

• **VOTING  
POLICY**

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# CONTENTS

<b>1. INTRODUCTION</b>	<b>3</b>
<b>2. VOTING PRINCIPLES</b>	<b>5</b>
2.1. Shareholders' rights	6
2.2. Governance structure	8
2.3. Compensation policy	11
2.4. Environmental and social issues	12
<b>3. OSTRUM ASSET MANAGEMENT'S ORGANISATION FOR EXERCISING VOTING RIGHTS</b>	<b>13</b>
3.1. Exercising voting rights	14
3.2. Current procedure for exercising voting rights	15
3.3. Principles for setting the framework for exercising voting rights	16
3.4. Securities lending policy	17
3.5. Prevention and management of conflicts of interest	18
<b>4. APPENDICES: OSTRUM ASSET MANAGEMENT'S CLASSIFICATION OF DIRECTORS</b>	<b>19</b>

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- **1. INTRODUCTION**

Ostrum Asset Management promotes the implementation of corporate governance best practices. Voting criteria take into account the recommendations issued by the French Asset Management Association (Association Française de la Gestion Financière - AFG) and the corporate governance code drafted jointly by the French Association of Private Enterprises (Association Française des Entreprises Privées - AFEP) and the French employers' federation (MEDEF).

Ostrum Asset Management's Voting Policy chimes with the company's aim to draw on its investment expertise to enhance the impact of its clients' commitments as they act together to support European citizens' life plans, health and retirement.

This policy is also part of Ostrum Asset Management's broader engagement practices as it pursues shareholder engagement, dialogues with issuers and contributes to collaborative engagement initiatives. Ostrum Asset Management has decided to identify the main themes and areas in our assessment of companies' CSR (corporate social responsibility) policies and raise companies' awareness of their importance for us in our analysis.

We have therefore singled out the following company-wide themes for engagement.

1. Support mitigation and adapt to climate change
2. Limit the impact on the environmental ecosystem
3. Promote human capital
4. Enhance relationships with stakeholders
5. Ensure consumer security and protect their data
6. Safeguard business ethics
7. Balance powers and compensation
8. Improve data transparency

Some of these themes will be championed more by fixed income portfolio management teams and promoted by our credit analysts, while others will be advocated by our equity portfolio management teams. Meanwhile, some themes will not be subject to specific engagement efforts from our portfolio management teams. These aspects are deemed to be fundamental issues that are already a key component of our constant dialogue efforts with companies and/or there is insufficient data on them at this stage to be able to engage with companies on these points. However, as these themes can be highly significant in Ostrum Asset Management's analysis of companies' CSR policies, we will pay close attention to them via the Worst Offenders policy<sup>1</sup>.

Some of these controversies feature in our collaborative engagement actions in accordance with the themes and areas set out by Ostrum Asset Management.

Ostrum Asset Management is involved in various engagement initiatives via a range of approaches:

- Participation in market-wide initiatives and public consultations or initiatives with a view to co-developing standards and promoting responsible asset management;
- Dialogue and engagement with companies with the aim of achieving a greater understanding of their challenges and supporting an improvement in ESG practices (cf. our engagement policy).

Engagement and voting are closely connected in equity portfolio management. Some of the areas set out in the Engagement Policy<sup>2</sup> also feature in the Voting Policy.

Ostrum Asset Management's Voting Policy therefore does not reduce shareholders' interests to solely financial considerations.

Ostrum Asset Management firmly believes that companies can only create value over the long term if they support all stakeholders' interests as well as the environment.

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<sup>1</sup> <https://www.ostrum.com/fr/nos-politiques-sectorielles>

<sup>2</sup> <https://www.ostrum.com/fr/nos-politiques-dengagement>

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## ● 2. VOTING PRINCIPLES

## 2.1. SHAREHOLDERS' RIGHTS

“The corporate governance framework should protect and facilitate the exercise of shareholders' rights and ensure the equitable treatment of all shareholders, including minority and foreign shareholders (G20 and OECD Principles of Corporate Governance, 2017).”

Ostrum Asset Management is committed to the principles of integrity of accounts and continuity and transparency of communication ensured by the independence of the statutory auditors.

### Capital structure

The company has a duty to take all necessary measures to ensure equal treatment of shareholders: encourage companies to respect the “one share, one vote” principle and not put in place mechanisms designed to prevent a change of control.

It is essential for companies to achieve a balance between measures to protect their long-term interests and measures to protect their shareholders and stakeholders.

Ostrum Asset Management pays close attention to capital increases and reductions and measures to prevent any unjustified dilution. Therefore, capital transactions must not be used as anti-takeover measures. A capital increase will have greater support if it is justified by a specific project. Ostrum Asset Management will support capital increase authorisations that respect the principle of equitable treatment of all shareholders.

Ostrum Asset Management supports initiatives that tie all employees' interests to the company's performance. Ostrum Asset Management votes For capital increases reserved for employees when they do not result in excessive dilution, through the number of shares or the subscription discount. The requirement of a long-term holding period in exchange for this type of transaction is preferable. The same applies to bonus share distribution programmes.

If the employees already own more than 10% of the issued capital, or if the proposed plan would exceed this threshold, Ostrum Asset Management votes on a case-by-case basis.

Ostrum Asset Management encourages companies to take all necessary steps to facilitate the exercise of shareholder voting rights.

### Allocation of income and dividends

Ostrum Asset Management generally votes For proposals made by Management concerning allocation of income and the distribution of dividends, unless the amount of the payout is unusually small or large, in which case it votes on a case-by-case basis. Ostrum Asset Management does not wish to encourage excessive dividend policies that are detrimental to the company's solvency or its ability to invest in the long term.

### Integrity of accounts and transparency of communication

The official financial statements and auditors' reports not only allow an assessment of the company's annual performance but also provide insight into its governance, business model and long-term outlook.

Therefore, Ostrum Asset Management votes for the approval of financial statements and directors' and auditors' reports, unless there are concerns about the financial statements presented or the audit procedures used or if the company does not answer questions from shareholders regarding specific information that should be publicly disclosed.

### Independence of the statutory auditors

Ostrum Asset Management ensures that its votes help to prevent conflicts of interest and ensure the quality and independence of the audit of the accounts. Therefore, the following situations result in a negative vote:

- The names of the proposed statutory auditors have not been published;
- There are serious concerns about the auditors' effectiveness;
- The principal auditors have been linked to a major audit controversy;

- There is reason to believe that the auditor issued an opinion that is not accurate or gives no indication of the company's financial position;
- The principal auditors previously held a management position at the company or can be considered affiliated with the company;
- The auditors were changed with no explanation;
- The fees for non-audit services are not appropriate;
- The audit fees are not disclosed.

### Amendments to the articles of association

Ostrum Asset Management reviews on a case-by-case basis all proposals seeking amendments to the articles of association. To vote For article amendments, the following criteria are considered:

- Shareholder rights are protected;
- There is negligible or positive impact on shareholder value;
- Management provides adequate reasons for the amendments;
- The company is required to do so by law.

In addition, Ostrum Asset Management is not in favour of amendments being presented in the same resolution.

## 2.2. GOVERNANCE STRUCTURE

The Board of Directors or Supervisory Board plays a central role in guiding the strategy and effectively monitoring the company's management. It acts first and foremost in the interests of the company, its shareholders and its stakeholders, and promotes its long-term growth. The Board must therefore strike a balance in the distribution of powers between management and supervisory bodies, and be transparent regarding the responsibilities assigned to each body.

Additionally, the effectiveness of a Board primarily depends on the quality of its members. The ability of directors to embrace strategic issues, contribute to management's thinking processes and ensure implementation of the decisions made by executives is vital for efficient corporate governance.

This means that the Board must choose directors who can bring real added value to the Board's discussions and work, and ensure a balanced mix in terms of expertise, skills and diversity, i.e. education, nationality, gender, etc.

The Board should be regularly assessed to ensure that its efforts are constantly enhanced, and results of this process should be shared with shareholders.

Through its votes, Ostrum Asset Management also ensures that the majority of the members of the Board of Directors, as a supervisory body, are independent. The Board of Directors is accountable to the company and its shareholders and is therefore required to serve their interests to the best of its ability.

### Independence of the Board of Directors

For non-controlled companies, Ostrum Asset Management recommends that the majority of Boards members be independent.

Combining the functions of Chair of the Board of Directors and Chief Executive Officer must be counterbalanced by effective checks and balances. The nomination of a former executive as Chair of the Board of Directors demands heightened scrutiny.

For controlled companies<sup>3</sup>, Ostrum Asset Management recommends that at least one-third of the directors be independent.

### Composition and availability of the Board

Companies' Boards must consist of directors who bring added value through their specific skills or expertise and can devote sufficient time and commitment to the Board. Directors who are unable to attend Board of Directors' and committee meetings and/or hold too many directorships are monitored to ensure that they are able to effectively serve the best interests of shareholders.

Ostrum Asset Management generally votes Against a candidate who holds a number of directorships that is considers excessive.

In addition, Ostrum Asset Management generally votes Against the election or re-election of a director when the term of office is not disclosed or exceeds four years, with no adequate explanation. Ostrum Asset Management also votes Against resolutions to extend the Board of Directors' term of office.

Ostrum Asset Management assesses the appointment of a former executive to the position of non-executive chair of the Board on a case-by-case basis depending on the information provided by the company. Ostrum Asset Management takes into account recommendations of existing best practices in its assessment.

Ostrum Asset Management is not opposed to shareholder representatives sitting on the Board, as long as their investment strategy is to create long-term value for the company.

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<sup>3</sup> A company is considered controlled if a shareholder or a concert of shareholders holds an absolute majority of the company's voting rights.



Ostrum Asset Management supports the presence of employee shareholder representatives on Boards and recommends improved transparency in the employee shareholder representative selection process, submitted to shareholder vote.

Ostrum Asset Management is in favour of having a dedicated CSR Committee as part of the Board of Directors' structure.

Thus, for elections of directors in France, the analysis focuses on:

- The aspects of the resolution itself (grouped/individual elections, length of the term of office, disclosure of the candidate's name);
- The level of the Board's independence resulting from the proposed elections;
- The candidate's qualifications and skills, presence at Board and Committee meetings, number of external appointments, age;
- Ostrum Asset Management also assesses the diversity of the Board of Directors at the time of new elections, when market practices allow. Special attention is given to gender balance.

## ESG criteria

Ostrum Asset Management can vote Against the appointment of directors individually, on a Committee, or potentially Against the entire Board for reasons such as:

- Material failures of governance, risk control or fiduciary responsibilities at the company, including the inability to adequately manage or mitigate environmental, social and governance (ESG) risks;
- Failure to report on sustainable development in the company's public documents and/or on its website, together with an inability to adequately manage or mitigate ESG risks;
- Failure to replace Management as appropriate.

## Climate responsibility

For companies with high greenhouse gas emissions, through their operations or value chain, Ostrum Asset Management generally votes Against the election or re-election of directors, in cases where the analysis shows that the company does not take the minimum measures necessary to understand, assess and mitigate risks related to climate change for the company and for the economy in general.

The two minimum criteria required for compliance:

- Detailed publication of climate-related risks, taking as an example the framework established by the Task Force on Climate-Related Financial Disclosures (TCFD), including:
  - The Board of Directors' governance measures;
  - Business strategy;
  - Risk management analysis;
  - Indicators used and targets identified.
- Appropriate greenhouse gas emissions reduction targets.

Ostrum Asset Management is not in favour of related-party agreements involving company directors.

## Managing conflicts of interests of directors and related-party agreements

Ostrum Asset Management assesses proposals requesting the approval of the statutory auditors' report on related-party agreements on a case-by-case basis, examining:

- The individuals concerned by the transactions that are the subject of the agreements;
- The content of the transactions in detail;
- Justification by the Board on the advisability of the agreement and the related financial terms;
- Whether they are in keeping with shareholders' interests.

Ostrum Asset Management recommends that any significant agreement for at least one of the parties concerned and involving, directly or indirectly, an executive or a shareholder, as well as all new related-party agreements, should be subject to separate resolutions.

Ostrum Asset Management is not in favour of related-party agreements involving company directors.

## 2.3. COMPENSATION POLICY

Ostrum Asset Management believes that aligning the interests of executives with those of shareholders is a key element of corporate governance. The compensation policy at the company must contribute to this balance.

Ostrum Asset Management focuses on an attractive, incentive-based and decent compensation policy.

The policy must include sustainability risks in a relevant manner and be transparent, with variable compensation linked to specific, quantitative and qualitative performance objectives. The Global Principles on Compensation establish a common basis for all markets:

- Provide shareholders with clear, comprehensive compensation disclosures;
- Maintain an appropriate compensation structure with emphasis on long-term shareholder value;
- Avoid compensation that is out of step with the company's performance or peers
- Maintain an independent and effective compensation committee;
- Avoid inappropriate pay to non-executive directors.

In line with European Commission Recommendation 2004/913/EC, Ostrum Asset Management believes that annual shareholder approval of a company's compensation policy is a positive corporate governance provision.

In applying the five global principles, Ostrum Asset Management's voting policy has formulated European compensation guidelines that take into account local codes of governance, market best practice and the recommendations published by the European Commission. The voting policy analyses compensation-related proposals based on the role of the beneficiaries and has therefore divided its executive and director compensation policy into two areas: executive compensation-related proposals and non-executive director compensation-related proposals.

## 2.4. ENVIRONMENTAL AND SOCIAL ISSUES

Ostrum Asset Management generally supports shareholder resolutions on environmental and social issues that enhance long-term value for shareholders and stakeholders while aligning the company's interests with those of society as a whole. In particular, the policy will focus on resolutions aimed at greater transparency and/or compliance with international standards.

The voting policy supported by Ostrum Asset Management therefore reflects the company's desire to promote better integration of social and environmental issues by companies.

### Management resolutions on climate

Ostrum Asset Management votes on a case-by-case basis on resolutions asking shareholders to approve the company's climate transition, taking into account the completeness and rigour of the plan:

- Transparency of climate-related disclosures is in line with TCFD recommendations;
- Greenhouse gas emissions from the company's operations and supply chain are presented (scope 1, 2 and 3);
- The company sets short-, medium- and long-term targets for reducing its own emissions and those upstream and downstream of its operations. These targets are sufficiently ambitious compared with the benchmark scenarios, if possible of its industry;
- The strategy is validated, if possible, by leading independent organisations;
- The company has pledged to communicate regularly on the progress of its decarbonisation plan.

### Shareholder resolutions on climate

Ostrum Asset Management votes For shareholder resolutions that seek greater transparency on the company's climate-related risks and on measures taken to determine and measure these risks.

Ostrum Asset Management also votes For resolutions calling for reducing greenhouse gas emissions and for resolutions requesting greater transparency on the quantified indicators associated with these targets.

Resolutions requesting that the company disclose its climate action plan and give shareholders an opportunity to expressly approve its greenhouse gas reduction plan are approved on a case-by-case basis.

The Board of Directors or Supervisory Board plays a central role in guiding the strategy and effectively monitoring the company's management. It acts first and foremost in the interests of the company, its shareholders and its stakeholders, and promotes its long-term growth. The Board must therefore strike a balance in the distribution of powers between management and supervisory bodies, and be transparent regarding the responsibilities assigned to each body.

Additionally, the effectiveness of a Board primarily depends on the quality of its members. The ability of directors to embrace strategic issues, contribute to management's thinking processes and ensure implementation of the decisions made by executives is vital for efficient corporate governance.

This means that the Board must choose directors who can bring real added value to the Board's discussions and work, and ensure a balanced mix in terms of expertise, skills and diversity, i.e. education, nationality, gender, etc.

The Board should be regularly assessed to ensure that its efforts are constantly enhanced, and results of this process should be shared with shareholders.

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- **3. OSTRUM ASSET  
MANAGEMENT'S  
ORGANISATION FOR  
EXERCISING VOTING RIGHTS**

## 3.1. EXERCISING VOTING RIGHTS

The exercise of voting rights entails two different activities:

- **Analysis of resolutions:** resolutions are analysed by the Equity management team, with the support of a voting service provider, based on the principles described in the voting policy as determined by Ostrum Asset Management and approved by its Executive Committee. Voting decisions are made by taking into account the results of dialogue conducted with the company as part of the engagement process. Thus, Ostrum Asset Management can be flexible in applying its voting principles, while still remaining true to the spirit of its voting policy.
- **The exercise of voting rights:** performed by Ostrum Asset Management's Middle Office department, which is also in charge of relations with service providers and custodians.

## 3.2. CURRENT PROCEDURE FOR EXERCISING VOTING RIGHTS

Ostrum Asset Management employs an independent voting services provider. The service provider is tasked with:

- Informing Ostrum Asset Management of upcoming Shareholder Meetings related to securities in the Ostrum Asset Management voting universe;
- Analysing resolutions according to the principles defined in Ostrum Asset Management's voting policy;
- Providing access to a voting platform for exercising voting rights;
- Forwarding voting instructions to the issuer, depending on circumstances.

This service provider has direct contact with the custodian banks from which it receives a list of the positions in all the portfolios in the Ostrum Asset Management voting universe on a daily basis.

Ostrum Asset Management generally exercises its voting rights by post or by proxy.

On a case-by-case basis, Ostrum Asset Management can attend Shareholder Meetings.

### **3.3. PRINCIPLES FOR SETTING THE FRAMEWORK FOR EXERCISING VOTING RIGHTS**

Except in certain cases, Ostrum Asset Management exercises voting rights based on its own voting policy for all the UCITS (Undertakings for Collective Investments in Transferable Securities), AIF (Alternative Investment Funds) and mandates that it manages and for which it holds voting rights, or where the supervisory boards of the employee mutual fund have delegated voting rights to it.

Ostrum Asset Management exercises voting rights for all assets in portfolios for which it holds voting rights and identified as being eligible, on condition that regulatory and technical requirements from both the markets and custodians allow for voting rights to be exercised in the best interests of unitholders.



## **3.4. SECURITIES LENDING POLICY**

During Shareholder Meetings, Ostrum Asset Management optimises the repatriation of lent securities in order to exercise its voting rights in the sole interest of unitholders.

## **3.5. PREVENTION AND MANAGEMENT OF CONFLICTS OF INTEREST**

In accordance with its voting policy, Ostrum Asset Management, which is part of the BPCE Group, exercises voting rights in the sole interest of unitholders and does not participate in Shareholder Meetings held by entities of the BPCE Group or its subsidiaries/holdings whose securities are publicly traded. In addition, Ostrum Asset Management does not take part in Shareholder Meetings of companies with which it has a business relationship.

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- **4. APPENDICES: OSTRUM  
ASSET MANAGEMENT'S  
CLASSIFICATION OF  
DIRECTORS**

## Executive Director

- An employee or senior manager of the company,
- Any director who is classified as non-executive but receives a salary, fees, bonuses and/or other additional benefits equivalent to those of the highest-paid managers of the company.

## Non-independent non-executive Director

- Any director who is attested by the Board to be a non-independent non-executive director,
- Any director specifically designated as a representative of a significant shareholder of the company,
- Any director who is also an employee or senior manager of a significant shareholder of the company,
- Any shareholder representative,
- Government representative,
- Association, NGO, or any other organisation representative whose role and/or composition presents substantial risks of conflicts of interest,
- Any director (or one of his/her relatives) who receives fees for providing consulting/professional services to the company, its affiliates, or its senior managers,
- Any director who represents a customer, supplier, creditor, banker, or other entity with which the company has a transactional/commercial relationship (unless the company discloses information to apply a materiality test),
- Any director who has conflicting cross-directorships with executive directors or the chair of the company,
- A relative of a current employee of the company or its affiliates,
- A relative of a former manager of the company or its affiliates (five-year period of limitation),
- Any director newly appointed or elected other than by a formal vote through the shareholder meeting (such as a contractual appointment by a substantial shareholder),
- A founder/co-founder/member of the founding family but not currently an employee,
- A former manager,
- A former auditor (five-year period of limitation),
- Years of service will not be a decisive factor unless it is a recommended best practice in the market in question:
  - 9 years (from the date of election) in Ireland;
  - 12 years in European markets.
- Any person benefitting from compensation plans based on performance criteria or a retirement benefit scheme.

## Independent non-executive director

- No material connection, either directly or indirectly, to the company other than a Board seat.

## Employee representative

- Represents employees or employee shareholders of the company (classified as “employee representative” but considered a non-independent non-executive director).

## ADDITIONAL NOTES

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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.



Ostrum Asset Management

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