



# **Shareholder Engagement Policy**

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# 1. Purpose and scope

## 1.1. Purpose

This document presents the Shareholder Engagement Policy of Meridiam SAS (Meridiam or the Management Company). The purpose of this policy is to describe how Meridiam respects its engagement towards its investors in the implementation of the investment strategy of the AIFs, including monitoring of ESG/SDGs impact, financial and non-financial performance of the projects, as well as the conditions under which Meridiam exercises the voting rights attached to the shares held in project investments by the funds (AIFs or Funds) it manages.

## 1.2. Scope

This policy applies to all Meridiam employees and to the employees of Meridiam affiliates when they directly participate in the execution of the activities described herein to the extent compatible with applicable laws.

# 2. Context and regulatory requirements

Meridiam is a long-term global investor and asset manager specializing in infrastructure and energy investments.

As a regulated alternative investment fund manager (AIFM), Meridiam has adopted the present Shareholder Engagement Policy, which sets out the terms and conditions on which the Management Company intends to exercise the voting rights attached to the shares held by the Funds in project companies (the “Shares”) in the framework of its global investment strategy and projects structuration method.

Meridiam believes that sound corporate governance practices and responsible corporate behavior contribute to the long-term performance of its assets.

The policy has been written in accordance with the following regulations requirements:

Document	File Reference
Monetary and Financial Code (CMF)	Articles L.533-22, R. 533-16 and R. 533-16-0



## 3. Policy description

### 3.1. Monitoring of strategy, financial and non-financial performance, risks, capital structure, environmental, social and governance impacts

#### 3.1.1. Sustainability strategy and approach

Meridiam's engagement approach begins with our responsible investment philosophy and overarching ambition established at our founding: to be the partner of choice for public authorities and communities seeking to deliver sustainable infrastructure services while providing our limited partners/investors with a stable long-term yield in an environmental and socially responsible manner. We focus on developing mostly greenfield projects and investing with the objectives of longevity, sustainability, and resilience. As a long-term investor in essential infrastructure, that will still be providing essential services in 20 or 30 years, these objectives will be relevant far into the future and will keep evolving to adapt to rapidly changing social, environmental and governance context.

As such, Meridiam always ensures that its investments achieve the highest environmental, social, and governance (ESG) and sustainability objectives. Through our responsible investment approach, Meridiam places ESG at the forefront of everything we do, an essential and strategic form of fund management necessary due to the long-term and sustainable nature of Meridiam's investments. Meridiam's overall approach to responsible investment is illustrated through our commitments listed in our publicly available [Charter on Sustainable Development](#). It contains formal and legally binding goals to consider in all investment projects:

- |  |  |
|--|--|
| • Protect the environment                              | • Meet the expectations of the community |
| • Value human capital of Meridiam                      | • Apply the rules of good governance     |
| • Respect fundamental rights and develop human capital |  |

Developing our engagement practices further, Meridiam updated its investment strategy and policy to incorporate the United Nations' Sustainable Development Goals (SDGs), following our transition to a French *Société à Mission*. This undertaking was rooted in an ambition to streamline the use of the SDGs in Meridiam's impact evaluation during the various phases of Meridiam's involvement – from project selection, through development, and into asset management. The objective was to strengthen Meridiam's ESG approach by further advancing the assessment of its investments' performance and developing a capital allocating guide to attract new sustainable investment opportunities. The new integrated ESG/SDG approach applies to all Meridiam's AIFs and project companies. This undertaking fundamentally shifts our engagement from a risk only approach to a resilience and impact policy incorporating socio-economic development, biodiversity protection, efforts to fight climate change, and accelerate the energy transition. In fulfilment of this shift, Meridiam has developed a set of proprietary monitoring tools for the SDGs and climate change to further enable our engagement.

#### 3.1.2. Monitoring of investment strategies

It is Meridiam's fundamental belief that the adequate management of ESG and sustainability risks and opportunities are a key aspect of risk management. At Meridiam, ESG issues and sustainability impacts are an essential pre-requisite; a project will not be processed by Meridiam if it does not comply with its



rigorous ESG criteria and SDG vision. To reinforce this belief, each step of the investment process systematically includes an analysis of ESG and sustainability matters, whether it is during the sourcing of an opportunity, the development of a project, or post financial close. There is an ongoing and increasing level of details and understanding of a project as its development progresses. Thus, the success of Meridiam's activities is inherent to the sustainable management of its assets from the beginning.

### 3.1.3. Monitoring of financial risks

Each project company in which an AIF managed by Meridiam invest is exposed to several financial risks of different natures, some of which may occur irrespective of the performance of the Company in delivering the asset and the required operating services per the contractual obligations. These risks will typically crystallize as a liquidity drought at the project company and may arise from third-party failure, contractual impediments, revenue risks, and macroeconomic conditions.

Sound structuring is therefore essential to ensure that financial risks are appropriately mitigated, and as far as possible do not negatively affect the performance of the investments. Meridiam's Financial Risk Policy is the key document listing the risks to monitor, describing them, and setting up Meridiam's related approach (risks deemed acceptable or not). For instance, counterparty risk (admissible creditworthiness), currency risk (suitable convertibility and transferability), revenue risk, etc. Every project is specific and the identification of potential sources of risks is carried out from a holistic perspective for each project. However, the Financial Risk Policy lists risk items that would typically be expected to require an evaluation and Meridiam's general approach concerning protecting its investments from these financial risks.

Each quarter, the project company must provide a risk report including a risk matrix with a list of pre-identified vulnerabilities, their probability of occurrence and potential severity, resulting in a risk scoring. The project company also has to report on the main events that occurred since the last quarter and how they have influenced the risk outlook. These risk reports are reviewed and challenged by the Global Risk Officer and then presented to Meridiam's management.

Projects presenting high levels of risk enter a specific process where they are monitored at a higher frequency by Meridiam's management, leading to action and mitigation decisions. To take these decisions, Meridiam's Investment Committee relies on the aforementioned risk matrix, a sensitivity analysis, and the Global Risk Officer's independent opinion provided in writing before each Investment Committee meeting.

### 3.1.4. Monitoring of extra-financial risks

To follow-up and actualize our ESG and sustainability strategy, Meridiam has developed an active, hands-on asset management approach, ensuring an intimate proximity between Meridiam and our assets. Within all project companies, Meridiam will always be an active shareholder, playing a strong monitoring role on how the project is delivered and managed. This helps ensure our investments are managed transparently, especially for ESG and sustainability factors. Specifically, as a member of the project company's board, Meridiam personnel typically have veto powers in relation to the approval of most key decisions of the project company, and Meridiam also focuses carefully on governance and management issues within the project company board. As such, Meridiam ensures that, along with its



partners, the project is designed and implemented considering all ESG and sustainability impacts, including climate change risks and opportunities. Meridiam also ensures that each project company has its own environmental and social management plan in place and is responsible for implementing it within its activities. A constructive dialogue with each project company is maintained throughout the construction and operation phases, allowing close monitoring of the implementation of the environmental and social strategies and measures.

More specifically, Meridiam uses Simpl. ® to monitor each asset in portfolio on a yearly basis. It tracks and monitors the impact of a project using Meridiam's unique framework of assessment against Environment, Social and Governance targets and the UN-SDGs.

Simpl. ® is designed to focus on the pre-assessed core and direct impacts of Meridiam's sectors of activities and uses data and KPIs available at the portfolio company level through an in-depth survey of over 100 key indicators per asset class with a data visualization tool to rigorously monitor ESG criteria and identify each investments' relevant contribution to the SDGs. The tool has also developed a set of sustainability indicators related to climate metrics, as well as a module to collect data on the SFDR-related Principle Adverse Impacts (PAI) and a module to measure the alignment of assets to the EU Taxonomy.

The objective is to monitor these indicators throughout the life cycle of a given asset and to ensure its continuous improvement by setting up amelioration plans developed in collaboration with the portfolio company and approved by its board.

### 3.1.5. Capital structure

AIFs managed by Meridiam generally invest in infrastructure projects developed through non-listed and limited liability project companies. Project capital structures are negotiated with partners that have been selected to co-develop the project. These structures are submitted to the approval of Meridiam investment committees in accordance with Meridiam Investment Process. Project capital structures will be frozen at financial close of each transaction (when the parties sign the project documentation). Any change at project company level is subject to Meridiam prior approval in compliance with any applicable shareholder agreement and/or corporate laws. AIFs investments are made only on equity and/or quasi-equity (shareholder loan basis). They are controlled by Meridiam's Finance team on a quarterly basis, and through ownership verification control on an annual basis. The framework implemented by the Management Company aims at guaranteeing the primacy and protection of the investors' interests.

### 3.1.6. Governance

Meridiam, as a mission-driven company (French Benefit Corporation) has within its objectives the delivery of sustainable projects. Practically, this means that Meridiam's projects shall be positively impactful for communities and have United Nations Sustainable Development Goals (SDGs) and ESG principles at heart.

Given the importance of governance and for the above-mentioned purpose, Meridiam may delegate representatives (e.g. Directors, CEOs, CFOs, CTOs, etc.) in project companies. Meridiam ensures that these Meridiam representatives (including when relevant non-Meridiam directors) are provided with appropriate information and trainings to foster this governance, in particular:



- The Directors' Toolkit developed by Meridiam based on internationally accredited best practices from organisations such as ECoDA (European Federation of Directors Associations) and the IoD (Institute of Directors, UK) providing corporate training on board memberships.
- An in-house training course for Directors developed by Meridiam to provide necessary skills to implement robust Governance processes in relation to the Boards they participate in. The training has been developed in cooperation with the IoD and follows a similar itinerary to IoD Diploma in Company Director training course.
- Board Effectiveness review developed in conjunction with the UK Institute of Directors. It assesses whether Boards are properly considering all aspects necessary to effectively direct the company.

In addition to these tools, Meridiam's representatives will be invited to form "Clubs" for projects that develop a similar sector, to share experience as well as best practices. This sharing applies also for ESG issues and aims at improving capacity building.

The direct engagement at project level is reinforced by Meridiam's internal actions, including ESG and sustainability training, ESG and sustainability competence building measures, and systematic integration of ESG and sustainability criteria into Meridiam's investment process.

Meridiam's approach to the environmental and social responsibility, corporate governance, and sustainability consists of engaging all staff, including development and management teams, in proactively evaluating, developing, and integrating ESG and Sustainability, including climate related risks, opportunities, and measures, into our projects and investment opportunities. The participation of all team members in annual official training sessions with Meridiam's ESG and sustainability team is mandatory. Similarly, Meridiam newcomers receive an ESG and sustainability training as part of their onboarding process, and complementary trainings are given to individuals or teams when deemed necessary.

In addition, the ESG and sustainability approach is a core and mandatory aspect of Meridiam investment process, starting with the identification of the ESG and sustainability impact of any new project at preliminary stage. Such preliminary ESG analysis and objective is updated throughout the investment process, including when identifying partners and stakeholders. Each investment process stage has its dedicated and mandatory ESG and sustainability document to be presented in investment committees. After financial close, the ESG and sustainability approach developed during the investment process is transferred to Meridiam asset management team, called the Hub.

As mentioned above, Meridiam asset management team, the Hub, is designed to facilitate knowledge sharing and good practices among project companies on various topics including ESG and sustainability-related impacts. The Meridiam Hub develops deep knowledge (financial, operational and ESG/SDGs) of the projects globally to allow proper steering of the portfolio and quality reporting to management and the investors, with a focus on both financial and non-financial value creation. The "Clubs" are developed in collaboration with and under the supervision of the Hub.

Meridiam also maintains a dedicated ESG and Sustainability team who is responsible for ensuring that internal ESG and sustainability procedures are implemented during the investment and asset management process. It is common for Meridiam's ESG specialists to follow up with the project companies on the first version of the annual ESG questionnaire. Throughout these exchanges, the



assessment of certain ESG aspects of the project can be improved. The ESG specialists remain available for the project companies to discuss any ESG-related issue, identify solutions and improve on ESG-related practices.

Overall, the framework for our engagement is structured to provide data and information on investment opportunities which will allow Meridiam to make decisions respecting its ESG and sustainability objectives and principles. Meridiam's ESG approach also ensures that each project meets regulatory requirements for the application of ESG criteria in the country where it is implemented. In terms of standards, Meridiam has developed ESG principles to include global standards such as the UN Principles for Responsible Investing, the Equator Principles, Global Compact, ILO Conventions, OECD Recommendations, and the Universal Declaration of Human Rights, as well as ESG criteria of leading Development Finance Institutions.

### **3.2. Communication with project companies**

#### **3.2.1. Publicly traded securities**

As the AIFs managed by Meridiam do not invest in publicly traded securities, the Management Company or the AIFs are not invited to participate in general meetings of listed companies and exercise corresponding voting rights.

In the event that Meridiam activities are extended to managing investments in publicly traded securities, the Management Company shall update its Shareholder Engagement Policy accordingly and make it available to its investors.

#### **3.2.2. Project companies shares**

Project companies in which AIFs managed by Meridiam invest are non-listed companies and generally limited liability companies that will match the project duration for long term investments. Corporate investments are made through the acquisition of interest in a normal company registered under the laws of its place of operation.

As a shareholder and board member in a given company, Meridiam will be entitled to receive corporate, financial and operational reporting relating to such company.

As indicated above, for each project in which its AIFs are invested, a Meridiam representative is appointed and is tasked with the duty to act in accordance with Meridiam global engagement and the shareholder agreement negotiated for a given company. This results, among other things, in attending the shareholders' meetings and representing Meridiam and the AIFs.

Global communication is managed by Meridiam Hub which monitors information flow with the participations.

### **3.3. Exercise of the voting rights and the other rights attached to the Shares**

Meridiam considers the exercise of voting rights as an actual management decision that should be performed in the best interest of its investors in accordance with the French Monetary and Financial Code provisions and the recommendations of the professional association(s) to which Meridiam adheres and in accordance with the provisions of Meridiam Code of Ethics.





Meridiam exercises its voting rights within the governance framework of shareholders meetings of the project companies.

Each Meridiam representative is tasked with the duty of collecting all relevant information (meeting materials, resolutions) in relation to shareholders' meetings of a project company.

Meridiam's Corporate Finance Team will organize the Meridiam representative's right to represent the Management Company or the holding invested in the project company before any shareholders meeting. The Meridiam representatives will exercise Meridiam's voting rights according to this Policy, in the AIFs' investors' best interest.

The Meridiam representative will retain records of each vote (for, against, abstention) he/she has cast in the name of Meridiam acting on behalf of an AIF or a holding.

The usual method for exercising voting rights is to vote when physically attending to a meeting. Voting by proxy or in writing is a possibility, in situations where attendance is impossible for the Meridiam representative, or when resolutions to be debated during the meeting are considered of lower business importance at the level of the project company.

Voting rights are, except in exceptional circumstances, always casted.

Meridiam representatives have to vote on two main categories of corporate decisions:

- ordinary decisions including annual financial information: these decisions pertain to the normal management of a project company and the ordinary decisions to be adopted by the shareholders assembly will vary based on (i) the location of the project company (applicable law) and (ii) the contractual arrangements between the shareholders;
- extraordinary decisions: these decisions pertain to the extraordinary management of a Project company and the extraordinary decisions to be adopted by the shareholders assembly will vary based on (i) the location of the project company (applicable law) and (ii) the contractual arrangements between the shareholders.

Meridiam representative make a pledge to vote in accordance with the following principles, for each type of proposed resolution, as far as possible and in the best interest of the AIFs:

- the vote shall be casted in the best interest of the managed AIF (or the holding that is invested in the project company) that is entitled to vote;
- Meridiam representative shall abstain or vote against where the project company's general meeting rules have not been complied with (including applicable law);
- Meridiam representative shall vote for ordinary decisions (including financial information) unless the vote will contravene applicable law;
- Meridiam representative shall generally abstain or vote against ordinary decisions where the vote will contravene Meridiam investment case as reflected in the project documentation or any other circumstance that may not allow the project company to carry on its activities;



- Meridiam representative shall generally abstain or vote against ordinary decisions where the annual accounts of the project company are incomplete or missing the auditors' report;
- Meridiam representative shall generally abstain voting extraordinary decisions that have not been first reviewed by Meridiam;
- Meridiam representative shall generally vote in favor of discharge of directors or management except where such discharge does not allow any further claim against the concerned directors or management;
- Meridiam representative shall generally vote for on the item of directors' appointment unless any director's identity is not disclosed in advance or has not satisfied relevant transparency checks;
- Meridiam representative shall generally vote for on remuneration proposals that comply with a remuneration policy of the project company;
- Meridiam representative will generally vote for all non-financial decisions that reinforce the sustainability of a given project in accordance with the investment strategy of the relevant AIF and will promote ESG initiatives and developments in line with Meridiam's global ESG approach, including any relevant topic as related to its sustainability risk policy;
- Meridiam representative shall generally abstain or vote against ordinary decisions where the latest are deemed contradictory to the principles set by initiatives signed by Meridiam, including but not limited to UN PRI, NZAM and TCFD.
- Meridiam representative shall generally vote for on remuneration of directors that are reasonable;
- Meridiam representative shall generally vote for share capital changes decisions insofar they comply with the project documentation and have been validated by Meridiam;
- Meridiam representative shall generally vote for borrowing decisions insofar they comply with the project documentation and have been validated by Meridiam;
- Meridiam representative will vote liquidation decisions on a case by case basis;

The principles are provided as an indication, are not to be considered as specific voting instructions, and may change according to the situation.

Respect of the voting principles described within this policy enables Meridiam to prevent conflicts of interests.

### 3.4. Cooperation with other shareholder(s)

As previously mentioned in this policy, formalization of our engagement towards the other shareholders, our partners, is systematically incorporated within every project management strategy approved by the relevant investment committee along each project development phase. Meridiam establishes



collaborative agreements with partners on the ESG measures to be implemented throughout the construction and development phase of our projects as well as the monitoring and sustainable value creation inherent to our procedures. These agreements are formalized in the shareholder's agreement of each project and include specific performance and reporting requirements towards each project company.

### 3.5. Stakeholder engagement

As stated in our legally binding [Charter on Sustainable Development](#), Meridiam promotes sustainable development towards our stakeholders by:

- Confirming awareness among partners and grantors on ESG and sustainability issues prior to projects procurement process initiation.
- Promoting responsible behaviour towards partners in the consortiums and ensuring that their commitments are aligned with our Charter.

The formalization of our ESG demands towards our partners is a requirement of our procedures found in our commitments associated to environmental and social reporting. As such, Meridiam's approach to ESG management and SDG value creation is systematically incorporated within every project management strategy as agreed upon by the consortium. We establish collaborative agreements with our partners on the ESG measures to be implemented throughout the construction and development phase of our projects as well as the monitoring and sustainable value creation inherent to our procedures. These agreements are formalized in the shareholder's agreement of each project and include specific performance and reporting requirements towards each project company.

### 3.6. Conflicts of interests

The principles explained above are intended to preserve the investors' best interest. Meridiam has made arrangements to detect and prevent any conflicts of interests that might arise with a mapping of potential cases and a system to resolve conflicts. The Conflict of Interests Policy of Meridiam is available on demand to the investors as mentioned on its website: <http://www.meridiam.com>. Moreover, a register of conflicts of interests is maintained and updated by the Chief Compliance Officer (CCO).

In the event of conflict of interests relating to the effective application of this policy, Meridiam representatives should refer to the CCO who will decide on the appropriate measures to be taken.

### 3.7. Reporting

#### 3.7.1. Report on the exercise of voting rights

Meridiam will include in the annual report information regarding this Shareholder Engagement policy and the exercising of its voting rights on behalf of the Funds especially:

- the number of companies in which the Management Company exercised its voting rights in relation to the total number of companies in which it had voting rights;
- the cases in which the Management Company considered that it could not comply with the principles set out in this policy;



- the conflict of interests situations that the Management Company has been handling in relation to voting the securities held by the AIFs.

Meridiam will report on situations where:

- any vote casted against the resolutions presented by the management board or the board of directors of the project company;
- any votes casted going against the principles set out in this Policy;
- any situation in which the Meridiam representative did not vote or did not take part in the voting process.

Commercial documentation of each AIF should mention how investors may access this Shareholder Engagement policy and the annual report.

### **Contact information**

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## **4. Controls**

The review of the compliance with this Shareholder Engagement Policy and the exercise of voting rights is an integral part of the Management Company's ongoing and periodic control plans.

Second line control is performed according to the CCO yearly compliance plan and internal control assignments.

This Shareholder Engagement Policy is publicly available on Meridiam's website (<http://www.meridiam.com>) and is at the disposal of the AMF. It is also freely available on demand to all shareholders of Meridiam AIFs.

