	Update procedure

Approval and Release

Version	Validation Date	Approval
1.0	November, 17th 2020	ESG Committee
2.0	March, 23th 2022	Compliance

REGULATORY FRAMEWORK

The principles of the shareholder engagement policy, stemming from Directive (EU) 2017/828 amending Directive 2007/36/EC "Shareholders' Rights" ("SRD II" or "DDA II") are integrated into the legislative part of the Monetary and Financial Code (CMF art. L. 533-22) and that of the Insurance Code (CAs art. L. 310-1-1-2) by Article 198 of the "Pacte Act" no. 2019-486 of May 22, 2019 (v. Bull. no. 526-2, June 2019, p. 37). Decree no. 2019-1235 of November 27, 2019 continued its transposition, at the regulatory level.

The Autorité des Marchés Financiers (AMF) has also taken up these elements relating to shareholder engagement, notably through Position - Recommendation DOC-2020-03, applicable to portfolio management companies (PMCs).

SCOPE OF APPLICATION

1. Portfolio management company

This concerns asset management companies that manage UCITS and/or AIFs subject to the AIFM directive (COMOFI art. L 533-22 §I) or mandates.

Investments in shares (listed and unlisted) are concerned by the shareholder engagement policy.

2. Institutional investors

These are :

- **insurers:**
 - who, in the form of direct insurance, enter into commitments whose the execution of which depends on the duration of human life, undertake to pay a capital sum in the event of marriage or the birth of children, or call for savings with a view to capitalization and to this end contract specific commitments;
 - which reinsure the commitments mentioned above (L 310-1-1-2 §I insurance code);
- **supplementary occupational pension funds** (L 385-7-1 code des assurances).

The Insurance Code strictly applies the scope defined by the Directive. The commitment policy therefore relates exclusively to "shares traded on a regulated market" (L 310-1-1 §I insurance code).

Article **L310-1-1-2 (I)** of the Insurance Code:

"I.- The companies mentioned in 1° of Article L. 310-1 and those mentioned in 1° of III of Article L. 310-1 which reinsure the commitments mentioned in 1° of Article L. 310-1 are subject to the provisions of I of Article L. 533-22 of the Monetary and Financial Code, insofar as they invest in shares admitted to trading on a regulated market, either directly or through the intermediary of a portfolio management company mentioned in Article L. 532-9 of the same code, with the exception of those which exclusively manage AIFs

covered by I 3 of article L. 214-167 of the said code, AIFs covered by IV of article L. 532-9 of the same code, AIFs covered by the second paragraph of III of article L. 532-9 of the same code or which manage other collective investments mentioned in Article L. 214-191 of the same code, or an investment firm which provides the investment services mentioned in 4° of Article L. 321-1 of the same code".

In addition, the Shareholder Rights Directive establishes a mechanism that requires "institutional investors" to disclose "how the main elements of their equity investment strategy are consistent with the profile and duration of their liabilities, in particular their long-term liabilities, and how they contribute to the performance of their medium and long-term assets".

This obligation concerns the same "institutional investors" as those who are subject to the obligation to implement a commitment policy.

CONTENT OF THE POLICY

The commitment policy described by article R.533-16 §I (in application of art. L.533-22) comprises six elements including the voting policy (which management companies were already required to implement on the basis of the former regulations):

1. Monitoring of strategy, financial and non-financial performance, risks, capital structure, social and environmental impact and corporate governance;
2. Dialogue with the companies held;
3. The exercise of voting rights and other rights attached to shares; (AFG note: limited to shares held by the mandates and funds listed above)
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.

The "comply or explain" principle is recalled both in the legislation and in the regulations (L 533-22 §I and R 533-16): "one or more of these items of information may not be included in the engagement policy if the reasons for their exclusion are given". This possibility thus allows a player to limit the scope of voting on a certain type of shares (quotation, geographical area, etc.).

In addition, each year, the SGP must present a report on the implementation of the shareholder engagement policy. This report, which is made available free of charge on the management company's website (art. R 533-16 §III), must in principle include a list of items set by decree. This list essentially concerns the "voting rights" component of the commitment policy (art. R 533-16 §II of the CMF):

"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 advisors;

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;"

Gay-Lussac Gestion's shareholder engagement policy, described below, is part of the company's ESG policy, available on the website. The latter includes the extra-financial commitments of the company, both at the head office and in the Belgian branch.

1. Monitoring of strategy, financial and non-financial performance, risks, capital structure, social and environmental impact and corporate governance

Gay-Lussac Gestion is committed to exercising its responsibility as a shareholder in the interest of the holder. In addition to financial analysis, the management team ensures that ESG criteria are taken into account for investors.

As part of its analytical work, the management team regularly monitors issuers. As such, it keeps abreast of their communications as soon as possible, attends their events (investor presentations, trade shows, conferences, webcasts, site visits, etc.) and may communicate directly with their management bodies. The purpose of these approaches is to better understand the companies' strategy, collect the most recent information, and ensure that issuers take into account non-financial criteria.

This multi-criteria monitoring allows the management team to refine its analyses and to pay particular attention to the respect of ESG criteria by issuers, as defined in the Gay-Lussac Gestion ESG policy.

2. Dialogue with the companies held

Through its regular dialogue with issuers, Gay-Lussac Gestion encourages them to publicly report on their strategy. Gay-Lussac Gestion always encourages the transparency of issuers. In this respect, Gay-Lussac Gestion may invite the latter to clarify any controversy, any dysfunction or any element misunderstood by the financial community.

As mentioned above, the dialogue with the companies held can take different forms: individual or collective meetings, telephone exchanges, electronic exchanges, etc.

In the event of a controversy being detected, Gay-Lussac Gestion's managers review the exposure of their funds/mandates to the company in question and evaluate the opportunity to maintain and/or reduce this exposure in whole or in part.

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

Organization of the exercise of voting rights

The persons authorized to exercise the voting rights during the general meetings of the issuers are the directors of Gay-Lussac Gestion, the managers of Gay-Lussac Gestion, as well as the analysts of Gay-Lussac Gestion after authorization of the directors or managers of Gay-Lussac Gestion.

Due to the high cost of exercising voting rights, Gay-Lussac Gestion has decided to exercise these rights in the following cases :

- within the framework of the employee savings activity: Gay-Lussac Gestion has decided to exercise all the voting rights attached to the shares held within the FCPE,
- within the framework of the UCITS management activity: Gay-Lussac Gestion has decided to exercise all the voting rights attached to the shares held within the FCP,

in particular in Zone 1 (France) because of the procedures linked to the use of proxy voting,

- within the framework of the private management activity: on request of the client.

As far as foreign securities are concerned, Gay-Lussac Gestion may decide not to exercise its voting rights when this implies a blocking of the securities which could be prejudicial to the holder.

Gay-Lussac Gestion uses various means at its disposal to exercise its voting rights: physical participation in meetings, voting by mail, voting by proxy, power of attorney to the Chairman.

The principles of the voting policy

Gay-Lussac Gestion relies on the "Recommendations on Corporate Governance" of the French Management Association as well as on the Afep-Medef code in order to determine the orientation of its votes during the general meetings of the issuers.

The management team's selection of stocks is based on rigorous criteria, of which the quality of management is one. There is no reason to oppose the resolutions that the management submits for approval at general meetings. Nevertheless, Gay-Lussac Gestion maintains a duty of vigilance and will pay particular attention to resolutions that the management team considers contrary to the final interest of the holder.

The general principle of the voting policy is always to defend the exclusive interest of the shareholder.

Gay-Lussac Gestion can therefore, on a case-by-case basis, study the resolutions submitted to the approval of the shareholders during the general meetings. It may concern, in particular, resolutions on the points listed below:

- Decisions entailing a modification of the articles of association :

Gay-Lussac Gestion is in favor of the "one share, one vote" principle.

Any modification of the statutes respecting this principle as well as the standards of good governance and the respect of the shareholders' information rights will be welcomed.

Gay-Lussac Gestion is not in favor of any resolution introducing double and/or multiple voting rights because it could then allow to gain control of the capital of a company with a minority holding. *However, the Florange law encourages the attribution of double voting rights to reward long-term shareholding (two years). French companies will therefore be analyzed considering this legal framework.*

In the same way, Gay-Lussac Gestion does not welcome the limitation of voting rights or the shares with increased dividend. The modification of the articles of association aiming at the creation of preference shares is analyzed according to the particular conditions attached to these new shares. Gay-Lussac Gestion is unfavorable, and this in the interest of minority shareholders, to the existence of devices allowing any company to protect itself from a hostile public offer. Changes in the company's articles of association relating to the mode of administration of the company (Board of Directors, Management Board/Supervisory Board) will be analyzed on a case-by-case basis. In general, Gay-

Lussac Gestion is in favor of explaining the reasons for and the consequences of all resolutions, in particular those relating to statutory modifications.

- Approval of the accounts and allocation of the result :

The principle proposed for the approval of the corporate accounts is that of the integrity of the accounts.

The information provided by the companies must be accessible, sincere and coherent, and the strategy presented must be readable and stable. Subject to the above, Gay-Lussac Gestion will respect the proposals of the Management Boards or Boards of Directors on the resolutions to approve the accounts, the management and the discharge. Proposals for distribution will be analyzed on a case-by-case basis, always in the interest of the shareholders.

Gay-Lussac Gestion requires the greatest transparency concerning the individual remuneration (direct, indirect or deferred) of the company's main executives. The non-publication of this information can lead to a negative vote of Gay-Lussac Gestion on the resolutions submitted to the vote. *In France, the Sapin 2 law has made it compulsory for companies listed on a regulated market to vote on the remuneration of executives in the General Meeting, both a priori (on the principles of remuneration) and a posteriori (on the application of these principles by the Board).*

The executive compensation policy and any changes (upwards or downwards) must be linked to the company's operating performance and intrinsic value. Social and environmental performance criteria may be included in the calculation of executive compensation. The policy of granting stock options must be motivating and retain the loyalty of the management. Gay-Lussac Gestion will reject plans that do not present precise allocation criteria, the number of beneficiaries and an exaggerated discount compared to the share price.

The attribution of free shares must meet the same requirements as stock options. It does not seem desirable a priori that they exceed 2% of the company's capital. The remuneration of non-executive directors (directors' fees) should be based on the number and attendance of board members and should increase in line with the dividend. In general, the overall amount of remuneration of executives and directors should be consistent with the standards and practices in force in the country and the sector, and be proportionate to the company's capacity.

- Appointment and dismissal of corporate bodies:

Gay-Lussac Gestion shares the recommendations on corporate governance defined by the Association Française de Gestion. In this context, it is desired that at least one third of the Board be composed of independent directors, free of interest. The director free of interest should not be in a situation of potential conflict of interest.

- Regulated agreements:

All agreements must be signed in the interest of all shareholders, which implies that they must be clearly detailed and strategically justified, and that their terms are fair with regard to the interests of all shareholders.

- Capital issuance and repurchase programs :

- Capital increases: the respect of shareholders' preferential subscription rights is fundamental during capital increases. In the light of the above, the issue of preference shares must be examined on a case-by-case basis. In this respect, Gay-Lussac Gestion will be a priori unfavorable to this type of resolution, because of the possible negative consequences for the equality between shareholders.
- Negative consequences for the equality between the shareholders.
- Shares repurchase: the authorizations of share repurchases by the companies are accepted with the exception of those authorized during a public offer period.
- Strategic transactions: each capital transaction proposed to shareholders (contribution, merger, reserved issue) must be strategically justified and financially balanced. The manager analyzes them on a case-by-case basis.
- The association of managers and employees with the capital: the granting of options will be acceptable under the following conditions (AFG):
 - (i) annual allocation with exercise spread over several years subject to the achievement of objectives;
 - (ii) limitation of the amount, stock and flow, to 10% of the capital;
 - (iii) no discount;
 - (iv) no possibility of modification of the initial conditions of issue;
 - (v) Employee shareholding desirable - but subscription carried out at a price level that is fiscally neutral for the company; (vi) authorizations for free shares examined on a case-by-case basis (possible dilutive effect).

- Appointment of statutory auditors:

The independence of the statutory auditors and the audit process will be a major point of attention.

- Any other specific type of resolution that Gay-Lussac Gestion wishes to identify:

Gay-Lussac Gestion will pay particular attention to all resolutions related to sustainable development issues, environmental and societal commitments and governance principles.

4. Cooperation with other shareholders

Always with the objective of defending the interest of the holder, Gay-Lussac Gestion does not refrain from cooperating with other shareholders present in the capital of an issuer. Such cooperation may take the form of a common front, possibly in the form of a shareholders' agreement, in the defense of minority shareholders, harmed in one way or another by the decision of an issuer.

Gay-Lussac Gestion takes care not to have a significant influence on the management of an issuer.

5. Communication with stakeholders

Within the framework of this shareholder engagement policy, Gay-Lussac Gestion may communicate with various relevant stakeholders. These are notably concerned:

- Financial management organisations and regulators (Association Française de Gestion, Autorité des Marchés Financiers, etc.),

- sell-side financial analysts and brokers in the broadest sense
- the media,
- investors (potential and current),
- Data providers, both financial and non-financial,
- Associations and NGOs.

One method of communication used by managers is monthly reporting; in this document they add a link between the fund's extra-financial objectives and the commitment made, where relevant.

6. Prevention and management of real or potential conflicts of interest

Gay-Lussac Gestion places the interest of the investor at the center of its concerns. To this end, and in accordance with the regulations in force, the company has a policy for the prevention and management of conflicts of interest, which is accessible at all times to all its employees. A register of conflicts of interest is also in place within Gay-Lussac Gestion.

The employees of Gay-Lussac Gestion are subject to the above-mentioned policy as well as to the code of ethics of Gay-Lussac Gestion. The latter are required to declare any function outside of Gay-Lussac Gestion and the personal transactions that they may carry out. In the event of a situation that could potentially generate conflicts of interest, the concerned employee will immediately notify the RCCI of Gay-Lussac Gestion.

Gay-Lussac Gestion does not hold any shareholding for its own account. As a management company, it does not have the vocation to make direct investments (portfolio management for third parties only).