

Introduction

Commitment with investees is at the heart of the Finaltis management process and is a key mean of defending the long-term interests of our clients and holding the companies in which we invest accountable. Commitment activity can be carried out by Finaltis in two ways:

- Voting at general meetings of companies in which we hold shares;
- Dialogue with companies on their consideration of ESG issues.

Finaltis intends to play its part in improving the governance and social and environmental responsibility policies of companies in which it invests the assets entrusted to it. Governance and social and environmental responsibility, by encouraging the promotion of transparency, quality and integrity of information and the behaviour of companies' management bodies, contribute not only to improving the clarity and rationality of investment or sale decisions by investors, but also to a better valuation of companies with a long-term vision. This commitment of Finaltis is consistent with the United Nations Principles for Responsible Investment (PRI) (Principle 2: "We will be active shareholders and integrate ESG issues into our shareholding policies and procedures"), to which Finaltis is a signatory since 2018. Through this policy, Finaltis describes the conditions under which it can exercise the dialogue activity and voting rights attached to the shares held by the funds it manages, under the conditions described below. This policy has been validated by the Management Board, after examination of the proposals of the Finaltis ESG Committee.

Our Commitment Policy addresses the following themes:

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1. Dialogue with investee companies.

As a responsible investor, Finaltis is committed to dialogue with companies and institutions. Shareholder dialogue promotes socially responsible behaviour by the companies we invest in, increasing transparency and encouraging them to adopt best practice in terms of governance and environmental and social responsibility.

Our approach favours constructive dialogue with the managers and experts of the French and foreign listed companies in which we are invested through written questions on selected topics.

The dialogue, conducted by our ESG team, is carried out :

- Individually with the managers of listed companies on ESG issues or risks;
- Collaboratively with national or international investor coalitions, of which Finaltis is a member or partner

Selection of companies

Case 1: Controversy alerts

The Vigeo Eiris rating universe provides access to the controversial ratings of around 8,000 issuers.

Finaltis works with data provided by Vigeo Eiris through its own internal methodology, so as to integrate a more prospective and dynamic dimension; we monitor the controversies on the stocks making up the management universe of each portfolio. The ESG committee has historically met fortnightly, now meets weekly to analyze the alerts provided by the provider in order to decide whether to maintain, reduce or exclude the stocks concerned by these alerts. In case the ESG decides to maintain the position after a severe controversy alert, an dialogue process should be engaged. Since January 2022 Finaltis applies shareholder engagement to companies flagged by our data provider for the high number of controversies in which they are involved.

Case 2: United Nations Global Compact

Finaltis will engage a dialogue with the companies with the 3 lowest score of integration of UNGC. (according to our partner Vigeo)

Case 3: soft exclusion list

Finaltis will engage dialogue in accordance with our exclusion policy. (cf this document)

Dialogue implementation and follow-up

Our ESG team selects dialogue topics according to the ESG area of controversy and prepares its questions based on the following factors:

- Involvement in controversies recognized as such by the United Nations Global Compact (UNGC).
- Areas for improvement in social responsibility policies
- Materiality of the sector's ESG issues

The dialogue is conducted in stages: ESG analysis, preparation of questions, contacting the company, sending a letter, evaluation of responses, internal and external communication. The ESG analysts are in charge of the dialogue. They report the evolution of this dialogue to the ESG committee.

Finaltis is aware that, given its size, it does not have a significant position or influence that can guarantee a systematic response to its engagement letters. However, in the event of an unsuccessful engagement campaign (i.e. a repeated failure to respond to engagement letters on controversies, an unsatisfactory response or a lack of improvement despite promises made), an escalation measure can be applied to reinforce the engagement initiative.

Depending on the seriousness of the engagement motive, Finaltis' ESG committee will seize itself within three to six months of the initial engagement date in order to discuss the appropriate consequence of an investee's unsatisfactory - or lack of - response. This dialogue can impact the exercise of voting rights as Finaltis is prepared to vote against the re-election of the board at a specific company's Annual General Meeting (AGM) in reaction to its lack of responsiveness and involvement. The investment team can also use our voting rights and express a negative vote on some of the resolutions presented by a company for its AGM, namely the resolutions relating to the ESG issues identified during engagement or to company's Governance. Finally, Finaltis' escalation procedure can lead to the reduction of financial exposure to the respective company or the progressive/immediate divestment performed by the management team.

Collective engagement

With regard to collective dialogue, Finaltis selects initiatives to support on the proposal of investor coalitions or associations of which it is a member. To date, Finaltis is a member of a network of responsible investors through its status as a signatory to the UN PRI.

2. The exercise of voting rights and other rights attached to shares

Scope of exercise of voting rights

Historically, Finaltis was fixing a materiality threshold of 1% of the capital to exercise the voting rights. Finaltis was considering that it did not have a significant and sufficiently influential position to justify systematically exercising the voting rights attached to the securities held in its portfolio. To date, this threshold of 1% of the capital has never led Finaltis to vote. Based on this observation, Finaltis has updated its voting policy, beginning the last quarter of 2021.

For Finaltis Efficient Beta Euro, the voting rights **will be systematically exercised**. A contract has been signed with ISS, which can be disclosed on demand.

For the other mutual funds, Finaltis now undertakes to participate in the vote based on the following criteria:

- The sum of the securities of the same issuer held by the Finaltis management community represents more than 1% of the capitalization of the security; or
- The percentage of the issuer's voting securities held by the Finaltis management community is greater than 5% of its total exposure; or
- In a shareholder engagement process, when Finaltis deems it necessary to intervene in relation to the controversial behavior of a company in which it owns securities.

Votes are cast remotely on the ISS platform.

Voting policy

The voting policy is based on the International SRI Proxy Voting Guidelines of ISS, which Finaltis reserves the right to contradict under the supervision of the ESG committee. In particular, an unsuccessful engagement process will result to a board opposition vote.

Recording of votes

All votes cast, automatically and manually where applicable, will be recorded and monitored by the Risk Controller and an annual report will be produced.

3. Cooperation with other shareholders

Finaltis cooperates with other shareholders through collective dialogue initiatives. As outlined in chapter 2 of the Engagement Policy, Finaltis has joined the network of investor members of the UNPRI (United Nations Principles for Responsible Investment). Investors who commit to these principles must:

- Consider ESG issues in their investment decision-making processes
- Consider ESG issues in their shareholder policies and practices
- Require companies in which they invest to publish reports on their ESG practices
- Promote acceptance and implementation of the PRI among asset managers
- Work in partnership with financial sector actors who have committed to the PRI to improve their effectiveness
- Report on their activities and progress in implementing the PRI

To maximize the impact of its voice, Finaltis is currently considering joining other ESG shareholder collective initiatives.

4. Communication with relevant stakeholders

Each year, our ESG team prepares the Voting and Shareholder Engagement Report. The document summarises Finaltis' voting and engagement activities. Finaltis also communicates with its stakeholders on voting and engagement through the publication of reports and marketing materials.

The general principles of the engagement policy and the latest voting and dialogue report will be available at www.finaltis.com.