



Shareholder Engagement Policy

METROPOLE Gestion

2023

In accordance with Section IV of Decree 2019-1235, METROPOLE Gestion has drawn up this document to describe how the company incorporates its shareholder role in its investment strategy on behalf of its clients when investing in shares in UCITS and AIFs subject to the UCITS 5 and AIFM directives.

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

Since its creation in 2002, METROPOLE Gestion has implemented a policy of engaging over the long term with the companies in which it invests on behalf of its clients, formally laid down in a body of policies and reports that chart its long-term approach to investing in companies.

METROPOLE Gestion's responsible investor approach is in keeping with its founding values. The key principle of value management, which involves investing in companies whose value is discounted relative to their industrial value, and which are therefore overlooked by the financial markets, is to carefully monitor all risks to which those companies are exposed, focusing not only on financial risks, but to the same extent on governance, social, environmental and stakeholder risks as well.

As a company committed to Responsible Value management and an ESG pioneer since 2008, METROPOLE Gestion attaches fundamental importance to consideration and respect of ESG criteria by issuers and companies. Beyond the risks they incur in these areas, METROPOLE Gestion encourages companies to improve by adopting a responsible and sustainable approach to growth and prioritising a so-called Best-in-class¹, or Best effort² methodology, through a non-financial analysis built on four pillars: Social, Governance, Environment and Stakeholders.

This approach enables METROPOLE Gestion to engage with companies from the outset, both by incorporating these criteria into its voting policy and through direct dialogue with them.

It carries out this engagement, as formally laid down in this policy:

- By exercising the voting rights appurtenant to the securities held in its portfolio in accordance with its voting policy.
- Through a policy of active engagement with issuing companies via direct dialogue as a means of identifying ESG and climate change risks and changing the strategy of the companies it analyses, as well as through collective or collaborative engagement in cooperation with other shareholders.

This approach is monitored through annual reports that keep long-term investors informed on the consistency of METROPOLE Gestion's engagement policy with their investment objectives and horizon.

¹ Best-in-class: each company is rated relative to its sector to obtain a best-in-class rating.

² Best effort: takes into account the non-financial rating trend over the last four years, with a preponderant weighting for the last year.

METROPOLE Gestion reports on the financial and non-financial performance of the portfolios in monthly reports.

It provides the same information to investors on its AIFs and management mandates, tailoring its frequency and format to investors' wishes.

2. Dialogue with investee companies

As a company committed to Responsible Value management and an ESG pioneer since 2008, METROPOLE Gestion attaches fundamental importance to companies' consideration of ESG criteria. As such, the company is convinced that engagement with companies fosters long-term value creation and benefits all stakeholders, from shareholders and employees to customers and suppliers.

This approach is based on the belief that if value creation offers investors a fair return and is socially constructive, the more significant and sustainable it is. With that in mind, METROPOLE Gestion engages with the companies in which it invests and encourages them to improve their non-financial practices. This engagement approach is implemented through individual engagement with companies:

- Through ongoing dialogue with companies that enables us to identify their ESG risks and bring about change in their strategies.
- By using our relevant procedure to handle controversies when events occur that are likely to have a significant impact on companies and their stakeholders.
- By exercising the voting rights appurtenant to the securities held in our portfolio in accordance with the voting policy adopted by the company.

METROPOLE Gestion's engagement policy covers all its investments in European equities.

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

Aware that good corporate governance practices increase the value of its clients' investments, METROPOLE Gestion is committed to exercising all the rights and duties conferred by shareholder status, in particular by actively participating in the general meetings of the listed companies in which it invests. METROPOLE Gestion believes that the effective exercise of voting rights is an essential component of the relationship between a company and its shareholders.

3.1. Method of exercising voting rights

In determining how to vote, METROPOLE Gestion takes into account its commitments as a signatory to the United Nations Principles for Responsible Investment (PRI) concerning environmental, social and governance criteria.

Voting scope

METROPOLE Gestion exercises the voting rights of all securities held in the UCIs (UCITS/AIFs) that it manages and for which it holds voting rights, or for which voting rights have been delegated to the company, provided that regulatory provisions and the technical constraints imposed by the markets and custodians make it possible to optimise the exercise of voting rights in the sole interests of shareholders or unitholders.

METROPOLE Gestion votes at general meetings of companies in which the funds jointly hold more than 0.05% of the capital. This threshold does not apply to SRI-certified funds for which it votes on all holdings.

Analysis of resolutions and voting instructions

In accordance with its voting principles, METROPOLE Gestion uses the services of an external service provider, ISS, to analyse resolutions and determine votes.

Responsibility for voting

ISS applies the voting policy defined by METROPOLE Gestion, which is the same as that of its parent company, ODDO BHF Asset Management S.A.S.

In certain cases, the recommendations of ISS are submitted to the management team, which takes the final decision on the votes.

Procedure for exercising voting rights

As a rule, votes are cast by the proxy, electronically or in writing, in accordance with specific instructions from the company.

We do not accept proxies, nor do we grant a proxy to the Chair. On a case-by-case basis, the fund manager reserves the right to attend general meetings in person.

3.2. Voting policy principles

METROPOLE Gestion distinguishes between controlled and/or family-owned companies and non-controlled companies with respect to the minimum number of independent directors, the number of renewals and the duration of their terms of office.

In the case of controlled companies, closer attention is paid to governance on the boards of directors to reduce any risk of conflicts of interest in order to protect minority shareholders.

In the event of a negative vote on a resolution submitted to a general meeting and, more systematically, in the case of a controlled company, METROPOLE Gestion endeavours to inform the company of its intentions before the meeting.

Approval of the financial statements and management

▪ Approval of standalone and consolidated financial statements

METROPOLE Gestion is generally in favour of the resolutions submitted, except in the following situations:

- if issues arise about the financial statements presented and as a result the auditors refuse certification or issue a qualified opinion;
- if the company does not respond to the shareholders on specific items that should be disclosed publicly.

▪ Appointment of auditors

We will vote against the appointment of auditors in the following cases:

- failure to rotate auditors at least every 10 years (or 24 years in the case of joint auditing), in accordance with European Directive 2014/56/EU on statutory audits of annual accounts and consolidated accounts;
- if there are serious doubts about the financial statements presented or the audit procedures used;
- if the auditors are replaced without explanation;
- if the fees for advisory services are higher than the fees for certification of the financial statements;
- if the auditors can be considered affiliated with the company;
- the alternate auditors must not be associated with the principal auditors.

▪ Profit distribution policy

METROPOLE Gestion ensures that the shareholder distribution policy is consistent with the company's strategy and long-term interests. We will vote against the appropriation of net income if the payment of a dividend is excessive given the company's financial position.

Similarly, we will vote against resolutions that do not provide a cash payment option, unless the company's management demonstrates that such option would be detrimental to shareholder value.

▪ Approval of related party agreements (France)

METROPOLE Gestion votes against the approval of related party agreements in the following cases:

- if the auditors' special report is not available at least 21 calendar days before the meeting date is first announced in the case of all major companies;
- if the auditors' special report describes an agreement for consultancy services (including all professional services) between a non-executive director and the company.

▪ Approval of related party agreements (general approach other than in France)

METROPOLE Gestion reviews these agreements on a case-by-case basis and considers the following non-exclusive list of factors: the parties to the transaction, the nature of the asset to be transferred or service to be provided, the transaction price and the opinion of an independent financial advisor.

Composition and operation of the Board

In order for voting rights to be exercised with full knowledge, it is requested that detailed and transparent information be provided to the shareholders sufficiently in advance.

Separating management and supervisory functions is recommended, although combining them may be a satisfactory solution if the board has the means to fulfil its supervisory and guidance role.

The level of remuneration and the various benefits awarded to officers and directors should align their interests with the company's long-term performance and the interests of long-term shareholders.

Lastly, METROPOLE Gestion votes in a manner that promotes diversity on the Board in terms of gender, nationality, age and expertise, consistently with the company's size and geographical exposure.

▪ Election of directors (in general)

METROPOLE Gestion votes against the election of a director in the following cases:

- If the director does not own shares in the company with a value at least equal to the amount of their annual directors' fees;
- If there have been questionable transactions that generated conflicts of interest;
- If abuses of the interests of minority shareholders have been identified;
- If there are specific concerns about the individual, such as criminal proceedings or a breach of fiduciary duties;
- If repeated absences from Board meetings have not been adequately explained.

▪ Independence

METROPOLE Gestion analyses this criterion on a case-by-case basis, distinguishing between controlled companies and other companies. We define a company as controlled if it has a major shareholder or group of major shareholders controlling at least 30% of the voting rights and without whose agreement no strategic transaction is possible.

We recommend that at least 33% of directors be independent in controlled companies and 50% in non-controlled companies.

In accordance with the recommendations of the French Financial Management Association (AFG), to qualify as independent, a director must not:

- be an employee or executive corporate officer of the company or a company in its group, nor have held such a position within the last five years;
- be an employee or executive corporate officer of a major shareholder of the company or a company in its group;
- be an employee or executive corporate officer of a major and regular business, banking or financial partner of the company or a company in its group;
- have been the company's auditor during the last five years;
- have been a member of the company's Board of Directors or Supervisory Board for at least twelve years.

- Duration of the term of office

METROPOLE Gestion analyses this criterion on a case-by-case basis, distinguishing between controlled companies and other companies. Nevertheless, the preferred duration of terms of office is four years.

- Structure of the Board

We are not in favour of resolutions that:

- Impose a mandatory retirement age for directors, although we believe that no more than one-third of the directors comprising the Board should be over the age of 75;
- Change the structure or size of the Board in the context of a battle for control of the company or the Board.

- Censors

METROPOLE Gestion considers that Boards should not have censors barring exceptional circumstances that should be clearly explained to the shareholders before the general meeting (e.g. managing a succession).

- Directors' fees

METROPOLE Gestion votes against the remuneration of non-executive directors if:

- The amount of directors' fees is excessive compared to other companies in the same country or business sector;
- The proposed resolutions seek to provide pension benefits.

- Committees reporting to the Board

METROPOLE Gestion deems the existence of an audit committee, with a majority of non-executive directors and at least one-third independent directors, to be an essential to proper corporate governance.

We vote against the election or re-election of any director (including the CEO) who sits on the remuneration committee and/or audit committee.

Capital transactions

- Requests to issue shares

We are in favour of requests for share issues with pre-emptive subscription rights up to 100% of the currently issued capital.

In the event of a share issue without pre-emptive subscription rights exceeding 5% of the capital, METROPOLE Gestion examines each situation on a case-by-case basis.

- Increase in authorised capital

METROPOLE Gestion votes against an increase of authorised capital if:

- after the transaction less than 30% of the company's newly authorised capital will be outstanding after adjustment for all proposed issues;
- the purpose of the proposals is to obtain approval for unlimited capital authorisations.

- Capital decreases

METROPOLE Gestion votes against resolutions to reduce the capital if the terms are unfavourable for minority shareholders.

- Share buyback plans

We vote against proposed share buyback plans if:

- the plan does not include any measures to prevent arbitrary or discretionary buybacks;
- the plan will be implemented during a tender offer period, in which case it will be considered a poison pill.

- Redistribution of treasury shares

METROPOLE Gestion votes against such proposals if there is clear evidence of abuse of authority in the past.

- Mergers and acquisitions

METROPOLE Gestion will not support resolutions to authorise a merger or acquisition if:

- the financing is not favourable;
- the company's structure following the transaction does not reflect sound corporate governance;
- the companies fail to provide adequate information after a request therefor, thus not permitting an informed voting decision;
- there are concerns that the negotiation process could have had a negative impact on the assessment of the terms of the offer.

- Anti-takeover measures

We are opposed to all proposed anti-takeover measures unless they are structured so as to give shareholders the final decision on any proposal or bid.

Remuneration of corporate officers

- Approval of remuneration reports (say on pay)

In principle, METROPOLE Gestion is in favour of having a vote on executive remuneration (say on pay).

We assess the remuneration structure for corporate officers and pay particular attention to:

- the transparency and clarity of the information presented (amounts awarded, nature of quantitative and qualitative criteria, levels of achievement of objectives);
- alignment with the company's medium- and long-term performance;
- moderation (alignment with a comparable group of companies, consistent with shareholder remuneration and the company's economic performance);
- the independence of the Remuneration Committee.

In addition, METROPOLE Gestion is in favour of incorporating non-financial criteria into the remuneration structure, provided such criteria are relevant, transparent and easily quantifiable.

- Severance payments

We are against making severance payments to corporate officers in the following situations:

- Dismissal for misconduct;
- Departure on the officer's own initiative;
- Poor economic performance prior to departure.

Similarly, METROPOLE Gestion will oppose a resolution that does not impose performance conditions and minimum length of service requirements.

- Award of free shares or performance shares to executives

METROPOLE Gestion believes that management shareholding is desirable in order to align management's interests with those of shareholders. We are therefore in favour of such arrangements under the following conditions:

- The total shares under the plans in effect must not exceed 10% of the capital in order to limit dilutive effects;
- The award must be conditional on achieving long-term performance objectives (at least three years);
- The performance conditions must be set out in the resolutions seeking approval of these plans.

Other types of resolutions

- Amendments to the articles of association

Resolutions that require amending the articles of association are analysed on a case-by-case basis.

- Shareholder resolutions

External resolutions are analysed on a case-by-case basis. In general, METROPOLE Gestion opposes any proposals that would result in significant costs being incurred with little or no gain, to the detriment of minority shareholders.

- Resolutions on social and environmental issues

Resolutions on environmental and social aspects are analysed on a case-by-case basis, with a view to respecting shareholders' long-term interests, and in line with our ESG commitments as a signatory to the United Nations Principles for Responsible Investment (PRI).

METROPOLE Gestion shall not be liable in the event it does not exercise or partially exercises voting rights due to delays, negligence or non-performance in connection with the providing or transmittal of the information and documents necessary to exercise voting rights.

4. Cooperation with other shareholders

In connection with its engagement policy, METROPOLE Gestion uses the CDP as a means to interact with other companies, as part of a collective effort to influence their actions, in particular their actions in favour of the climate.

METROPOLE Gestion also works with other investors under the Climate Action 100+ programme to engage in a dialogue with the German cement group HeidelbergCement. This dialogue aims to support and encourage the group in its efforts to decarbonise its activities.

METROPOLE Gestion does not rule out submitting joint resolutions with other institutional investors at companies' general meetings, particularly on climate change-related issues.

5. Communication with stakeholders

Stakeholders are all players who interact with companies, whether employees, suppliers, customers, public authorities or trade unions. METROPOLE Gestion believes that engagement with companies fosters long-term value creation and benefits all stakeholders (shareholders, employees, customers, suppliers, etc.).

It therefore takes the view that a responsible approach requires companies to take into account all their value chains and, therefore, all their stakeholders. Accordingly, as part of its ongoing dialogue with companies, the company discusses their existing opportunities and resources, encouraging them to deploy best practices within their value chains.

Therefore, in addition to the environment and social and governance issues, taking stakeholders into account is one of the four fundamental pillars of the non-financial analysis that METROPOLE Gestion carries out in connection with its engagement with companies.

6. Preventing and managing actual and potential conflicts of interest in relation to shareholder engagement

In accordance with its principles and the laws in force resulting from the transposition of MiFID, METROPOLE Gestion has adopted a policy for identifying, preventing and managing conflicts of interest.

This policy defines situations that generate or may generate a conflict of interest involving a significant risk of harm to clients' interests, and lays out the procedures to be followed and the measures to be taken in order to manage such conflicts.