



REPORT ON THE EXERCISE OF VOTING RIGHTS

La Financière
de l'Echiquier

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LA FINANCIERE DE L'ECHIQUIER

Signatory of:
 **PRI** Principles for
Responsible
Investment

Signatory of:
 **PRI Montréal PLEDGE**
Principles for Responsible Investment

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SUMMARY

1. PRINCIPLES OF LA FINANCIERE DE L'ECHIQUIER'S VOTING POLICY
2. ORGANISATION OF THE EXERCISE OF VOTING RIGHTS IN 2017

Pursuant to the provisions of article 314-101 of the General Regulation of the Autorité des marchés financiers (French financial markets authority), La Financière de l'Echiquier hereby informs you of the conditions under which it exercises voting rights at the general shareholders' meetings of issuers of which the funds that it manages are shareholders.

This report covers the 2017 financial year.

1. PRINCIPLES OF LA FINANCIERE DE L'ECHIQUIER'S VOTING POLICY

- La Financière de l'Echiquier is a portfolio management company focusing on stock picking. This approach consists in implementing a rigorous stock selection process that includes face-to-face meetings with the companies in which the fund invests.

Each investment case is then subject to in-depth analysis using an in-house rating system.

Target buy and sell prices are then set for the stocks selected, on the basis of a medium term valuation.

The cases selected have thus undergone a highly selective, quality-based process. This method, which involves setting a buy price and a sell price, identifies investments with strong upside potential.

- La Financière de l'Echiquier's fund managers invest in listed securities only when they have every confidence in the companies' management teams and agree with the strategy they have adopted.

The management company invests in companies that create shareholder value.

As a result, there is in theory no fundamental reason for voting against the management on the resolutions they submit to shareholders' general meetings for approval.

- However, La Financière de l'Échiquier examines any resolution that could be contrary to the interests of the company or its minority shareholders closely, paying close attention to six specific points, namely:

- Management team's remuneration policy
- Appointment of directors
- Share issuances with no preferential subscription rights for existing shareholders
- Capital increases in the event of a takeover bid and any other anti-takeover measures
- Issuances of share securities granting access to the capital, reserved exclusively for a particular shareholder category (e.g. employees) resulting in dilution for the other shareholders
- Approval of regulated agreements if their content is incompatible with the rules of good governance or is not easily accessible

Accordingly, in these specific cases of defending minority shareholders, who are indirectly the unitholders of La Financière de l'Echiquier's investment funds, the management company reserves the right to vote against such resolutions or to abstain.

- Voting rights are exercised in respect of French, European and international equities.

2. ORGANISATION OF THE EXERCISE OF VOTING RIGHTS IN 2017

- Participation at shareholders' general meetings:

Through the funds that it manages, La Financière de l'Echiquier is **invested** in around **522** French, **European and international companies**.

La Financière de l'Echiquier effectively **participated in 210 general meetings**.

- Scope defined by the voting policy:

The voting policy stipulates that La Financière de l'Echiquier can vote at meetings where it **holds at least 1% of the capital and/or voting rights**.

For the 2017 financial year, La Financière de l'Echiquier held at least 1% of the capital and/or voting rights at **95 general meetings**.

The companies concerned are mainly listed in the EU, mostly in Paris. Around **1.9% of the votes** concerned companies listed outside the EU.

- Exercise of votes outside the scope defined in the voting policy:

Pursuant to the right recognized in the voting policy, La Financière de l'Echiquier took part in **115 other general meetings** of companies in which it held less than 1% of the capital and/or voting rights.

- Analysis of voting:

At the general meetings it attends, La Financière de l'Echiquier pays particular attention to resolutions relating to the following six points in particular: executive's and director's remuneration and policy, appointment of directors, share issuances with no preferential subscription rights for existing shareholders, capital increases in the event of a takeover bid and any other anti-takeover measures, issuances of securities granting access to the capital and reserved exclusively for a particular shareholder category and approval of regulated agreements if their content is incompatible with the rules of good governance or is not easily accessible.

Thus in 2017, in application of the six points above, La Financière de l'Echiquier **abstained on or voted against** at least one resolution at **109 general meetings**.

- **Managing conflicts of interest**

La Financière de l'Echiquier did not detect any conflicts of interest in connection with the votes cast. La Financière de l'Echiquier is a wholly independent management company, owned by its management and employees. It carries out its own research and has no links with any other financial institution responsible for intermediation or any other financial activity.