



ENGAGEMENT POLICY WITHIN THE FRAMEWORK OF FUND MANAGEMENT

As part of the implementation
of Shareholder Engagement Policy

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Recital

Montpensier Finance implements processes and organization which aim to comply with the United Nations Principles for Responsible Investment.

The United Nations Principles for Responsible Investment provide an internationally recognised framework for financial institutions.

By adhering to these principles, Montpensier Finance makes a public commitment, as an investor, to adopt and apply them insofar as these are compatible with its responsibilities as an asset manager. Montpensier Finance also undertakes to evaluate the effectiveness and improve the content of the Principles over time. We believe that this will enhance our ability to meet our commitments to beneficiaries and better align our investment activities with the collective interest.

In this context, Montpensier Finance has put in place a stewardship policy, which is composed of a Voting Policy and an Engagement Policy, which apply to the active management of equities and convertible bonds.

This document presents the Engagement Policy that applies to active investment management equity and convertible bonds.

1. General Principles

Montpensier Finance's stewardship approach is composed of a voting policy and an engagement policy.

Montpensier Finance considers the exercise of voting rights an integral part of its investment management, which must be applied in the best interest of the unit-holders.

The Montpensier Finance voting policy aims to promote long term valuation for mutual fund investments by incentivizing the spreading of the best governance and professional deontology practices.

The set of companies which the fund managers are meant to focus their engagement on are either poorly ESG-rated, or deemed susceptible of being exposed to ESG-related controversies. The fund managers shall encourage these companies to improve their practices on environmental, social, and corporate governance issues, all of which are factors of sustainable growth.

Montpensier Finance's engagement policy is embedded in the 17 UN Sustainable Development Goals framework.

2. Engagement Process

The fund management teams are encouraged to raise any concern with companies during meetings, especially when the ESG issues seem insufficiently accounted for.

The fund managers, assisted by the SRI analyst, will establish a positive and constructive mid-to-long-term rapport with companies held in the portfolio.

This rapport is multi-faceted:

- ✓ Company contacts;
- ✓ Communication of the fund managers' voting intentions to the company prior to the General Meeting,

This dialogue is conducted with the aim of:

- ✓ Encouraging companies to set up an ESG commitment;
- ✓ Encouraging companies to communicate about their ESG practices.

Our engagement policy is conducted through several steps: identifying a potential area of improvement, conducting the engagement itself, following up and monitoring responses, which can be subject to an escalation procedure, and the conclusion of our analysis.

Our identification of areas for improvement is based on a multiplicity of sources. Our annual analysis of the Company in question, the emergence of a controversy, a lack of extra-financial information on a relevant subject, resolutions proposed at General Meetings, on the basis of a note published by a broker, on a thematic focus that we wish to address (biodiversity, fossil fuels, SBTi, etc.) all feed into the engagement procedure.

Once we have identified areas for improvement for a portfolio company, we formalise our expectations and share these objectives with the company involved. These concrete and oftentimes measurable objectives enable us to guide the company and gain a better understanding of its ESG practices.

The results of these dialogues are monitored by the SRI analysis team, which is responsible for managing the engagements and analysing the responses obtained from the companies involved. The monitoring of these exchanges may be supplemented by access to new information published by the Company, which adds to our analysis of the value.

We rely on an escalation procedure to implement our engagement policy. In the event of unsuccessful dialogue, contact is repeated the following year. Repeated unsatisfactory responses may influence the ESG analysis of a Company, and can in some cases lead to changes in portfolio management. Depending on market conditions, and in the best interests of shareholders, the measures taken may include the sale of all or part of the line concerned.

We publish the conclusions of these engagement cases in our annual Engagement report, which is available on our website:

https://www.montpensier.com/sites/default/files/public/documents/engagement_rapport.pdf

3. Application

In addition to direct engagement initiatives we usually conduct directly with Small and Medium Companies, Montpensier Finance also participate in pooled engagement actions implemented by ISS as part of its ISS ESG program especially for larger companies.

The Montpensier Finance engagement is based on:

- ✓ MSCI ESG-research, which determines ESG rating for securities;
- ✓ Fund management teams and SRI analyst analysis;
- ✓ ISS Governance directives regarding corporate governance as part of the application of the Montpensier Finance Voting Policy;
- ✓ Collective engagement actions implemented by ISS as part of its ISS ESG program.

There are different ways of implementing this commitment:

- ✓ Accounting for ESG criteria when exercising our voting rights;
- ✓ Encouraging companies to set up an ESG commitment.