

2017 report on exercise of voting rights

Ostrum Asset Management

08.07.2018



In compliance with articles 319-22 and 321-133 of the French financial market authority or AMF's General Regulation, Ostrum Asset Management has produced its report on voting rights, describing how it has exercised its voting rights as shareholder of the UCITS/AIF¹ it manages.

CONTENTS

1.	OVERALL FRAMEWORK	3
1.1.	VOTING POLICY	4
1.2.	OSTRUM AM'S VOTING PROCESS VOTING POLICY	4
1.3.	BREAKDOWN OF VOTES AT SHAREHOLDER MEETINGS	4
2.	OVERVIEW OF OSTRUM AM'S EXERCISE OF VOTING RIGHTS IN 2017	5
2.1.	VOTING SCOPE IN 2017	6
2.2.	OVERVIEW OF VOTES	7
2.3.	ANALYSIS OF VOTING RESULTS BY GEOGRAPHICAL AREA	8
2.3.1	All geographical areas	9
2.3.2	Europe	10
2.3.3	Americas	10
2.3.4	Asia	12
2.4.	FOCUS ON MAIN AREAS OF VOTE	13
2.4.1	Financial and non-financial transparency	13
2.4.2	Balance of power	14
2.4.3	Distribution of value	15
2.4.4	Financial structure	16
2.4.5	Bylaw amendments	17
2.4.6	Shareholder resolutions	18
2.5.	CASES WHERE OSTRUM AM MAY HAVE FAILED TO COMPLY WITH ITS VOTING POLICY	19
2.6.	CONFLICTS OF INTEREST	19

¹ UCITS: Undertakings for collective investment in transferable securities

¹ AIF: Alternative investment funds

1. OVERALL FRAMEWORK

1.1. VOTING POLICY

As an asset management company, Ostrum Asset Management (Ostrum AM) believes that it has a fiduciary responsibility and duty of stewardship towards its unit-holders – monitoring changes in the value of their investments and exercising the ownership rights on the securities held in the portfolios it manages. Ostrum AM therefore conducts its voting duties with the sole interests of its unit-holders in mind.

Ostrum AM set out a voting policy in 1998 stipulating its guiding principles when exercising voting rights at shareholder meetings. These principles aim to define the framework for independently analyzing resolutions submitted on the one hand, and exercising voting rights in an informed manner and solely in the interest of our unit-holders on the other. We revise these principles on a yearly basis to take account of changes in regulation and corporate governance practices throughout the previous year.

Find out more here: [View the voting policy here](#)

1.2. OSTRUM AM'S VOTING PROCESS VOTING POLICY

Ostrum AM's voting process involves two key and separate aspects:

- **Analysis of resolutions:** this is conducted by Ostrum Asset Management's responsible investment subsidiary Mirova, which acts here as a service provider. Ten Mirova analysts specialized in environmental, social and governance issues work with a voting service provider to analyze the resolutions and compare with the principles set out in Ostrum AM's voting policy, which is approved by its Executive Committee.

Ostrum AM has a voting committee that ensures strict application of the voting policy, supervised by an Executive Committee member and in charge of ruling on resolutions that present a specific challenge – in terms of content of the proposal or the outcome of the analysis performed by Mirova – or where there are no set principles outlined in the voting policy.

- **Exercise of voting rights:** this is conducted by Ostrum AM's Flow Middle Office, which is also in charge of the relationship with service providers and custodians.

1.3. BREAKDOWN OF VOTES AT SHAREHOLDER MEETINGS

A voting summary platform is accessible directly from the Ostrum AM website and provides information on all votes on the resolutions put forward at shareholder meetings for the range of companies in our funds where we have voting rights, bar dedicated funds. Complying with AMF requirements as outlined in articles 319-23 and 321-134 of its General Regulation, this platform can be freely viewed by all.

Find out more: [View the platform](#)

2. OVERVIEW OF OSTRUM AM'S EXERCISE OF VOTING RIGHTS IN 2017

2.1. VOTING SCOPE IN 2017

- Ostrum AM exercised its voting rights as shareholder of securities in the UCITS and AIF it manages, in accordance with AMF regulations on asset management companies' exercise of voting rights and in line with the principles outlined in its voting policy.
- The voting scope in 2017 covered 1,532 securities held across 127 UCITS and AIF managed by Ostrum AM.
- 1,674 shareholder meetings were held on this scope in 2017 and Ostrum AM exercised its voting rights during 1,670 of them, i.e. 99.8% of meetings. Of the four remaining shareholder meetings, Ostrum AM did not exercise its voting rights during one as a result of technical problems, and during the three others due to a conflict of interest (cf. section 6 of this report).
- The actual voting scope therefore came to **1,670 shareholder meetings** on **1,528 securities**.

Geographical breakdown of voting scope		
	Number of companies	%
Europe	781	51.1%
Americas	407	26.6%
Asia	286	18.7%
Oceania	29	1.9%
Africa	25	1.6%
Total	1,528	100%

2.2. OVERVIEW OF VOTES

Of the 1,528 confirmed shareholder meetings where we voted, Ostrum AM expressed its opinion on 23,498 resolutions.

Breakdown of votes by geographical region ²		
	Number of resolutions	%
Europe	13,657	58.1%
Americas	5,603	23.8%
Asia	3,434	14.6%
Oceania	201	0.9%
Africa	603	2.6%
Total	23,498	100%

Out of the 23,498 resolutions:

- Ostrum AM voted for 18,057 resolutions, or 77%;
- Ostrum AM voted against 5,202 resolutions, or 22%;
- Ostrum AM abstained from voting on 239 resolutions, or 1%;

22,891 of the 23,498 resolutions submitted to vote were put forward by companies' management, board of directors or supervisory board. Ostrum AM voted against 4,932 resolutions, or 22%, and abstained from voting on 238 resolutions or 1%.

Looking to the 607 shareholder resolutions, Ostrum AM supported 336 resolutions in total (55%), including 227 that went against the issuer's management recommendations.

Ostrum AM cast at least one against vote per meeting during 1,407 shareholder meetings, or 84% of shareholder meetings where it voted.

² In our investment scope, **Europe** involves 23 countries including France, Germany, the UK, the Netherlands, Switzerland, etc. // **Americas** involves 8 countries, including the US and Canada // **Asia** involves 9 countries including Japan // **Oceania** includes Australia and New Zealand // **Africa** includes South Africa

2.3. ANALYSIS OF VOTING RESULTS BY GEOGRAPHICAL AREA

On average, we voted against or abstained on 23% of resolutions in 2017, down 2 points vs. 2016.

	Geographical breakdown of votes						Resolutions
	FOR	%	AGAINST	%	ABSTENTION	%	
Europe	10,487	77%	3,082	23%	88	1%	13,657
Americas	4,260	76%	1,197	21%	146	3%	5,603
Asia	2,624	76%	808	24%	2	0.1%	3,434
Oceania	160	80%	41	20%	-	-	201
Africa	526	87%	74	12%	3	0.5%	603
Total	18,057	77%	5,202	22%	239	1%	23,498

However, there were major divergences in our percentage of against/abstention votes depending on geographical region, ranging from 12% for Africa to 24% for Americas, Europe and Asia.

These differences can be attributed to several different factors including:

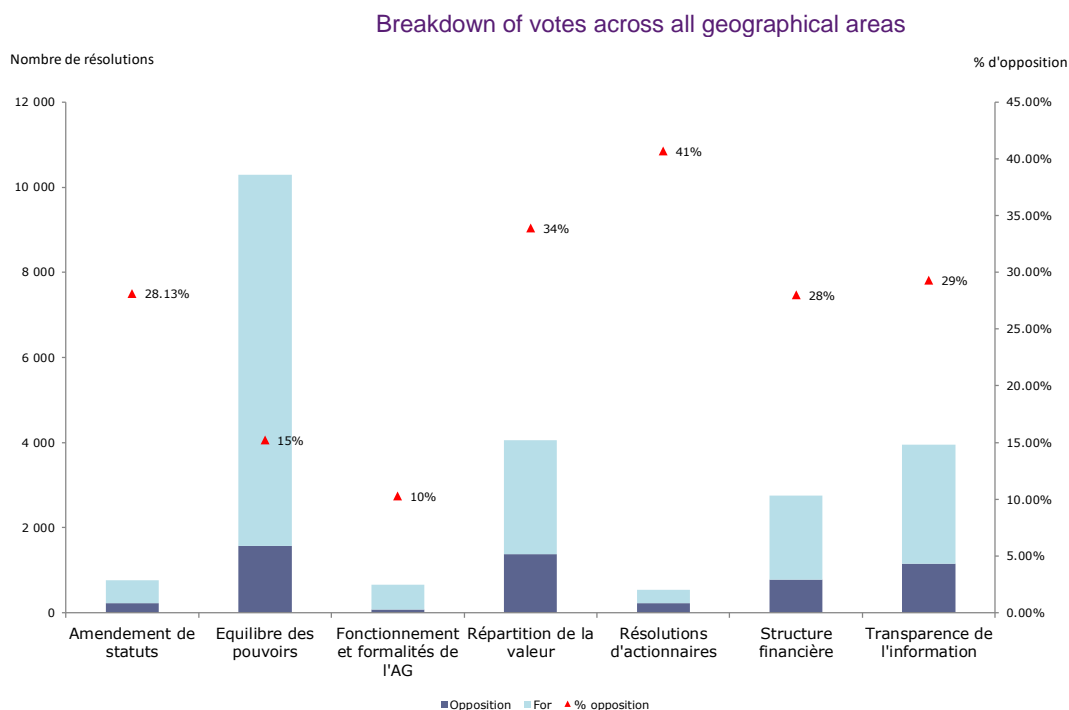
- The number of resolutions proposed, which varied from one country to the other;
- The diverse range of subjects submitted to shareholder vote from one region to the other and one country to another;
- The importance of certain themes on shareholder meeting agendas in certain countries in light of policies in Ostrum AM's guidelines;
- The alignment of local market practices with international standards.

These factors can lead to significant distortion, so our analysis focuses primarily on geographical areas that are significant to Ostrum's voting scope in terms of both volume and governance challenges, i.e. Europe, the Americas and Asia.

2.3.1 All geographical areas

Our against/abstention rate was slightly lower than last year at 23% vs. 25% for all geographical areas and all resolution categories taken together.

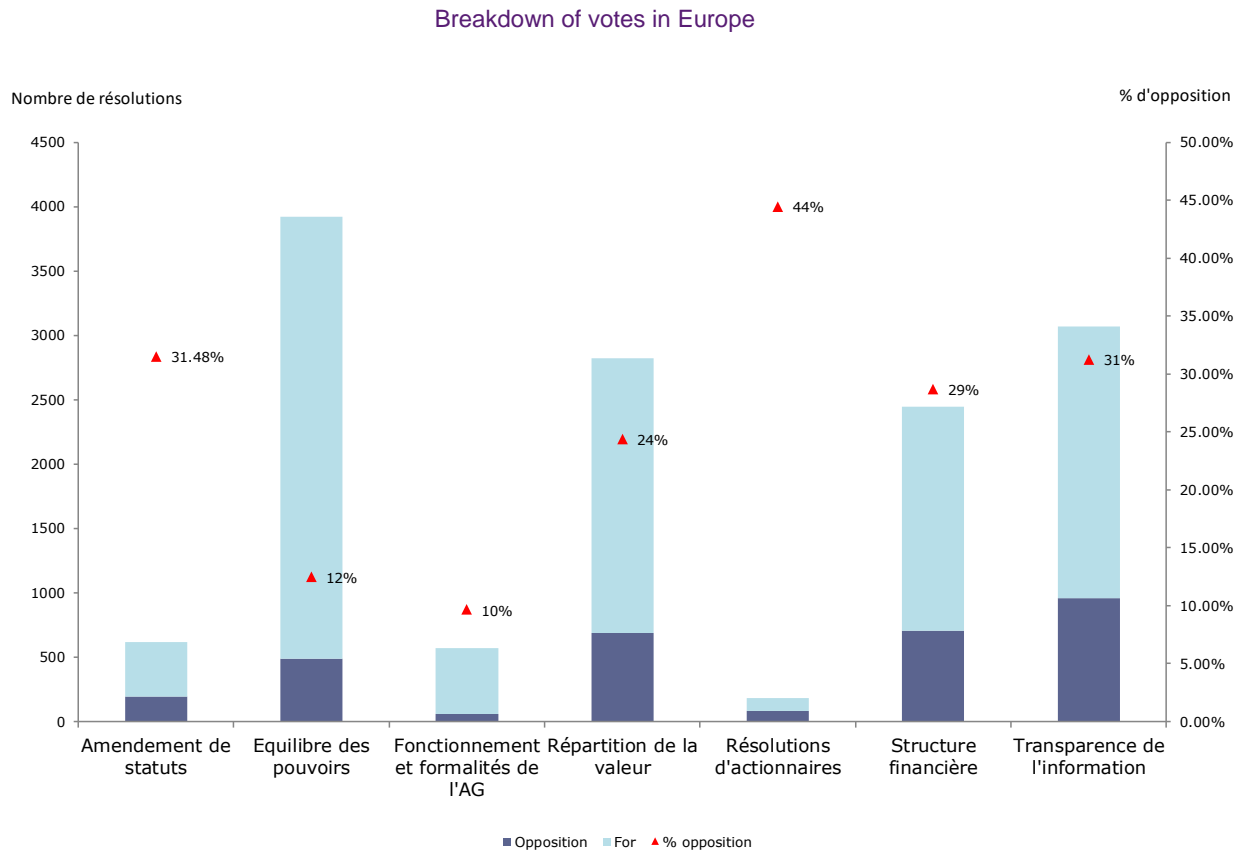
The disparity in our degree of opposition across the various categories reflects market-specific differences within our voting universe, as well as the different priorities outlined in the Ostrum AM voting policy.



- **Resolutions on the balance of power**, particularly the election of new directors, by far involved the highest number of resolutions, equating to 44% of the total, while two geographical areas accounted for 75% of resolutions on this particular issue, i.e. Americas and Europe. We voted against or abstained on the resolution in slightly more cases than in 2016 i.e. 15% vs 13%, primarily due to the fact that there were more resolutions on this issue in Asia, where we voted against or abstained on 19%. In Europe, our votes against/abstentions remained flat at 12%.
- **On questions of transparency**, which is the cornerstone of responsible governance, we continued to vote against/abstain on slightly under one out of three resolutions (29%). This category consists of resolutions on approval of accounts and financial discharge as well as the appointment of statutory auditors. Almost 80% of shareholder meetings we attended in Europe featured this category on the agenda, as these markets have a strong tendency to put to vote resolutions on approval of accounts and financial discharge.
- **Votes on compensation** reflected ongoing inadequate alignment between Ostrum AM's standards and market practices, as we voted against/abstained on just over one third of resolutions, or 34%. This year, 65% of resolutions submitted to vote came from Europe, where our opposition was lower than the Ostrum AM average for all geographies taken together. The Americas region only accounted for 21% of resolutions on this category, but we voted against a particularly high number of these i.e. 89%.
- **We voted against/abstained on 41% of shareholder resolutions**, reflecting Ostrum AM's demanding requirements on the contents of these resolutions, as well as their transparency and potential impact for the company. Half of these resolutions (53%) came from companies in the US (cf.4.f.).
- Overall, we voted against a high number of resolutions, pointing to companies' considerable room for improvement on the key aspects of corporate governance.

- An analysis of our votes for each subject and by geographical area below reflects our diverging approaches from one market to another.

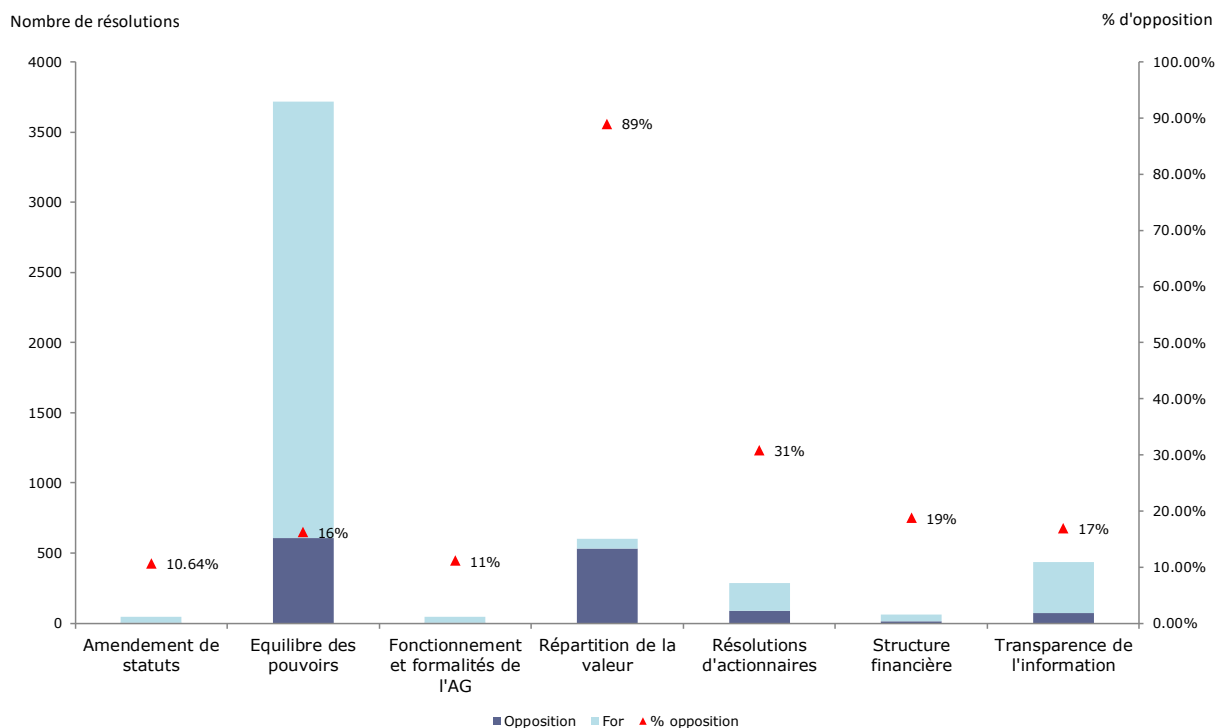
2.3.2 Europe



- **Europe**, with the 22 countries in our investment space, remained **the largest area in our voting scope, accounting for 58% of resolutions we voted on** in our investment universe worldwide. Two countries – France and the UK – accounted for more than half of the resolutions voted, or 57%, thereby leading to a hefty market-specific slant in the type of themes covered in the resolutions voted.
- We voted against a particularly high number of shareholder resolutions (44%) although these resolutions only accounted for 1% of the total proposed on the European scope. It is worth noting that Europe-wide, this theme largely consisted of resolutions on director election conditions in Italy i.e. 47% (cf. section on Balance of power).
- Ostrum voted broadly in line with previous years on the three other strategic issues discussed during shareholder meetings – financial transparency, financial structure, and compensation – showing that Europe is now a relatively mature market and practices are stable, at least on Ostrum AM's largest investment markets i.e. Germany, France, Switzerland and the UK.
- However, this must not overshadow the fact that some markets still lag particularly far behind European standards, especially Poland and Turkey where on average we voted against or abstained in respectively 62% and 38% of resolutions.

2.3.3 Americas

Breakdown of votes in Americas



Looking now to the Americas region, the US market accounted for 94% of votes for this region, followed by Canada with 3%.

The US market's preponderance can be seen on compensation, which accounted for 96% of resolutions put forward for this geography, and we voted against or abstained on a particularly high number of proposals this year. This is primarily attributable to tougher requirements on executive compensation in order to align with the European market, particularly in terms of:

- post-mandate incentives: we voted against termination packages if they exceed two years' salary;
- long-term plans: we voted against if they were not entirely performance-related or if they were fully share price-dependent;
- exceptional compensation: we voted against golden parachutes and unwarranted exceptional bonuses.

We voted against/abstained on a hefty 89% of resolutions on say on pay. US practices often still lag far behind Europe, but the market is making progress as 53% of long-term compensation was performance-related in 2016 vs. 28% in 2011.

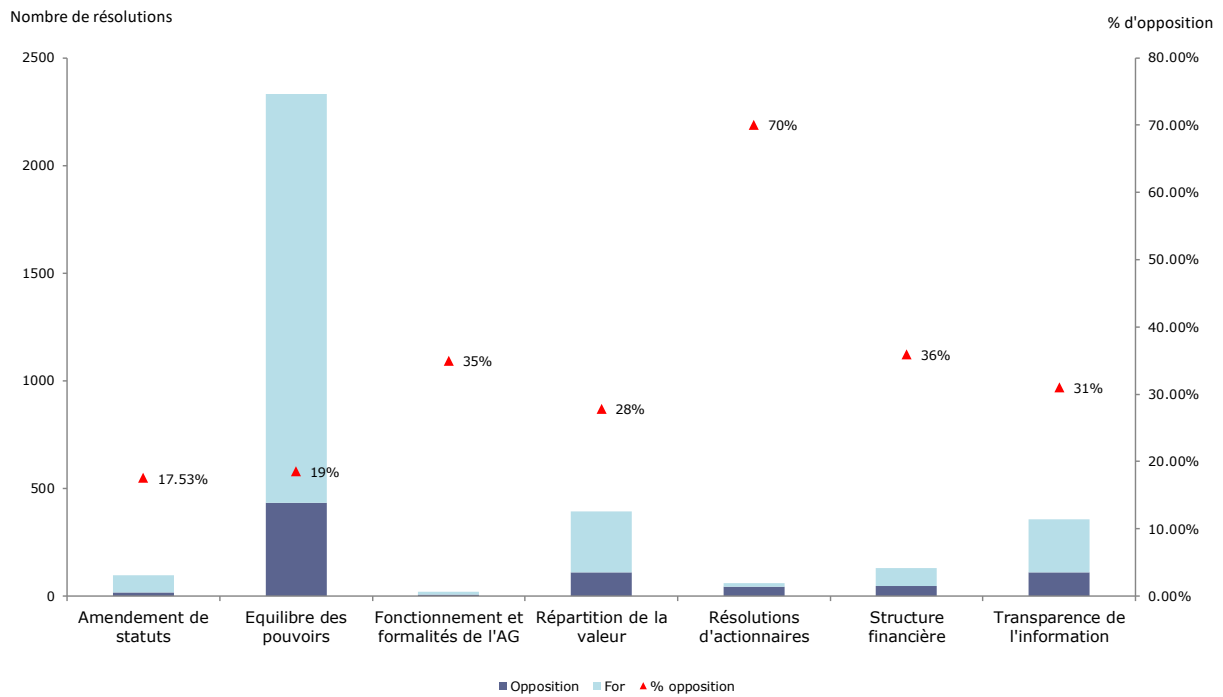
The issue of the election of directors was the most prevalent resolution on shareholder meeting agendas (Balance of power), accounting for 66% of resolutions put forward for this geographical region.

This is due to the fact that a lot of US and Canadian companies put renewal of the entire board to the vote each year. The issue of board independence remains a key challenge on the US market, where Ostrum AM put in an against vote or abstained in 16% of situations.

In the absence of a code of governance outlining best practices on director classification and board independence, companies' practices in this respect are very varied and several directors present conflicts of interest (particularly from a commercial standpoint) or have been on the board for more than 12 years. Companies' practices seem to be progressing as Ostrum AM had voted against or abstained on one resolution in four in 2015.

2.3.4 Asia

Breakdown of votes in Asia



In Asia, where our scope consists of seven countries, the voting universe primarily focused on Japan, which accounted for 78% of resolutions voted in the region.

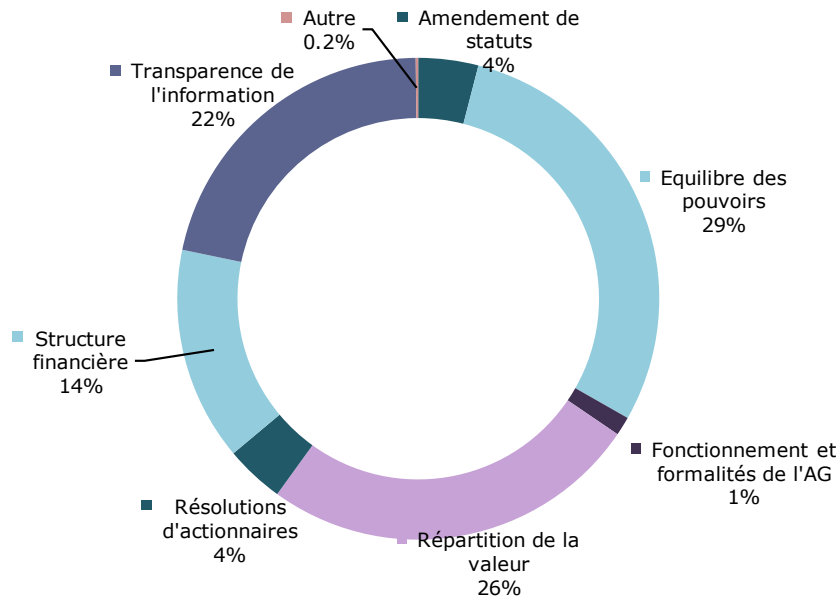
More than two thirds of resolutions submitted to vote in this region involved director elections, and for the third year in a row, our total degree of against votes and abstentions on this issue decreased to 19% after 31% in 2015, with 88% of these resolutions involving Japanese companies. This reflects the Japanese regulator's efforts since 2015 to better align governance practices to international standards.

More broadly speaking, Japan seems to have made significant progress in adopting more international governance models, although we will need to wait a few more years for company set-ups to change, and this accounts for our continued high level of against votes or abstentions in this area.

2.4. FOCUS ON MAIN AREAS OF VOTE

The breakdown of our negative votes – against and abstention – across all resolutions submitted to shareholder vote is as follows:

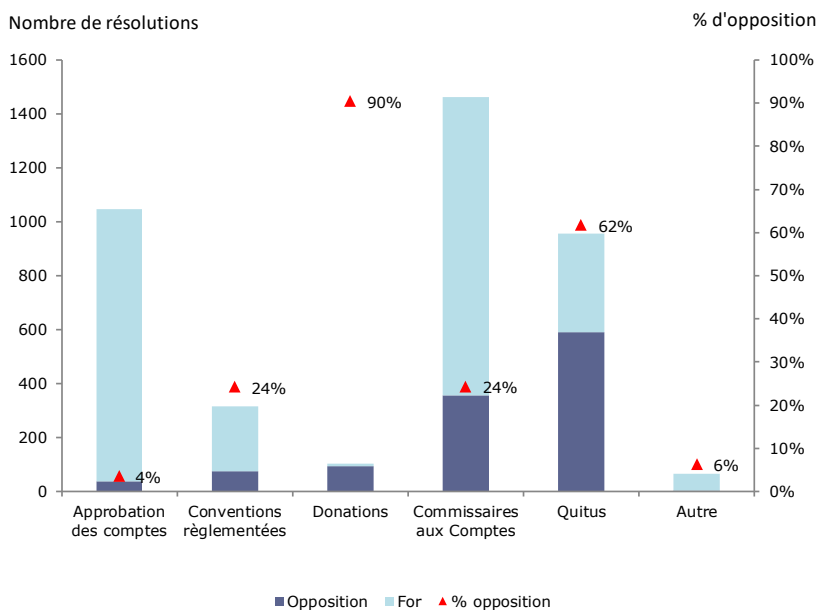
Breakdown of our against/abstention votes by category



2.4.1 Financial and non-financial transparency

Issues of transparency accounted for 21% of our against votes and abstentions.

Breakdown of votes on Transparency



Within the broader Transparency theme, Ostrum AM paid particular attention to financial discharge and resolutions on the appointment and compensation of statutory auditors.

Our against votes on final discharge can mostly be attributed to our opposition to this practice in countries where this type of move prevents shareholders from filing legal proceedings: this practice continues in several European countries, despite the fact that investors have challenged it.

Our against votes and abstentions on auditors' appointment and compensation mostly involved situations where there was a doubt over auditors' independence as fees paid for non-audit related tasks were the equivalent of more than 50% of the amount of fees paid for audits.

To a very small extent, this category also involved Japanese companies that proposed the appointment of non-independent auditors. As already mentioned, governance practices are changing very quickly in Japan and Ostrum AM expects to see fewer of these resolutions in the country in the years ahead.

Our against votes on donations to political parties mainly involved the United States, where political parties are largely financed by the corporate world, thereby creating major conflicts of interest and warranting our opposition to this practice as a matter of principle.

2.4.2 Balance of power

Resolutions on the balance of power accounted for 29% of our against votes and abstentions.

Breakdown of votes on Balance of power		
	Number of resolutions	% against
Appointment of directors	10,128	15%
Appointment of non-voting directors	27	100%
Appointment of executives	21	0%
Appointment of employee representatives	20	35%
Operation of board	47	2%
Other subjects	49	4%
Total	23,498	100%

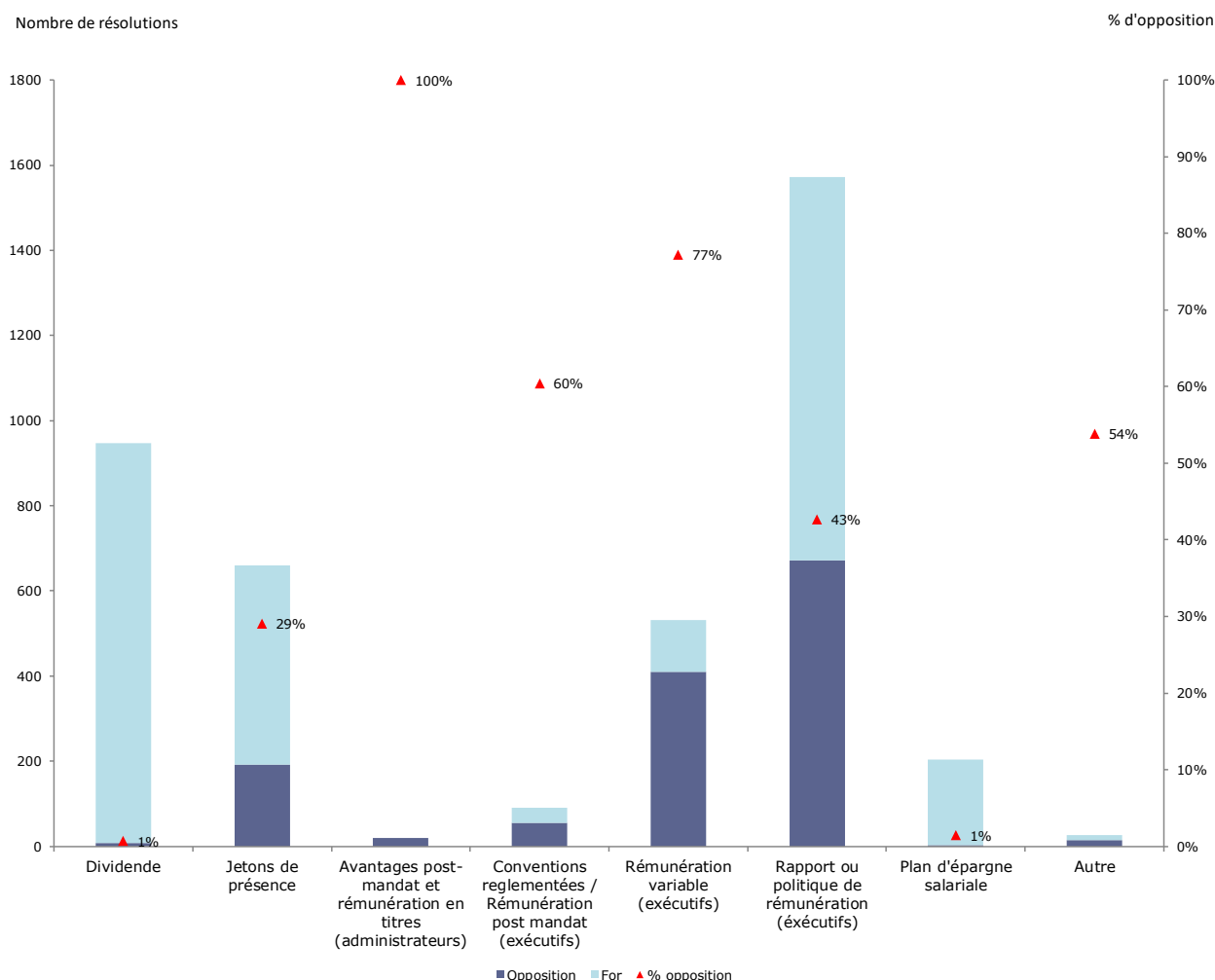
Resolutions on director elections accounted for almost all the resolutions in this category and focused 98% of our total against votes and abstentions. However, we voted against or abstained on a relatively low number of total resolutions at 15%, continuing to decrease compared to previous years after 17% in 2016 and 21% in 2015, thereby confirming the positive trend we have witnessed in terms of boards' make-up and independence.

We voted against all resolutions on the appointment of non-voting directors due to our opposition to the presence of non-voting directors on boards when it is not temporary, exceptional or justified, and when we believe that the board is not sufficiently independent as compared to our expectations.

2.4.3 Distribution of value

Compensation accounted for close to 25% of our against votes and abstentions overall.

Breakdown of votes on Distribution of value



In the compensation category, we focused particularly on resolutions on approving director compensation policies and reports (43% against) as well as variable compensation paid in company shares and submitted to vote via a separate resolution (77% against).

In accordance with our voting policy, Ostrum AM voted against resolutions when transparency fell well short of market best practices and did not establish a clear connection between compensation paid out and value creation and/or when compensation policy and practices reflected an insufficient correlation with the company's actual performance.

Looking to long-term compensation, the main reason for our against votes and abstentions was an insufficient correlation with long-term value creation e.g. payout of all or part of financial instruments with no related performance criteria. The lack of clear and precise information on performance conditions (where they exist) was another area for concern across Europe.

Ostrum AM systematically opposed director compensation consisting of variable financial instruments indexed to the company's share performance, as the alignment of directors' interests on the share price creates a

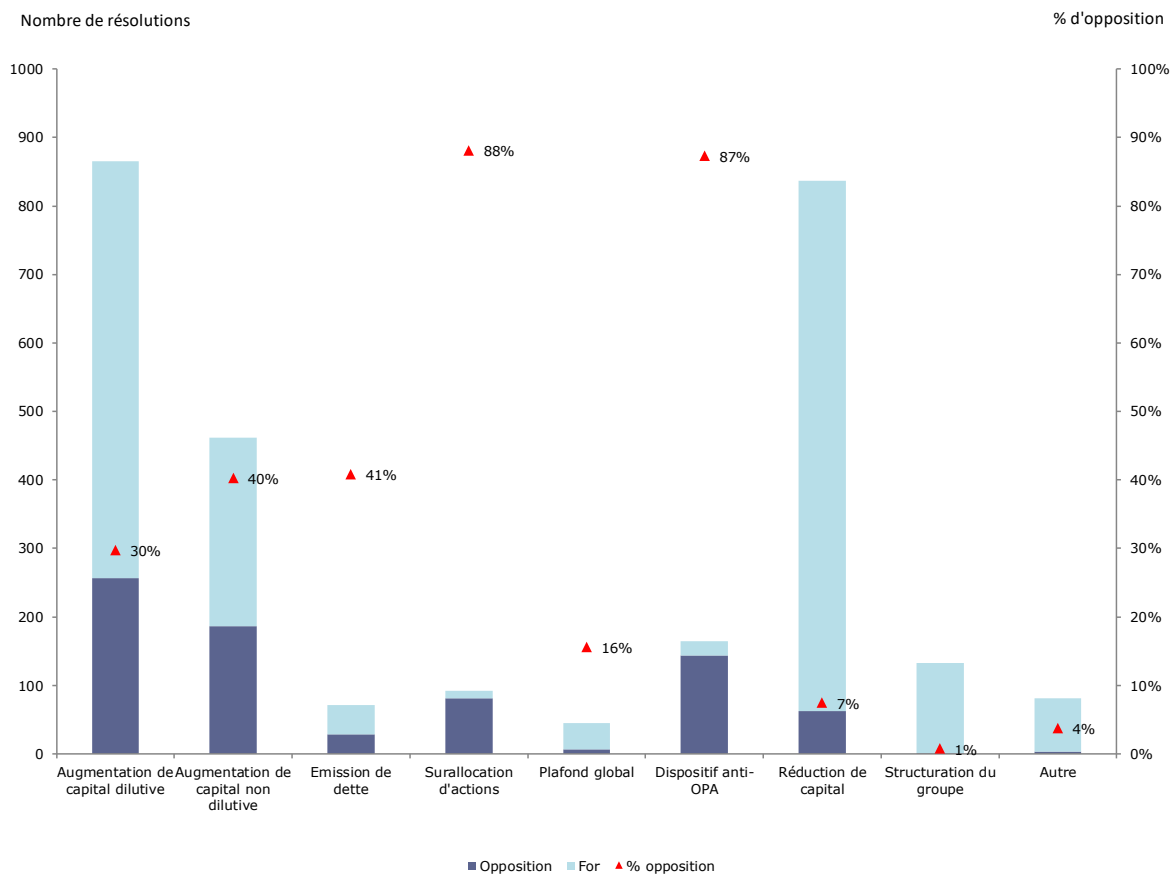
potential risk of conflict of interest in exercising their role. Our goal on votes on attendance fees was to penalize any excessive or unwarranted increase in the overall budget.

Lastly, we encourage initiatives that enable employees to take a stake in their company and benefit from its results and therefore supported more than 99% of resolutions on employee savings schemes and opposed them only in the rare event that employee savings could be used by the company to control voting rights.

2.4.4 Financial structure

Resolutions on companies' financial structure made up 14% of our against votes and abstentions overall.

Breakdown of votes on Financial structure



Our against votes and abstentions mainly involved dilutive or non-dilutive capital increases, which accounted for 57% of resolutions on the financial structure issue as a whole. The main reason for our against votes was when the thresholds set out in Ostrum AM's voting policies were exceeded. The consistency of our percentage of against votes and abstentions in this category over the years shows that corporate practices have failed to change significantly.

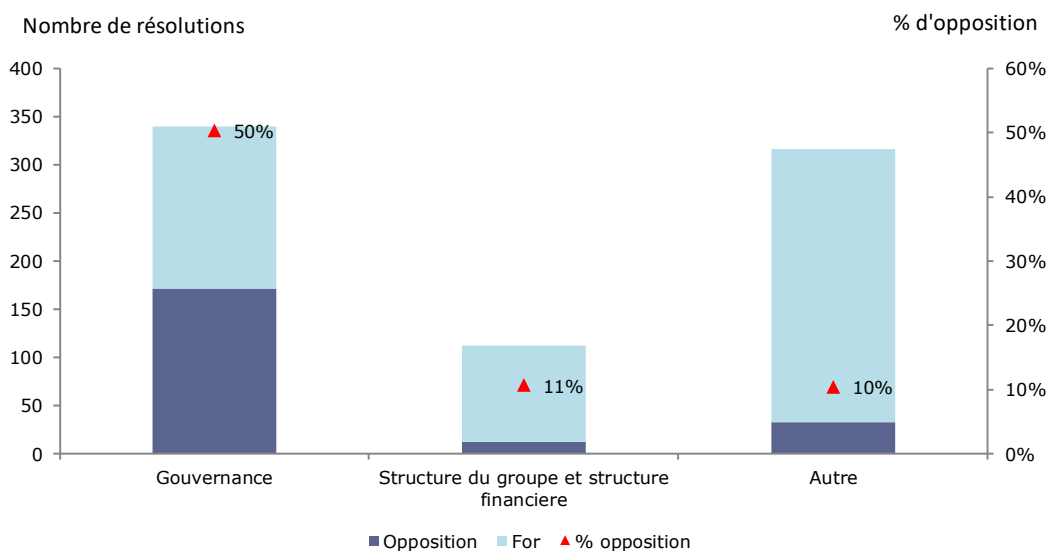
We also voted against a significant number of financial authorizations as they can be used as anti-takeover measures, as well as share buybacks, although resolutions on these issues are very specific to the European markets, with 91% of resolutions on anti-takeover measures from the French market, which has traditionally been more used to this type of mechanism, and this was further increased by the 2014 Florange law. More than a hundred resolutions were put forward on this issue in France, similar to the 2016 figure. Ostrum AM took a fairly pragmatic approach on this matter, with our against votes reflecting the fact that the governance

structure often did not provide sufficient guarantees that these set-ups would be used in the company's long-term interests.

2.4.5 Bylaw amendments

Bylaw amendments accounted for 4% of our against votes and abstentions and primarily involved issues of governance.

Breakdown of votes on Bylaw amendments



The majority of our against votes and abstentions on this type of resolution was in the UK, with an opposition rate of 74%. The bylaw amendments that we opposed on this market all involved governance issues and aimed to reduce the timeframe for calling an extraordinary shareholder meeting: in light of the importance of the subjects submitted to this type of shareholder meeting, we believe that the suggested timeframes are too short to guarantee an insightful analysis of the resolutions tabled.

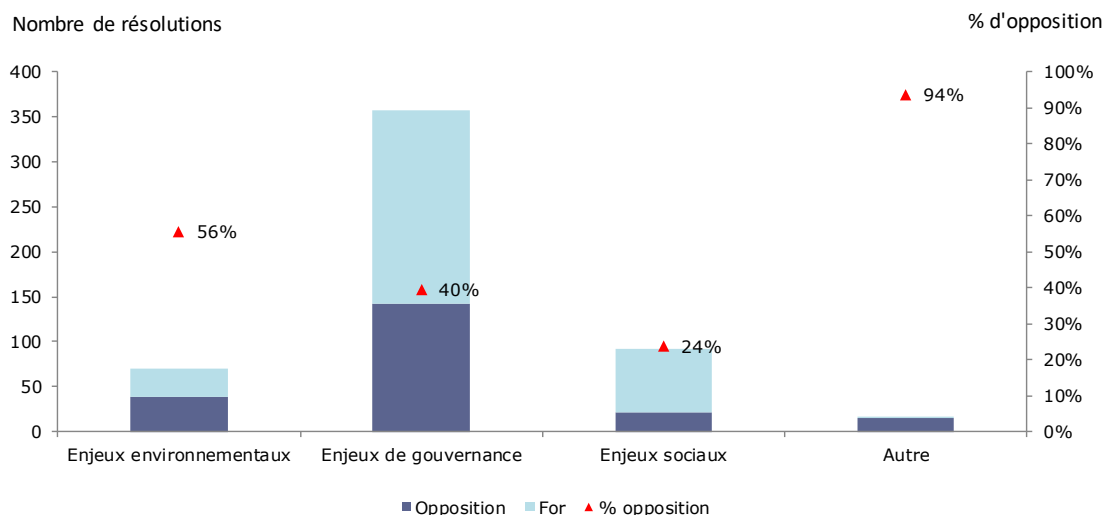
The governance theme was also very prevalent in France, which ranks second market in terms of the number of bylaw amendment resolutions we opposed. Several of the resolutions that we voted against involved keeping in the company's bylaws approval for uncostly share subscription warrant issues for shareholders, which act as anti-takeover mechanisms. During a public bid, an extraordinary shareholder meeting allows the target company to distribute these share subscription warrants to all shareholders at no cost, enabling them to take shares in the company at preferential conditions. These warrants dilute capital and can thereby increase the acquisition cost of the takeover target.

Three-quarters of bylaw amendments on financial structure that we voted against were in Belgium, where resolutions sought to include authorization for capital increases in the bylaws, which were not in line with the limits we recommend.

2.4.6 Shareholder resolutions

Shareholder resolutions accounted for 4% of our total against votes and abstentions, and primarily involved matters of governance, i.e. 63%. The US market accounted for slightly more than half of shareholder resolutions submitted to vote in 2017, while the Italian, Polish and Japanese markets were also particularly active with respectively 16%, 13% and 10% of all resolutions submitted to vote in Ostrum AM's investment universe that year.

Breakdown of votes on Shareholder resolutions



In the US, the total number of resolutions on matters of governance was down to 148 vs. 205 in 2016. Resolutions on the right to put forward candidates for vote remained a key issue on this market, and primarily involves small- and mid-caps, thereby reflecting shareholders' successful lobbying with S&P500 companies over recent years. Ostrum AM wholeheartedly supports this type of resolution. Other issues of governance were varied, including board structure – e.g. creation of committees and implementation of staggered elections or a change in bylaws to require the appointment of an independent chair – and compensation policy, such as a report on the pay gap. Ostrum AM voted on a case-by-case basis on this type of resolution taking on board various factors (cf. voting policy). We also paid close attention to the company's exposure to and involvement in the issue raised by the shareholder.

There was a continued large number of shareholder resolutions on environmental and social issues in the US.

We saw a number of resolutions from shareholders who wanted to hear how companies addressed risks on climate change, particularly in the oil sector. Ostrum AM supported resolutions from companies in its voting scope on the assessment of the impact on corporate strategy of a 2°C scenario. These were particularly tabled at oil majors' shareholder meetings and 2017 will stand out as the year that three of these resolutions were approved by a majority at US companies.

Our against votes and abstentions on social challenges were particularly on resolutions that were either too specific or too vague, and deemed to run contrary to the company's long-term interests. We note the increasing number of resolutions on reducing the gender wage gap and on diversity in governance bodies. In light of companies' practices, we supported these resolutions in most cases.

In Japan, half of the shareholder resolutions put forward concerned governance issues and the other half involved environmental issues. Governance issues were varied and sometimes minor, hence our opposition rate of 48%. Several of the issues we backed involved greater transparency on executive compensation. Town and city councils have been putting forward several resolutions for electricity companies – particularly nuclear – to close plants each year since 2011. However, we believe that this is a sovereign issue and systematically voted against.

In Poland, all shareholder resolutions involved matters of governance and we note that following the implementation of new legislation in 2016, the government as shareholder submitted a record number of resolutions to vote, primarily on compensation reports, as well as bylaw changes to comply with the law.

Overall, we voted against or abstained in 73% of cases, mainly due to a lack of information on the resolutions put forward.

In Italy, shareholder resolutions focused on the election of directors. The “voting by list” system in force in Italy since 2015 allows both majority and minority shareholders to put forward director lists for post openings on the board. Ostrum AM’s policy is to support the list put forward by minority shareholders to ensure their representation on the board, thereby leading to our opposition to the list proposed by majority shareholders and explaining our high degree of opposition. This system had previously been set up to ensure independent shareholder representation on the boards of state-controlled companies, but it is not necessarily relevant today as these companies are mostly no longer held by a controlling shareholder.

2.5. CASES WHERE OSTRUM AM MAY HAVE FAILED TO COMPLY WITH ITS VOTING POLICY

Ostrum AM consistently exercises its voting rights in the exclusive interest of unit-holders and complies with the principles set out in its voting policy.

2.6. CONFLICTS OF INTEREST

In compliance with its voting policy, Ostrum AM exercises its voting rights in the exclusive interest of unit-holders and does not take part in the shareholder meetings of entities of Groupe BPCE or Groupe BPCE’s subsidiaries/holdings, the securities of which are traded on the market.

Furthermore, for the exercise of voting rights in 2017, Ostrum AM did not take part in the Arkema shareholder meeting, as the CEO of Natixis (Laurent Mignon) at that time is a member of the board of directors. Similarly, Ostrum AM did not attend CNP Assurance’s shareholder meeting, as it is one of its major clients.

ADDITIONAL NOTES

Ostrum Asset Management

Asset management company regulated by AMF under n° GP-18000014 – Limited company with a share capital of 27 772 359 euros – Trade register n°525 192 753 Paris – VAT: FR 93 525 192 753 – Registered Office: 43, avenue Pierre Mendès-France, 75013 Paris – www.ostrum.com

This document is intended for professional clients in accordance with MIFID. It may not be used for any purpose other than that for which it was conceived and may not be copied, distributed or communicated to third parties, in part or in whole, without the prior written authorization of Ostrum Asset Management.

None of the information contained in this document should be interpreted as having any contractual value. This document is produced purely for the purposes of providing indicative information.

This document consists of a presentation created and prepared by Ostrum Asset Management based on sources it considers to be reliable. Ostrum Asset Management reserves the right to modify the information presented in this document at any time without notice, and in particular anything relating to the description of the investment process, which under no circumstances constitutes a commitment from Ostrum Asset Management.

Ostrum Asset Management will not be held responsible for any decision taken or not taken on the basis of the information contained in this document, nor in the use that a third party might make of the information.

Figures mentioned refer to previous years. Past performance does not guarantee future results. Any reference to a ranking, a rating or an award provides no guarantee for future performance and is not constant over time. Reference to a ranking and/or an award does not indicate the future performance of the UCITS/AIF or the fund manager.

Under Ostrum Asset Management's social responsibility policy, and in accordance with the treaties signed by the French government, the funds directly managed by Ostrum Asset Management do not invest in any company that manufactures, sells or stocks anti-personnel mines and cluster bombs.



www.ostrum.com

Ostrum Asset Management

Asset management company regulated by AMF under n° GP-18000014 – Limited company with a share capital of 27 772 359 euros –
Trade register n°525 192 753 Paris – VAT: FR 93 525 192 753 – Registered Office: 43, avenue Pierre Mendès-France, 75013 Paris – www.ostrum.com

Ostrum[®]
ASSET MANAGEMENT

An affiliate of:  **NATIX**
INVESTMENT MANA