

Principles for asset managers' monitoring of, voting in, engagement with investee companies

PRINCIPLE 1

Asset managers should have an engagement policy available to the public on whether, and if so how, they exercise their stewardship responsibilities. Where asset managers decide not to develop an engagement policy, they should give a clear and reasoned explanation as to why this is the case.

DNCA FINANCE works in the exclusive interests of its clients. In this context, DNCA FINANCE is constantly seeking to maintain strong relations and dialogue with the management of the companies it invests in. All along the investment process, starting from the analysis to investment and divestment, the investment team takes into account the whole impact the company can have on shareholders and stakeholders in general (employees, supply chain, customers, local communities) and to integrate it in our investment process.

According to this general philosophy, DNCA FINANCE has established various documents to structure its engagement process. At this time, the engagement policy is included in the **Voting Rights Policy** and the **Exclusion of Controversial Weapons** that are both disclosed on the website. A standalone Engagement Policy will be published by the end of 2018.

The Voting Policy addresses all the relevant issues that can be raised at AGMs. More specifically, the policy describes our approach to resolutions regarding minority shareholders rights, capital increase, composition and election of board members, management remuneration, agreement and capital structure.

In addition, a proprietary model has been built to analyze Corporate Social Responsibility and Sustainable Transition for every investee company. This model includes a thorough assessment of how the company addresses its material ESG risks and how it is positioned to contribute to the sustainable transition.

DNCA FINANCE investment philosophy is built on in-depth fundamental analysis and conviction. As such, the investment teams attach the utmost importance to meeting and engaging as much as possible with the companies they invest in. Every meeting is shared with all the investment teams and is recorded in a collaborative tool (Code Red).

Conflicts of interest are managed by DNCA FINANCE Compliance team.

PRINCIPLE 2

Asset managers should monitor their investee companies, in accordance with their engagement policy.

The investee companies are followed everyday by the investment team through newsflow analysis and corporate meetings. Each contact with a company is reported and recorded in the collaborative tool, including corporate roadshows, site visits, and management calls. On average, we meet with every investee company 2 to 4 times a year.

PRINCIPLE 3

Asset managers should establish clear guidelines on when and how they will escalate engagement with investee companies to protect and enhance the value of their client's investment.

The governance pillar in DNCA FINANCE analysis is a key dimension to evaluate the governance quality and the company's ability to generate long-term value. This analysis is used in investment decisions, in corporate meetings and when DNCA FINANCE is voting at AGMs. It is mainly focused on the protection of minority shareholders' rights through:

- Regular meeting with the top management,
- Strict voting policy across DNCA FINANCE that includes environmental and social issues,
- Engagement with companies regarding specific resolutions,
- Transparency on the number of negative votes cast at AGMs (for example 54 negatives votes in 2017 mainly on compensation issues and board members nominations).

A specific escalation procedure has not been established yet as part of DNCA FINANCE engagement process. Currently, the same process is implemented throughout the investment teams:

- First, we get in contact with the company regarding a particular issue,
- Then, depending on the answer, we start dialogue with the top management, which sometimes can be done in collaboration with other investors,
- And finally, we follow DNCA FINANCE voting policy to submit and/or vote on resolutions in line with the interest of our clients.

The objective is to set up a structured escalation procedure in the Engagement Policy, to be published by the end of 2018.

PRINCIPLE 4

Asset managers should consider acting with other investors, where appropriate, having due regard to applicable rules on acting in concert.

DNCA FINANCE is willing to collaborate with others investors when the situation is appropriate. This case-by-case situation can be initiated internally or externally. Of course, those actions are always conducted in line with the rules applicable to acting in concert.

PRINCIPLE 5

Asset managers should exercise their voting rights in a considered way.

The Voting Policy explains in details how and when DNCA FINANCE voting rights will be exercised. Voting is always undertaken with the underlying objective of protecting our clients' interests and investment value. Each resolution is considered individually with attention and our vote reflects the application of our voting policy in the specific context of the resolution. . There are no automatic votes and we do not use proxy voting agencies.

PRINCIPLE 6

Asset managers should disclose the implementation and results of their stewardship and voting activities.

Each year, a report on voting activities is published on DNCA FINANCE website. It provides a detailed description of the voting season, including the negative votes cast, and a comprehensive assessment of the engagement actions conducted. Any potential recourse to proxy advisory services will be systematically mentioned in this report.



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