



Shareholder Commitment Policy

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Regulatory References

▪ **EU Directive:**

(EU) Directive 2017/828 amending Directive 2007/36/EC transposed into French law through Articles L533-22 and R533-16 of the Monetary and Financial Code

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I AREAS OF APPLICATION

The so-called "Shareholders' Rights" Directive came into force in June 2019 with the publication in the Official Journal of Decree 2019-1235 on November 28, 2019, supplementing the regulatory measures of the monetary and financial code.

This policy applies to equity investments in listed and unlisted companies. It aims to describe how Mérieux Equity Partners ("MxEP") integrates its role as shareholder into its investment strategy.

II MONITORING THE PERFORMANCE AND RISKS OF PORTFOLIO COMPANIES

As a management company investing mainly in unlisted companies in the healthcare sector, MxEP aims to add value by helping its portfolio companies to take full advantage of the opportunities available to them, while helping them to anticipate and prepare for risks.

Prior to any investment, Mérieux Equity Partners carries out due diligence of various kinds (commercial, ESG, external growth, financial, social and strategic stakes, tax). In order to synthesize the strategic dimension of the analysis, the managers establish SWOT analyses and compare this with our team's ability to add value. Value creation can come from our network, our industrial and/or regulatory expertise, our ability to structure an operation from a legal or financial point of view, etc. The analyses conducted prior to each investment are presented to the investment committee and the files are voted on by the committee members.

Post-investment monitoring of these elements continues: the managers meet regularly with the directors and senior executives of the portfolio companies. The dialogue is structured through the governance bodies (board of directors or supervisory board), working meetings or ad hoc requests. During this phase, the business plans defined before the investment are compared with the actual figures, and any discrepancies are analyzed and, when necessary, an action plan is drawn up.

In addition, the management company has a network of experts who enable it to reinforce the added value it brings to the companies in its portfolio.

In addition, since the end of 2019, the management company has sought to strengthen its monitoring of the ESG performance of portfolio companies. As such, Mérieux Equity Partners formalized its adherence to the PRI principles in January 2020.

Mérieux Equity Partners prepares an ESG report annually for all funds created since June 5, 2018, the date of its approval by the *Autorité des Marchés Financiers* (French Financial Markets Authority).

Mérieux Equity Partners has a sustainable investment policy where ESG is considered at each stage of the investment cycle. This approach has been formally applied since December 2020 but has been at the root of Mérieux Equity Partners' strategy since inception. The Firm's ESG analysis framework is founded on a "risk-based" approach, unlike some management companies that have adopted a "climate change" approach. The reason for this is structural: companies in the Healthcare sector generally have a smaller carbon footprint than in other industries. Nevertheless, Mérieux Equity Partners measures the carbon footprint of its portfolios on an annual basis and will do its utmost to push the portfolio companies to take the necessary measures if a material carbon footprint were to be identified.

The cornerstone of our management company's approach is therefore the dialogue that we establish upstream of any investment with the entrepreneurs running the companies in which we invest on behalf of our clients.

III ORGANIZATION OF THE EXERCISE OF THE RIGHT TO VOTE

Each Partner or Managing Partner is responsible for collecting the general meeting file of the companies he/she follows, including at least: the date, the voting procedures and the text of the resolutions.

The latter examines and analyses the resolutions submitted to the meeting in accordance with the provisions detailed in the "Voting principles" section and in the interest of the unitholders. In case of difficulty in the analysis of a resolution, he/she refers to the RCCI ("Compliance and Internal Control Officer"). The Partner or Managing Partner is responsible for deciding how to vote.

The voting choices of the Finance Manager are kept by him/her. The Finance Manager is able to report at any time on the exercise of his/her voting rights.

Mérieux Equity Partners does not use temporary sales of shares.

IV COOPERATION WITH THE OTHER SHAREHOLDERS

Mérieux Equity Partners invests primarily in unlisted companies. The dialogue with the company and the shareholders among themselves is governed by the articles of association. Usually, and because the number of shareholders is limited in unlisted companies, the articles of association are supplemented by a shareholders' agreement. The agreements are complementary to the articles of association and allow to define the modalities of conflict resolution, to protect minority shareholders, to avoid that the sale of shares leads to a loss of control or to the liquidation of the company.

Ultimately, shareholders' agreements cover three types of purposes relating to the share capital (e.g. locking in the composition of the share capital), voting rights (e.g. prior consultation before each general meeting) and the conditions of organization and operation of the company (e.g. availability of information at a more regular frequency than the regulations).

V COMMUNICATION WITH THE RELEVANT STAKEHOLDERS

The management company interacts with various stakeholders (shareholders and in particular co-investors, managers & key executives, bankers, legal advisors, consultants, and sometimes even some customers / suppliers).

The founders, managers and key executives represent the first circle of stakeholders. The added value is mainly provided by human capital.

Our management company has industrial roots, and its expertise at this stage of our development is mainly linked to our knowledge of the healthcare sector.

The co-investors we work with generally have less comprehensive healthcare expertise than Mérieux Equity Partners.

Our managers communicate with co-investors and management on a regular basis, and strategic decisions are discussed in the appropriate governance bodies.

VI REAL OR POTENTIAL CONFLICTS OF INTEREST

A situation with a conflict of interest may be detected by the Compliance and Internal Control Officer, during a control or by the Operations Team in light of the documentation provided during the period of the general meetings (March to June).

The Compliance and Internal Control Officer can be consulted at any time, if necessary, by phone or email.

The Compliance and Internal Control Officer is authorized to manage any escalation of conflicts of interest: he analyzes the nature, causes and consequences of the identified conflict of interest and takes the appropriate measures to limit the immediate consequences.

VII METHOD OF VOTING

Voting rights are exercised:

- By regular mail
- By proxy
- By participating physically in the Shareholders General meetings

The voting right is, unless exception, exercised in every case, without threshold of securities holding and without distinction of nationality of the portfolio companies or of the nature of the Fund.

VIII VOTING PRINCIPLES

Where possible and in accordance with the interests of the unitholders, the Partners / Managing Partners undertake, as a matter of policy, to vote according to the following principles for each type of resolution proposed:

- **Decisions resulting in a change of the bylaws:** according to the proposed amendment of the bylaws, the vote must be directed in favor of the unitholders;
- **Statutory amendments having a negative impact on shareholders' rights** (multiple voting rights and limitation, change of status, etc.): the protection of existing shareholders should be privileged. The election must be made based on the interests of the unitholders;
- **Capital transactions considered as anti-takeover tools** (issues of warrants reserved, share buyback program, etc.): the vote must be in the interest of the unitholders;
- **Dilutive capital transactions for the shareholder** (capital increase, greenshoe, issue of bonds, etc.): according to the needs of the business and the interest of the unitholders;
- **Association of managers and employees with share capital** (free share allocations or stock option grants ...): "Good father" management should be privileged;
- **Approval of accounts and assignment of results:** agreement subject to re-reading of accounts and Statutory Auditor certification;
- **Appointment and dismissal of corporate bodies** (percentage of non-interest-free directors ...): to be qualified on a case-by-case basis;
- **Approval of so-called regulated agreements** (remuneration of corporate officers, etc.): agreement, unless there are major difficulties or abuses;
- **Programs of issue and redemption of equity securities:** according to the interests of the participation;
- **Appointment of the statutory auditors** (appointment, remuneration): agreement except major difficulty or abuse.

These principles are indicative, do not constitute voting records, and are subject to change depending on the circumstances.

IX THE SHAREHOLDER COMMITMENT POLICY'S ANNUAL REPORT

Mérieux Equity Partners writes an annual report on the implementation of the shareholder engagement policy mentioned in I of Article L.533-22 of the Monetary and Financial Code. This document includes in particular:

- A general description of the manner in which voting rights have been exercised;
- An explanation of the choices made on the most important votes;
- Information on the possible use of services provided by voting advisors;
- The orientation of the votes cast during the general meetings.

X PUBLICATION OF THE SHAREHOLDER COMMITMENT POLICY

The Shareholder Commitment Policy is available on MERIEUX EQUITY PARTNERS' website:

www.merieux-partners.com

The Annual Report for the year 2020 will be available on our website at the end of June 2021.

CONTACT US

For any enquiry, please contact:

Jacques Baudoin
MERIEUX EQUITY PARTNERS
3 rue Marcel Gabriel Rivière
69002 Lyon
FRANCE

A request may also be addressed to MERIEUX EQUITY PARTNERS :

- By telephone: +33 (0)4 81 69 55 81
- By email: jacques.baudoin@merieux-partners.com