

## SHAREHOLDER ENGAGEMENT POLICY

**Elaboration Date** : September 2020

**Last Update** : September 2023

*Validated by AXELEO CAPITAL Chief Compliance Officer*

To comply with article L. 533-22 of the French Monetary Code (Code Monétaire et Financier), AXELEO CAPITAL has elaborated and keeps up to date a shareholder engagement policy describing the way in which the management company and its team is integrating its shareholder role as a key component of its investment strategy.

Every year, the management company discloses publicly on its website a report on the application of this shareholder engagement policy.

As a reminder, AXELEO CAPITAL manages Alternative Investment Funds (AIF).

Those AIF purpose shall primarily be to, directly or indirectly, provide financing in the form of equity, quasi equity, shareholders loans or bonds to companies. AXELEO CAPITAL's approach is mainly aiming to foster innovation in early-stage SMEs evolving in several sectors : software, proptech & contech, industrial sectors in France and Europe.

### **1. Portfolio companies' follow-up**

AXELEO CAPITAL's investment team oversees portfolio companies' follow-up. This monitoring is, preferably, carried out in pairs to ensure back-up in the event of the main contact leaving, and to share information.

Through shareholders agreements, AXELEO CAPITAL is ensuring to integrate regular right to information clauses. This way, portfolio companies are required to submit monthly financial and business reports to the management company:

- monthly financial and business reporting, covering the main financial indicators (sales, net income, cash flow, etc.) as well as certain predefined KPIs (headcount, sales volume, etc.) ;
- quarterly via strategic committee meetings for the strategic part and ;
- at least annual for the sustainability part (environmental, climate, social and governance data).

These data allow AXELEO CAPITAL to make an internal quarterly evaluation review of its portfolio companies, taking into consideration both quantitative and qualitative criteria.

Each quarter, AXELEO CAPITAL is diffusing to its unitholders a report including a descriptive sheet for each investee.

### **2. Dialogue with portfolio companies**

Given the maturity stage at which AXELEO CAPITAL invests, the management company attaches a particular importance to the quality of the management teams (cofounders, C-Levels) of its portfolio companies before investing. Dialogue with top management is regular. It is formalized in strategic committee (or board) meetings minutes, but also takes place outside these meetings. AXELEO CAPITAL intends to hold a seat (member or non-voting member) on the strategy committee or any other form of non-executive body.

AXELEO CAPITAL investment team makes every effort to be available to portfolio companies and to act transparently. In this way, they are kept informed of AXELEO CAPITAL's investment strategy and its timeframe for exiting the company's capital.

Through its ESG Policy, available on its website, AXELEO CAPITAL is also committed to:

1. Promote employee stock ownership plan (ESOP)
2. Promote independent board members together with us
3. Promote gender equality and diversity among our portfolio companies (overall feminization rate target, feminization of ExCo ...)
4. Support portfolio companies in their decarbonation process

If a portfolio company carries on its business is in contradiction with AXELEO CAPITAL's ESG commitments, AXELEO CAPITAL can take advantage of its role as board member to initiative an action plan to comply with ESG policy. If, after a phase of dialogue, no improvement or change is observed, AXELEO CAPITAL may take the following action: bring the matter to the attention of all shareholders and put it to the vote at a general meeting; and, as a last resort, cease to support this investee by not participating in next financing rounds, or even reduce its exposure and divest.

Investees' ESG issues shall be at the agenda of a Board meeting at least once a year.

### **3. Exercise of voting rights**

#### Exercise terms and conditions

The persons authorized to exercise AXELEO CAPITAL's voting rights are the management company's legal representants, or any person authorized by them to do so (investment directors, associates) through a dedicated power of attorney.

Except under exceptional circumstances, AXELEO CAPITAL participates in all votes for which the management company is convened, either in person, by postal vote, or by giving a power of attorney to another shareholder or to the Chairman.

#### Voting principles

AXELEO CAPITAL does not provide voting advisory services. AXELEO CAPITAL exercises the rights attached to the securities held by the AIFs it manages in the exclusive interest of the unitholders of these AIFs.

As a signatory to the UN's Principles for Responsible Investment (PRI), AXELEO CAPITAL integrates environmental, social and governance considerations into its voting policy. These criteria are addressed from a long-term perspective.

Similarly, when the management company decides to invest in a company's capital, it generally adheres to the company management's business plan. There is therefore no justification for being generally opposed to the resolutions that management is asking shareholders to approve, particularly when it comes to financial matters or employee shareholding.

However, resolutions are examined on a case-by-case basis, particularly when they concern:

- Amendments to the Articles of Association
- Approval of annual financial statements
- Directors remuneration
- Dismissal/appointment of an officer



- Removal/appointment of an auditor
- Signature of regulated agreements
- Capital transactions

Certain decisions may have been submitted to a vote of the Strategy Committee / Board, depending on the wording of the shareholders' agreement.

However, the management company reserves the right to vote against or abstain:

- If the management company considers that a resolution is likely to have a significant negative impact on the value of the company and therefore of the AIF it manages
- If the management company has doubts about the veracity of the information provided, particularly accounting and financial information (where applicable, AXELEO CAPITAL may ask to exercise its right to audit)
- If the proposed resolution generates a conflict-of-interest situation that has not been identified or is insufficiently managed by the portfolio company
- If the proposed resolution has an impact on transparency and access to information

In the event of legal complexities of these resolutions, the management company may also seek legal advice, preferably from the lawyer who worked on the initial file, or from another advisor, to verify the consistency of the proposed resolutions with the fund's rights.

If the proposed resolutions entail a significant modification of the AIF rights and/or dilution, an urgent presentation of the situation to the Investment Committee may be necessary, to take a position.

#### Voting rights monitoring

The Finance Team of AXELEO CAPITAL (Back or Middle Officer) carries out once a year a dedicated follow-up of voting rights, both in terms of the compliance and completeness of the information provided by the portfolio companies (statutory auditors' reports, Shareholder meetings minutes, etc.) and the proper exercise of voting rights by the management company.

The purpose of this monitoring is to :

- ensure that all portfolio companies close their annual accounts under satisfactory conditions,
- exercise the fund's voting rights in all portfolio companies,
- control dividends to be received by the funds,
- properly process information from portfolio company Shareholder Meetings (concerning capital or any capital or debt instruments requiring shareholder approval),
- assess that the management company has effectively exercised its voting rights in the interests of each fund's unitholders

AXELEO CAPITAL publishes a report every year on its shareholder engagement policy, and on the exercise of voting rights, for unitholders and the public, available free of charge on its website.

This report includes :

- A general description of how AXELEO CAPITAL exercised its voting rights
- The direction of votes cast at general meetings
- An explanation of the choices made during the most important votes
- The occurrence of conflicts of interest during the implementation of the shareholder engagement policy and, where applicable, the way they were dealt with.



#### **4. Cooperation with other shareholders**

AXELEO CAPITAL cooperates with other shareholders mainly through the Strategic Committee meetings.

On a case-by-case basis, AXELEO CAPITAL may participate in collective commitment initiatives.

#### **5. Communication with other stakeholders**

AXELEO CAPITAL supports several local initiatives via its networks (France Digitale, Adan), its professional association (France Invest) or other communities (SISTA).

#### **6. Prevention and management of conflicts of interest**

The management company has a policy for preventing and managing conflicts of interest, available on its website, as well as a code of ethics applicable to all its staff.

These policies cover conflicts of interest that may arise in AXELEO CAPITAL's role as a shareholder.

Given its size, AXELEO CAPITAL makes every effort to separate investment and control functions. AXELEO CAPITAL has appointed a Chief Compliance Officer (approved by the French regulator, Autorité des Marchés Financiers).

Any team member must declare to the Chief Compliance Officer any links and/or potential conflicts of interest they may have with a portfolio company (insider information, remuneration for a mandate, gifts or benefits received). Potential conflicts of interest are listed on a dedicated map, updated at least once a year.

Confirmed conflicts of interest are mentioned in AIF annual reports and recorded in a dedicated register kept up to date by the Chief Compliance Officer.

