



Shareholder Engagement Policy

Five Arrows Managers SAS

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1. Introduction

1.1 Purpose

Five Arrows Managers SAS ('FAM SAS') is a regulated portfolio management company by the Autorité des Marchés Financiers ('AMF') under the registration number GP-09000002.

In accordance with Article L.533-22 of the French Monetary and Financial Code, FAM SAS has implemented this Shareholder Engagement Policy, that describes how it integrates shareholder engagement in its investment strategy.

This policy aims to describe:

- The monitoring of strategy, financial and non-financial performance, risks, capital structure, social and environmental impact and corporate governance;
- The dialogue with portfolio companies;
- The exercise of voting rights and other attached to shares;
- The cooperation with other shareholders;
- The communication with relevant stakeholders;
- The prevention and management of potential conflicts of interests.

1.2 Regulatory references

This Policy describes the different principles and guidelines set out by FAM SAS in order to comply with:

- The EU "Shareholder Rights Directive 2" No 2017/828 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement
- Article 37 of the European Commission's Delegated Regulation (EU) No. 231/2013 of December 19, 2013, relating to strategies for the exercise of voting rights,
- Article L. 533-16 of the French Monetary and Financial Code, as amended by the PACTE Law n° 2019-486, which details management companies' obligation to set out specific procedure regarding the exercise of voting rights.
- Article R.533-16 of the French Monetary and Financial Code, as amended by Decree n°2019-1235 transposing the EU Shareholder Rights Directive II.

2. Monitoring of strategy, financial and non-financial performance, risks, capital structure, social and environmental and corporate governance, and dialogue with investee companies

Stewardship is at the heart of FAM SAS's investment business and its relationship with portfolio companies and fund managers. It allows to follow up strategies, financial and non-financial performance, risks, capitalistic structure, as well as the Economic, Social, and Governance ("ESG") impact of the company's activities. As we are divided into different investment strategies across the private equity and private debt segments, the influence of the management company varies according to the investor relationship by strategy, shareholder weighting and access to non-financial information.

2.1 Stewardship in Private equity

The stewardship policy determines the investor relationship, the investment strategy and the policies and practices implemented. The stewardship policy varies according to the different investment strategies, depending on the type of investments of the relevant fund and resulting level of involvement in the underlying assets by FAM SAS.

Depending on the size of the investment, during the holding period, representatives of the Corporate Private funds usually sit on supervisory boards or limited partners advisory committees (or equivalent governance bodies) of the portfolio companies or funds managers in which they have invested. The Corporate Private Equity strategy is the one where FAM SAS has the most room for manoeuvre and impact on its portfolio. Because of the positioning of Corporate Private Equity funds as direct shareholders and generally as majority shareholders, their positioning on ESG issues is part of the relationship with their portfolio.

In parallel, the Corporate Private Equity funds' investment teams maintain an ongoing dialogue with the management teams of portfolio companies and encourage them to identify and raise material ESG issues, and to implement ESG initiatives as best practices. In this regard, Five Arrows provides a real support, including through the proposal of responsible supplies for portfolio companies.

Multi-Strategies funds organise quarterly calls and annual workshops with the fund managers of the investment vehicles in which they invest to exchange on good ESG practices.

In addition, Corporate Private Equity and Multi-Strategies funds require portfolio companies to report on their ESG approach and key ESG indicators as part of the annual monitoring programme. These ESG indicators are monitored annually during the reporting period.

2.2 Stewardship in Private debt

In line with the rest of the FAM SAS activities, Direct Lending place primary focus on capital preservation. The philosophy manifests itself in analytical rigor of the investment process. This prudence enables Direct Lending to protect itself from potential risks, including reputational risks, that their activities could generate for their investors. As such, consideration of sustainability risks is embedded in the day-to-day behaviour of the teams.

Direct Lending aims at positioning itself as sole arranger wherever possible: this allows a better due diligence with the various stakeholders and enables for a better control of the negotiations

throughout the process. In addition, being the single lender allows for constant dialogue with management teams and the sponsors, and therefore, a day-to-day monitoring.

Direct Lending requires portfolio companies to report on their ESG approach and key ESG indicators as part of the annual monitoring programme. These ESG indicators are monitored annually during the reporting period and are communicated to investors.

3. Exercise of voting rights and other rights attached to shares

3.1 Conditions to the exercise of voting rights

3.1.1 *Main principles and scope*

FAM SAS mostly invests in unlisted companies. Such investments imply full confidence in the entity's management and alignment with the management strategy. Consequently, there are no fundamental reasons for us to disagree with the resolutions suggested by the management during the general meetings.

However, we will remain extremely vigilant regarding the following:

- The issuance of shares or any other securities giving access to the company's capital without maintaining preferential subscription rights,
- The approval of regulated agreements, if their contents are contrary to the rules of good governance,
- The approval of regulated agreements, if their contents are insufficiently detailed,
- Any limitation on voting rights.

Therefore, FAM SAS reserves the right to vote against these resolutions or any resolution that would infringe on the property rights or that would limit the interests of the minority shareholders, and consequently those of the subscribers of the funds managed by us.

The actual exercise of the vote can entail prohibitive administrative costs. Voting requires an analysis of each resolution of the shareholders' meeting, which are increasingly complex. Voting also requires in-depth preparatory work to understand the rules of corporate governance and causes considerable additional workload during the period of the general meetings. This is because FAM SAS usually analyses the resolutions of general meetings without using the services of external providers.

In this context, and to minimise the inherent costs of the vote in the interest of unitholders, FAM SAS allows itself to limit the scope of exercise of its voting rights to the equity positions representing a significant value in portfolio. Thus, we consider that it is appropriate to limit the exercise of the voting rights to companies of which our funds collectively hold:

- For Corporate Private Equity funds, a shareholding majority.

FAM SAS may also decide to exercise its voting rights, even if the threshold is not exceeded, whenever it considers it appropriate and when the interest of the unitholders or shareholders of the funds it manages justifies it.

3.1.2 *Respect of the investors' interests*

The applicable general philosophy of this policy is characterised by the desire to support the management of the portfolio companies.

In a best case scenario, the relevant FAM SAS fund or entity will agree to vote in favour of all resolutions proposed by the board of directors, the management board or the managers of the portfolio company, and against those rejected by them.

However, FAM SAS reserves the rights to depart from this practice and to abstain from or vote against resolutions proposed by the board of directors, the management board or the managers if they appear to be contrary to the interest of investors of the relevant fund. Prior to exercising voting rights, the relevant FAM SAS deal team analyses the resolutions submitted to the

shareholders' vote in accordance with the principles set out in this policy. This policy has been drawn up based on the general principles of corporate governance, and, for French companies, has incorporated the principles developed in the AFEP-MEDEF Code, as well as in the recommendations on corporate governance issued by the French Asset Management Association.

3.1.3 *The method of exercise of voting rights*

In most cases, FAM SAS exercises its voting rights either by voting in attendance or by mail or email. In the event of postal votes and concerning more particularly the shares of French companies, in most cases, we exercise our voting rights by filing in a single standardised paper-based voting form.

Most of the time, the shares managed by FAM SAS are held in bearer form. Therefore, this form is sent by the custodian of the held securities.

The deal team receives and analyses the draft text of the suggested resolutions, and if necessary, the direction of the vote proposed by the body having convened the meeting. This is done in the exclusive interest of the shareholders and funds investors.

In all cases, the right to vote is exercised without any minimum shareholding requirement and without distinction as to the nationality of the portfolio companies held by the Funds, or the type of fund management.

FAM SAS must be able to report at any time on the exercise of voting rights and its voting rights, by retaining a copy and trace of emails and votes by correspondence or proxy.

4. Cooperation with other shareholders and stakeholders

FAM SAS maintains an ongoing dialogue with other shareholders, with the main objective of acting in the best interests of the portfolio companies and eventually, the investors of the funds. The frequency of communication and necessity to communicate with other shareholders is assessed on a case-by-case basis and in line with applicable laws and investment policy.

In certain cases, it might be relevant for us to discuss with the portfolio company stakeholders before making a material vote.

5. Prevention of conflicts of interest

Voting rights are exercised in full independence, in accordance with the principles defined by FAM SAS on managing any conflicts of interest.

Furthermore, the Five Arrows Conflict of Interest Policy remains applicable at all times. Our employees are expected to apply the principles defined in that policy while working with detained companies and dialoguing with other interested parties.

FAM SAS Compliance team ensures that the Conflicts of interest Policy is applied correctly.

Appendices

A. Examples of voting application Resolutions entailing the amendment to the articles of association

- Amendment of the articles of association: Vote FOR the amendments to the articles of association if:
 - (i) Shareholder rights are protected,
 - (ii) There is a negligible or positive impact on the value of shares,
 - (iii) Management provides satisfactory reasons for amending the articles of association,
 - (iv) French law requires the amendment of the company's articles of association.
- Expand the company's activities: Vote FOR the proposals to expand the company's areas of activity.
- Restructuring operations: CASE-BY-CASE vote on restructuring proposals.
 - (i) Mergers and acquisitions,
 - (ii) Exit transactions for minority shareholders,
 - (iii) LBOs,
 - (iv) Demergers,
 - (v) Liquidations, and,
 - (vi) Asset sales.
- Change of company name: Vote FOR the proposals to change the company's name.
- Change of the country of registration: Vote FOR the proposals to change the country of registration of the company.

A.1. Approval of the accounts and allocation of the result

- Approval of the accounts and discharge of the directors: In general, vote FOR:
 - (i) The approval of the financial accounts,
 - (ii) The report of the directors, and,
 - (iii) The discharge of the management and the members of the Board of Directors except:
 - a. If there are any queries about the work of the auditors, by the Board of Directors or by the management, or,
 - b. If legal action is taken against the company.
- Auditors' report: As a rule, vote FOR the approval of the report of the company's auditors unless:
 - (i) There have been questions in the past about the work done or procedures used by the auditors, or,
 - (ii) If the Audit (« Commissaires aux Comptes ») is qualified, contains reservations or mentions facts to be brought to the attention of the shareholders.

A.2. Appointment and dismissal of corporate bodies

- Election/renewal of a director (or a member of the Supervisory Board): As a rule, vote FOR each candidate except in special cases related to:
 - (i) The candidate's quality,
 - (ii) The candidate's past and/or,

- (iii) The number of seats held by the candidate on other boards of directors or supervisory boards.

A.3. Regulated agreements

- Regulated agreements: As a rule, vote FOR the approval of the auditor's special report on regulated agreements.
- Vote CASE-BY-CASE if the regulated agreements are challenged by a shareholder with significant STAKE who is considering legal action.

A.4. Resolutions concerning the capital structure

- Requests for capital increases: CASE-BY-CASE vote on capital increases with preferential subscription rights.
- Vote CASE-BY-CASE on capital increases which do not maintain preferential subscription rights.
- Capital decrease: Vote FOR proposals to decrease the capital for purely accounting reasons.
- Vote AGAINST if the terms of the proposals are unfavourable to shareholders.
- Vote CASE-BY-CASE on proposals to reduce capital in connection with restructuring operations.
- Share buyback programmes: Vote FOR share buyback proposals except
 - (i) If there has been a history of abuse by management or,
 - (ii) If the programme does not contain mini on selective buy-out.
- Cancellation of shares: Vote FOR management proposals to implement a share cancellation programme.
- Existence of different classes of shares: Vote FOR proposals to maintain or convert the capital structure "to one share = one vote".
- Vote CASE-BY-CASE on proposals to:
 - (i) Create or increase certain classes of shares or,
 - (ii) Create shares with multiple voting rights.
- Use of the authority granted to the Board to issue shares in the event of a public offer: Vote AGAINST management's proposals to issue shares in the event of a public offer or exchange.
- Stock option plans: Vote CASE-BY-CASE on proposals to grant stock option plans to directors and officers.

A.5. Appointment of Statutory Auditors

- Appointment of auditors: Vote FOR proposals for the appointment of auditors unless an auditor:
 - (i) Is not independent or,
 - (ii) Has given an opinion which is not fair or does not reflect the financial position of the company.
- Renewal of the mandate of the statutory auditors: As a general rule, vote FOR the proposals for reappointment of the auditors unless there are questions regarding the audited accounts or the used procedures.