Ostrum
ASSET MANAGEMENT

Enhancing your power to act

2021 REPORT ON EXERCISE OF VOTING RIGHTS

March 2022

An affiliate of: NATIXIS INVESTMENT MANAGERS

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1. EXERCISE OF VOTING RIGHTS BY OSTRUM

1.1. OVERALL FRAMEWORK

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

a. Voting policy

Ostrum set out a voting policy in 1998[1] stipulating its guiding principles when exercising voting rights at shareholder meetings. These principles set out in the voting policy aim to define the framework for independently analyzing proposed 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 applicable corporate governance practices, as well as changes in regulation throughout the year.

Link to voting policy:
https://www.ostrum.com/en/statutory-documents#commitments-with-regard-to-voting-policy-

b. Ostrum's voting process set-up

Ostrum's voting process involves two separate aspects:

- Analysis of resolutions: this is conducted with the support of Ostrum's analysts-fund managers and a voting service provider in accordance with the principles set out in Ostrum's voting policy, which is approved by its Executive Committee. To ensure strict implementation of the voting policy, Ostrum has set up a voting committee, supervised by the Head of Insurance-related Management in charge of ruling on resolutions that present a specific challenge – in terms of content of the proposal or the outcome of the detailed analysis – or where there are no set principles outlined in the voting policy.
- Exercise of voting rights: this is conducted by Ostrum's Flow Middle Office, which is also in charge of the relationship with service providers and custodians.

c. Breakdown of votes at shareholder meetings

A voting summary platform is accessible directly from the Ostrum website and provides detailed information on all Ostrum's votes on the resolutions put forward at shareholder meetings for the range of companies in our funds where we have voting rights. Complying with AMF requirements as outlined in article 319-22 of its General Regulation, this platform can be freely viewed by all:

https://vds.issgovernance.com/vds/#/MTEyODk=/

[1]Ostrum Asset Management was created by the separation of Ostrum AM's fixed-income and equity investment management operations into a separate subsidiary on October 1, 2018 (registered on the Paris Trade and Companies Register under number 329 450 738, previously Natixis Asset Management). Natixis Asset Management was created by the merger of two leading French asset managers in June 2007, Natexis Asset Management and Ixis Asset Management. Natexis Asset Management was the Banque Populaire Group's asset management firm and was set up in 1998. Ixis Asset Management was the Caisse d'Epargne Group's asset management company and was founded in 1984.

1.2. OVERVIEW OF VOTES

a) Voting scope in 2021

Ostrum exercised its voting rights as shareholder of securities in the UCITS and AIF it manages and where it holds voting rights, in accordance with AMF regulations on asset management companies' exercise of voting rights (article 319-22 of the General Regulation) and in line with the principles outlined in the company's voting policy.

The voting scope in 2021 covered 111 securities held in eight mandates and UCIs.

126 shareholder meetings were held on the voting scope in 2021 and Ostrum exercised its voting rights during all 126 of them, i.e. 100% of meetings.

Participation in shareholder meetings:

100%

Breakdown of votes by geographical area (number of shareholder meetings)		
Country	No.	%
Belgium	3	2%
Finland	2	2%
France	56	44%
Germany	24	19%
Ireland	5	4%
Italy	9	7%
Luxembourg	1	1%
Netherlands	16	13%
Portugal	2	2%
Spain	3	2%
Sweden	1	1%
Switzerland	1	1%
United Kingdom	3	2%
Total	**126**	**100%**

b) Overall statistics

Of the 126 confirmed shareholder meetings where we voted, Ostrum expressed its opinion on 2,238 resolutions.

Breakdown of votes per geographical area (number of resolutions)		
Country	No.	%
Belgium	63	3%
Finland	37	2%
France	1,227	55%
Germany	330	15%
Ireland	73	3%
Italy	59	3%
Luxembourg	11	0%
Netherlands	255	11%
Portugal	20	1%
Spain	64	3%
Sweden	42	2%
Switzerland	29	1%
United Kingdom	28	1%
Total	**2,238**	**100%**

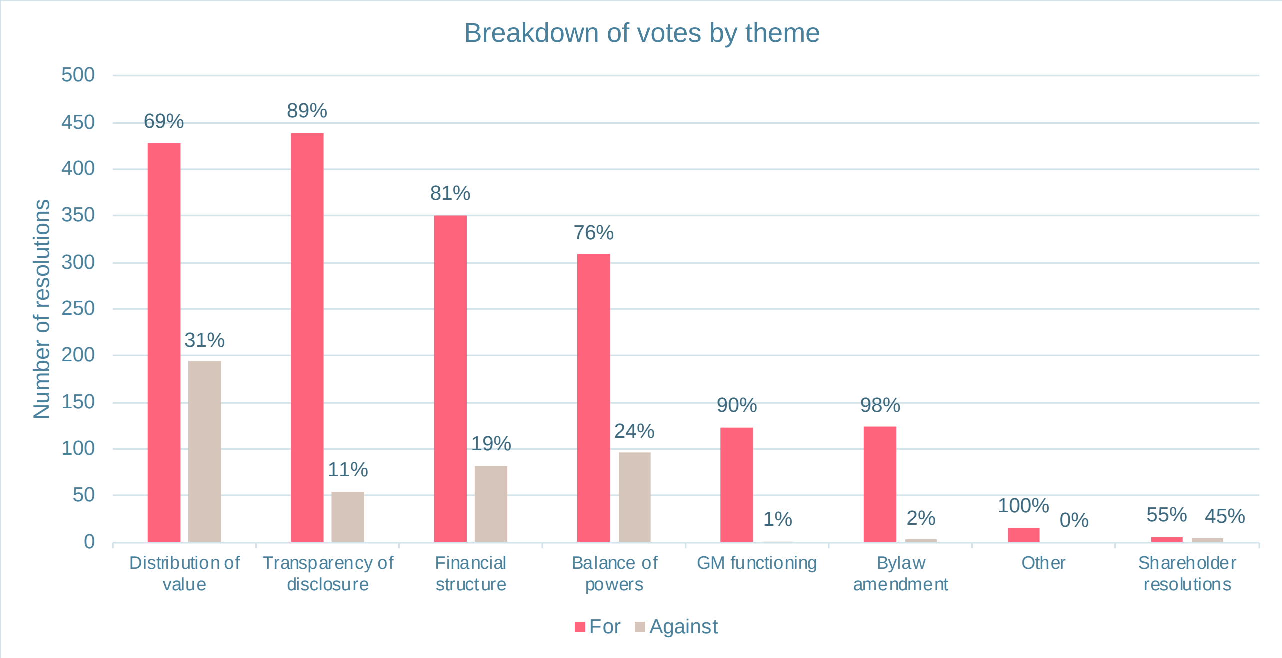
Out of the 2,231 resolutions for vote:

- Ostrum voted for 1,796 resolutions, or 80.5%;
- Ostrum voted against 426 resolutions, or 19.1%;
- Ostrum abstained from voting on 9 resolutions, or 0.4%.

Ostrum cast at least one opposing vote during 97 shareholder meetings, or 77% of shareholder meetings where it voted.

Breakdown of votes by geographical area (breakdown vote/country)						
Country	For	% For	Against	% Against	Abstention	% Abstention
Belgium	45	3%	12	3%	0	0%
Finland	32	2%	4	1%	2	22%
France	965	54%	254	60%	2	22%
Germany	283	16%	45	11%	2	22%
Ireland	60	3%	15	4%	0	0%
Italy	40	2%	19	4%	0	0%
Luxembourg	7	0%	4	1%	0	0%
Netherlands	222	12%	34	8%	1	11%
Portugal	16	1%	4	1%	0	0%
Spain	57	3%	6	1%	1	11%
Sweden	23	1%	19	4%	0	0%
Switzerland	22	1%	6	1%	1	11%
United Kingdom	24	1%	4	1%	0	0%
Total	**1,796**	**100%**	**426**	**100%**	**9**	**100%**

Across all geographies and themes, the average rate of against and abstention votes came to 9%.



Aside from shareholder resolutions, resolutions on the distribution of value met with the highest levels of opposition at 31%, in line with the requirements set out in Ostrum's voting policy.

Issues of financial structure and transparency of disclosure saw the lowest levels of opposition, reflecting European companies' greater efforts to take on board governance best practices, and tougher regulation.

c) Analysis of Ostrum's voting priorities at shareholder meetings

Ostrum AM's updated voting policy in 2021 focused in particular on the robustness of governance bodies for the companies in its portfolios.

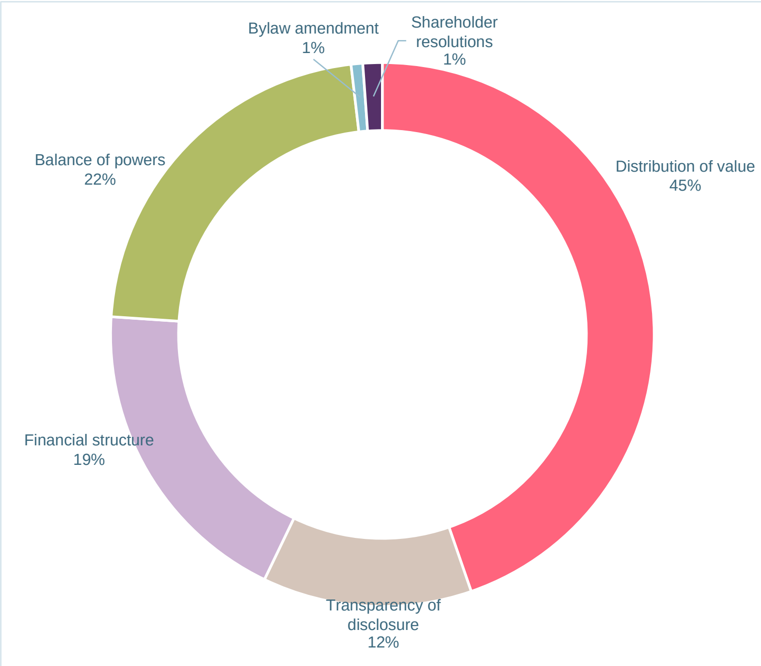
Changes in our policy covered the board of directors and its committees, as we bolstered our criteria on independence, and set out more stringent requirements on the number of corporate offices held by directors, while also advocating for greater diversity of profiles.

We also addressed questions of governance by considering the quality of corporate incentive and compensation programs proposed by boards of directors. Ostrum AM paid much greater attention to the composition of these plans with a view to aligning managers' interests with those of other company stakeholders. We more actively analyzed data transparency, requirements to meet objectives, integration of non-financial aspects and assessed whether amounts paid out were reasonable.

Ostrum AM also incorporated the pledges set out in our own coal sector policy into our voting decisions.

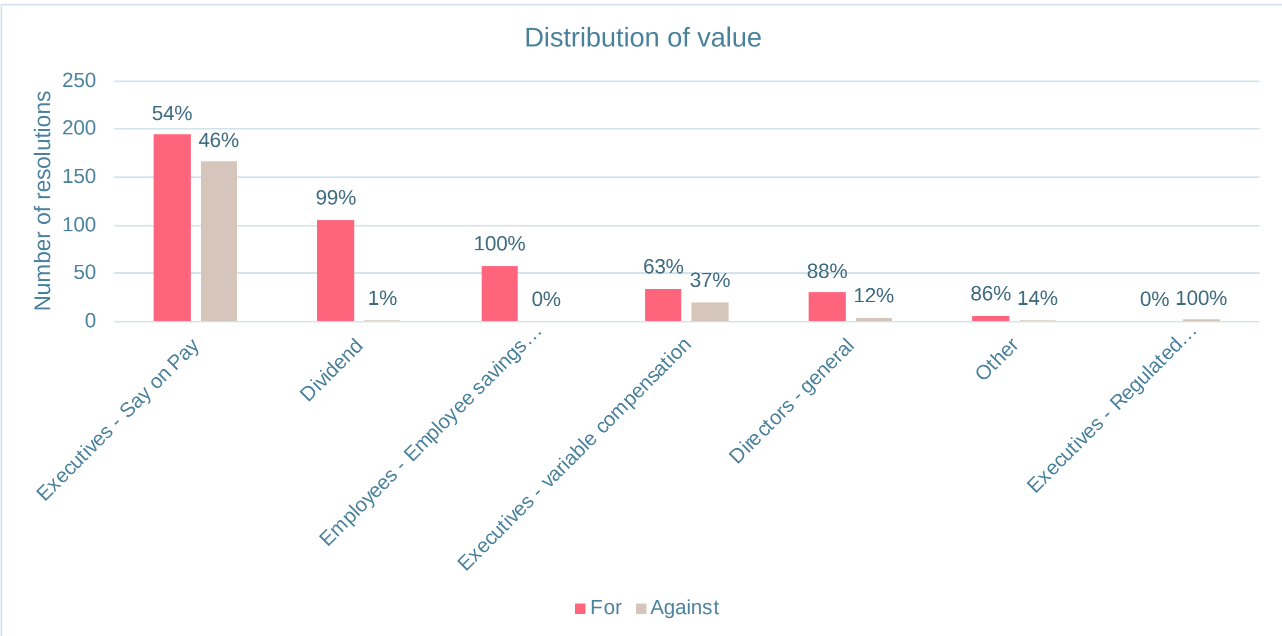
d) Analysis of factors of against/abstention votes

The breakdown of opposition on all resolutions put to shareholder vote was as follows:



Distribution of value

Compensation accounted for 45% of our overall against and abstention votes, with an average opposition rate of 36%.
This figure for 2021 shareholder meetings compares with 7% in the 2020 voting period.



The increase in our rate of against and abstention votes this year can be attributed to the change in our voting policy on compensation for corporate officers as we waved in the following measures:

- Capping performance-related compensation at 300% of executive directors' fixed salary;

- Capping the pay ratio between executive compensation and the median wage in the company if published at 120x;
- Capping the compensation gap at 150% of the median in a sample of comparable companies;
- More demanding requirements on transparency of compensation objectives and criteria. For example, we require the presence of non-financial targets in executives' long-term compensation plans.

Ostrum AM applies its voting policy with a view to ensuring that executive compensation is attractive, offers an incentive and promotes social cohesion in the company.

In the compensation category, we focused particularly on resolutions on approving managers' compensation policies and reports. In accordance with our voting policy, Ostrum 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, when compensation policy and practices reflected an insufficient correlation with the company's actual performance and in the event of excessive compensation gaps with peers and staff in the company.

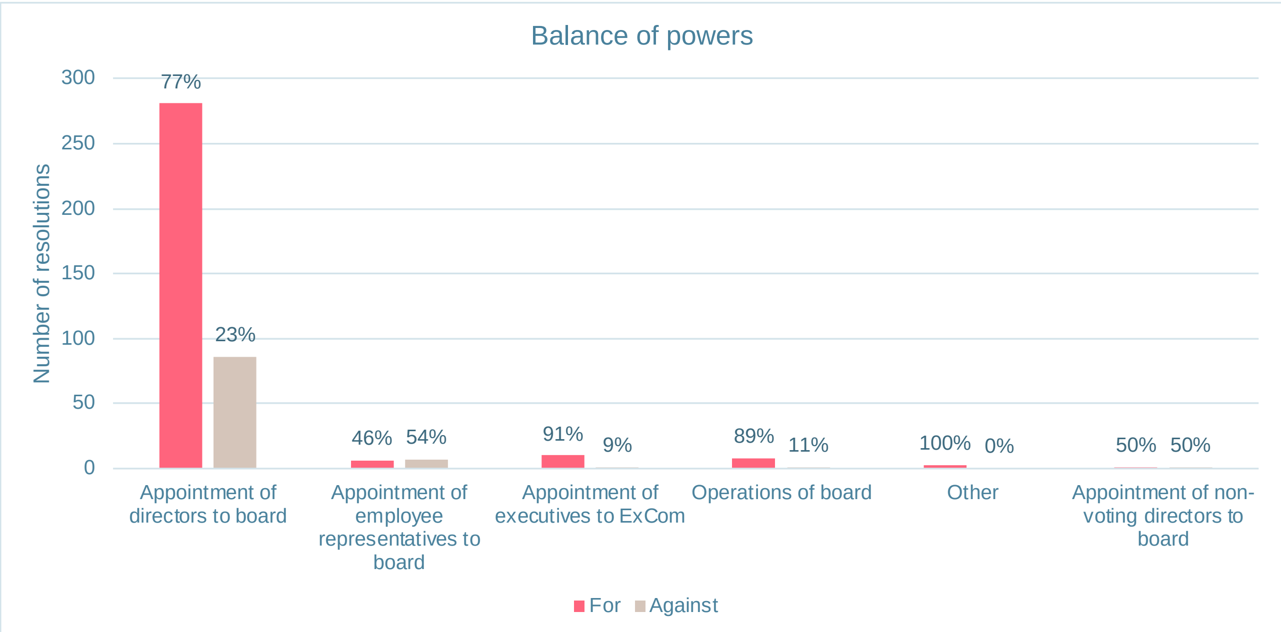
Looking to long-term compensation, the main reason for our against votes and abstentions was an insufficient correlation with long-term value creation e.g. payout of all or part of financial instruments with no related performance criteria. The lack of clear and precise information on performance conditions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

Looking to directors' compensation, Ostrum systematically opposed the use of variable financial instruments indexed to the company's share performance, as the alignment of directors' interests on the company share price creates a potential risk of conflict of interest in exercising their role. Our goal on votes on compensation was to penalize any excessive or unwarranted increase in the overall budget.

Lastly, we strongly encourage initiatives that enable employees to take a stake in their company and benefit from its results. We therefore supported all resolutions on employee savings schemes and opposed them only in the few cases that employee savings could be used by the company to control voting rights.

Balance of powers

Resolutions on the balance of powers accounted for 22% of our overall against and abstention votes, with an average opposition rate of 24%.
This compares to an opposition rate of 11% for 2020 voting.



The increase in our against and abstention votes this year can be attributed to changes in our voting policy regarding attendance, independence and gender diversity on boards of directors, as well as the relevance of directors' profiles.

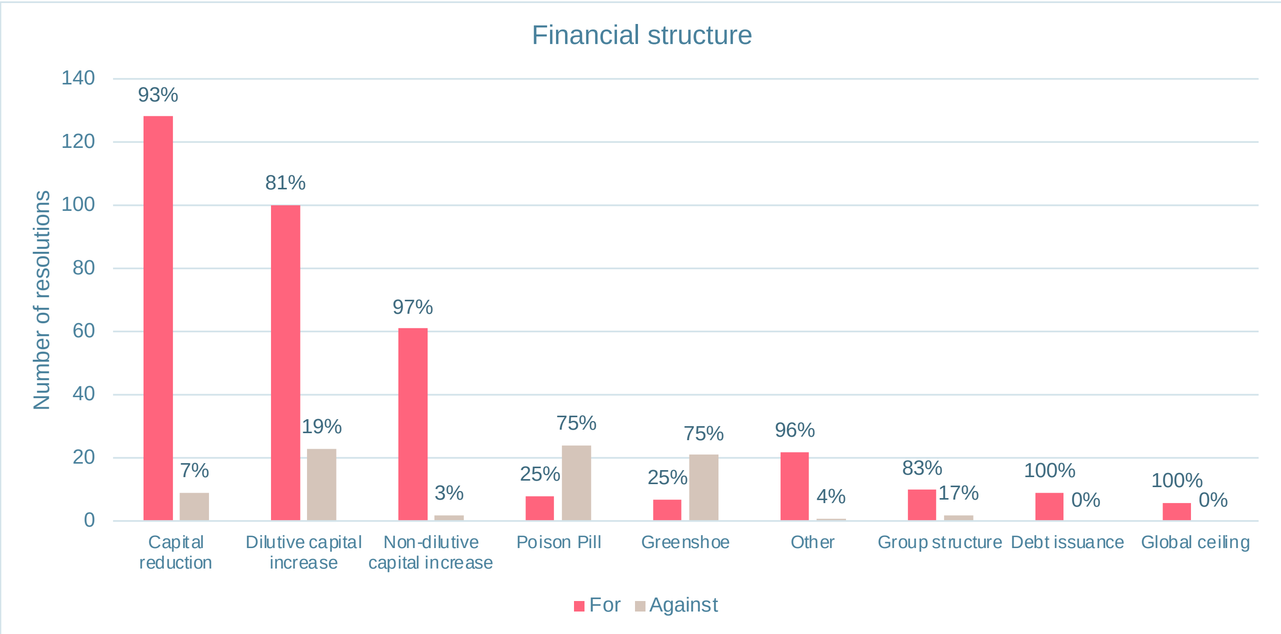
The three reasons behind our opposition to the appointment of a director – in some case, several are combined – are as follows:

- In most cases, an excessive number of corporate offices held;
- An insufficient number of women on the board as compared to our voting policy requirements (< 40% of the total number of directors);
- Inadequate independence of the board or its committees.

Resolutions on director appointments accounted for almost all the resolutions in this category. Our proportion of against or abstention votes on this point increased to 23% vs. 11% in 2020 following a change in our voting policy on boards' skills, availability (stricter policy on number of corporate offices held), independence and diversity, with the requirement that women comprise at least 40% of the board.

Financial structure

Resolutions on financial structure accounted for 19% of total against votes and abstentions, with an average opposition rate of 19%.
This year's figure compares with 17% for 2020 voting. There has been little change in our policy on financial structure aspects this year.



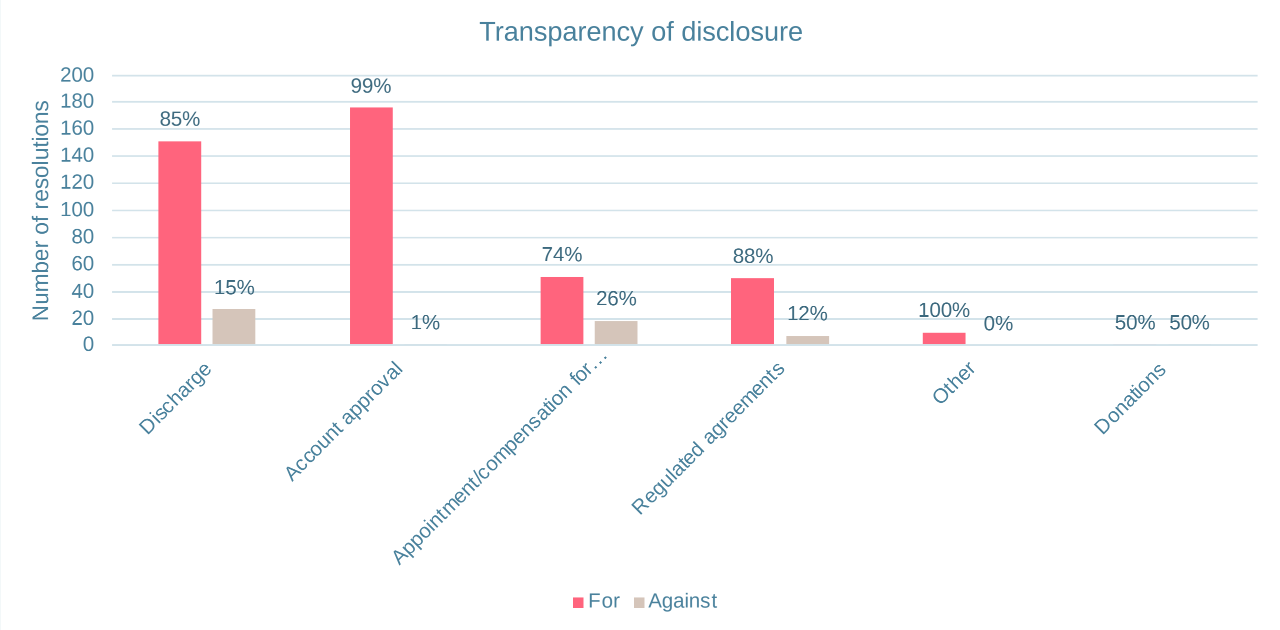
We voted against a significant number of financial authorizations (75%) as they can be used as anti-takeover measures, known as poison pills. Resolutions on these issues are very specific to the European markets. Ostrum took a fairly pragmatic approach on this matter, with our against votes reflecting 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.

Resolutions relative to greenshoe options during capital increases were refused in connection with the type of capital increase involved i.e. dilution, removal of preferential subscription rights, anti-takeover measures, etc.

Transparency of financial disclosure

Issues of transparency of disclosure accounted for 12% of overall against votes and abstentions, with an average opposition rate of 11%.

This is compared with a rate of 9% for 2020 shareholder meetings. There has been little change in our voting policy on the transparency of financial disclosure this year.



Ostrum paid particular attention to the appointment and compensation of statutory auditors within this theme (with two resolutions related to donations).

Our votes against and abstentions on the appointment and compensation of statutory auditors primarily involved situations where there was a doubt over their independence as fees paid for non-audit related tasks were the equivalent of more than 50% of the amount paid for audits, or where their role exceeded three terms (18 years)

Our against votes and abstentions on regulated agreements mostly involved situations where transparency of disclosure prevented an assessment of the regularity of these contracts i.e. transactions, service provision, additional compensation for corporate officers.

Our against votes on final discharge can mostly be attributed to our opposition to supporting this resolution 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.

Shareholder resolutions

Shareholder resolutions accounted for 1% of our total against votes and abstentions. Of the 11 resolutions put forward, Ostrum AM supported 6, covering the following subjects:

- Improvement in shareholder dialogue at shareholder meetings organized in a virtual format (Siemens, Deutsche Telekom);
- The election of directors selected using a voting by list system (*voto di lista*) for some Italian shareholder meetings (Unicredit, Amplifon);
- The proposal to launch a more ambitious employee shareholding program (Orange);
- Limiting the number of offices that a director can hold simultaneously (Orange);
- Moderation of the dividend payout rate (Engie).

Say on Climate

We voted on six climate-related resolutions in 2021. We welcome companies' willingness to consult shareholders on their climate strategies, but we feel that they fail to take the fully comprehensive approach required to address these challenges.

From an investor standpoint, it remains challenging to analyze these resolutions as a result of an insufficient regulatory framework and the lack of broad-based agreement on the approach. Progress on methodology is therefore required from both issuers and investors.

The six resolutions where Ostrum AM voted in this category in 2021 were as follows:

1. Atos (For)

Atos pledged to halve its emissions between 2019 and 2025 in absolute terms, while also announcing that it would offset all its scope 1, 2 and 3 emissions out to 2028. These goals align with the SBTi's 1.5°C scenario.

However, Atos' action plan lacked detailed information. The company will draw on a number of key areas to reduce its carbon emissions for its direct scope i.e. decarbonization of datacenters, the use of teleworking to optimize emissions from its real estate portfolio and the electrification of its company vehicle range. Atos also set an internal carbon tax for its indirect emissions of €80 per metric ton. Additionally, the company committed to working with suppliers to decarbonize its supply chain and has stated that it uses carbon sequestration strategies to offset any residual emissions.

We advocate for greater detail on the impact of each of these initiatives, particularly given the fairly short-term timeframe for meeting these goals.

Meanwhile looking to governance dimensions, we are disappointed that no pledges were made to regularly consult shareholders on the climate strategy.

2. Iberdrola (For)

Iberdrola has committed to reducing the intensity of CO2 emissions to 50 gCO_2/KWh by 2030 and is targeting carbon neutrality by 2050: these goals have been approved by the SBTi (1.5°C scenario). The group has quantified investment devoted to achieving these business decarbonization goals by 2030. However, it has not yet disclosed details on its action plan beyond 2030. Executive compensation incorporates a decarbonization goal aligned with the company's strategy.

In addition to these aspects, the group's board of directors has the wherewithal to approve the company's climate strategy.

Looking beyond climate goals, Iberdrola has also set objectives to pursue a just energy transition.

3. Nestlé (For)

Nestlé is aiming to halve its greenhouse gas emissions across all three scopes by 2030, regardless of its pace of growth. We applaud efforts to provide a breakdown of measures required to achieve these goals, including information on carbon offsetting (14% of 2018 emissions). The company has particularly set out details on investment required to achieve its intermediate goals in 2025.

Nestlé is set to split its Nomination and Sustainability Committee into two separate committees, each devoted to its own specific topics. Additionally, the committee's roles will comprise supervising execution of the company's decarbonization plan, support for human rights, and human resources management, including diversity and inclusion.

4. TotalEnergies (Abstention)

TotalEnergies has committed to achieving carbon neutrality on its three scopes out to 2050. However, targets for 2030 do not point to a significant reduction in emissions in absolute terms.

TotalEnergies presented a relatively detailed action plan with a view to achieving the company's goals, including information on investment allocated to decarbonization. It also quantified the use of carbon offsetting mechanisms.

Looking to governance dimensions, the group has a committee devoted to strategy and CSR, which is responsible for assessing its strategy and the environmental challenges it faces in particular. However, this committee is chaired by Patrick Pouyanné, who is also chair of the board of directors. In light of the company's showings on environmental dimensions, we encourage it to appoint an independent director to chair this committee.
We welcome the group's efforts to align executives' performance targets with its climate strategy, although this strategy fails to tackle the extent of world decarbonization challenges. Additionally, we would advocate moves for climate targets to account for a larger portion of the performance-related compensation budget.

We abstained in 2021.

5. Unilever (For)

The company is pursuing carbon neutrality over all three emission scopes by 2039, and targets are approved by the SBTi (compliant with a 1.5°C scenario). The intermediate goal for 2030 does not pursue a reduction in the company's emissions over all three scopes in absolute terms, but rather it seeks to halve its carbon footprint per customer. This pledge makes it difficult to ascertain the actual extent of decarbonization in absolute terms.

Unilever has put forward initiatives to reduce its emissions, but the effects of these are not clearly quantified. For example, the group did not provide precise details on the use of carbon offsetting mechanisms: it announced that it does not use offsetting techniques, yet its brands may resort to these strategies on an individual basis, particularly by the use of natural carbon sinks.

Executives' and managers' performance-related compensation is not directly connected to the company's decarbonization across the three scopes, but rather to the direct scope, as well as specific rather than systemic aspects, such as the percentage of palm oil with sustainable accreditations.

6. Vinci (For)

Vinci did not set detailed decarbonization targets for scope 3, which is estimated to account for 95% of total emissions. However, the company announced that it would be in a position to set out a commitment on its indirect scope in 2021: we therefore supported the resolution this year. Nevertheless, if we look beyond the targets, the company's decarbonization strategy cannot be deemed as credible in light of its multiple gaps.

Firstly, the lack of quantified details on the impact of the company's measures to decarbonize its businesses makes it impossible to ascertain if they are sufficient to achieve its goals e.g. it fails to present the investment budget that it will set aside to meet its targets.

Similarly, the company does not provide details of the role played by carbon offsetting measures in its plan.

Lastly, we applaud the fact that the board of directors has taken action to address these challenges, with CSR and environmental committees. However, using the CDP score as a compensation performance factor is not an appropriate target, as it is not related to the company's decarbonization program. We encourage the company to align executive performance criteria with its climate strategy.

Based on the information and skills available when we analyzed these climate resolutions, we can summarize our understanding of the companies' climate strategies as follows:

	Atos	Iberdrola	Nestlé	TotalEnergies	Unilever	Vinci
Targets	√	√	√	X	√/X	√/X
Action plan	√/X	√/X	√	√/X	√/X	X
Transparency	√/X	√	√	√/X	√/X	X
Governance	√/X	√/X	√	X	√/X	X

e) Conflict of interest situations

In compliance with its voting policy, Ostrum, which is part of Groupe BPCE, 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. Some other stocks may also be excluded after analysis by the Compliance department.

1.3. ISSUER DIALOGUE

The exercise of voting rights is an opportunity for Ostrum to engage in dialogue on non-financial issues with companies in which it invests.

Our aims:
- Explain the reasons behind our against votes with a view to encouraging companies to align on governance best practices;
- Improve resolution analysis and offer companies an opportunity to provide additional information.

Our initiatives in 2021: we sent our voting intentions to companies when opposition was voiced at the shareholder meeting in question.

Key areas for engagement in 2021

1. Unilever: First Say on Climate in FTSE 100

The Say on Climate initiative draws on the Say on Pay movement and comprises an advisory resolution whereby companies submits their decarbonization policies to approval at the shareholder meeting.

Company Unilever **Theme** Say on Climate **Decision** Approval	We voted for the Say on Climate put forward by Unilever for the following reasons: • Pledge to reduce direct and indirect emissions (upstream and downstream) with the aim of halving the carbon footprint over the product life cycle between 2010 and 2030 and the goal of going neutral in 2039; • Description of the contribution from carbon offsetting measures excluded from consideration over the period to 2030, but considered subsequently: with the reservation that they are not already measured; • Industry reference body the Science-based Targets Initiative (SBTi) approved two thirds of goals, although it does not yet have a final analysis framework for net zero objectives; • Progress on the decarbonization plan is put to the vote every three years. We particularly note certain aspects that should be monitored going forward i.e. the exclusion of use-phase emissions for example the impact of water used to wash clothes. Use-phase emissions alone account for 65% of Unilever's total emissions, but are not yet required to be included mandatorily in the company's scope for action.

2. TeamViewer: Absence of Say on Pay and overrepresentation of Permira on the supervisory board

Company TeamViewer **Theme** Say on Pay **Decision** Opposition	When the 2021 shareholder meeting was announced, we were looking for progress on two areas: 1. On the one hand, there were questions on executive compensation in terms of both the amount and the absence of a resolution on its approval. The company's compensation policy was developed before its IPO and the size of the business means that there is no requirement to submit this report to vote: shareholders were therefore not consulted. As such we voted against the approval of accounts to reflect our opposition to this practice. 2. On the other hand, the proportion of directors representing investment fund Permira on the board of directors led to overrepresentation for this shareholder as compared with its stake in the company. Directors representing the fund only plan to leave the board of directors at the end of their term – mostly in 2023 – despite the fact that it reduced its stake in the company. The company did not change its proposals even after shareholders pursued engagement and dialogue efforts on this issue. Ostrum AM therefore opposed their appointment.

3. Neste: voting by list and transparency of compensation policy

Company Neste **Theme** Transparency of disclosure **Decision** Approval	Neste's compensation report did not present sufficiently detailed information on criteria that could be used to evaluate executives' achievement of their objectives. However, amounts were deemed to be low as compared with usual practices in the sector, and the company was open to dialogue and has pledged to take on board our comments in drafting the compensation report for the next financial year: we therefore decided to vote for the resolution, going against our usual voting policy here at Ostrum AM. Looking to the appointment of directors, the proposal was made on a list basis, which left no other choice than to vote for or against all directors. Best practices involve opposing this practice on principle as shareholders cannot choose from among the directors proposed: we therefore voted against this resolution. In practice, there is a consensus between the three main shareholders and management at Neste to set out a list of members. The company's representative appreciated our preference for one vote per director and confirmed that the practice was shared across Finnish corporation.

ADDITIONAL NOTES

Asset management company regulated by AMF under n° GP-18000014 – Limited company with a share capital of 48 518 602 €. 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

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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.

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Ostrum
ASSET MANAGEMENT

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