

• **VOTING POLICY**

Effective date 10 March 2020  
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## Regulatory references

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### Main legislative references

- Article L214-9, L214-24-3 of the Monetary and financial code
- Articles L533-1, L 533-22, L533-22-1 of the Monetary and financial code

### Regulatory references

- R533-16, D533-16-1 of the Monetary and financial code
- Article 319-3, 321-100, 321-101 of the AMF General Regulation
- Articles 17, 18, 37 of the Delegated Regulation (UE) n° 231/2013 dated 19 December 2012
- Article 30 of the American law concerning investment companies in 1940 (N-PX reporting)

### Professional norms

- AMF, SPOT controls synthesis relating to voting and engagement policies for asset management companies, 10 July 2025
- AFG, *Recommandations sur le gouvernement d'entreprise*, Janvier 2025
- Code AFEP-MEDEF, version date December 2022

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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 (Mouvement des Entreprises de France - MEDEF).

Ostrum Asset Management's Voting Policy reflects 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.

The voting policy of Ostrum Asset Management is subject to an annual review and validation by the Executive Committee of Ostrum Asset Management.

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 identified the main themes and areas that companies should be made aware of as important factors in the assessment of their CSR (corporate social responsibility) policies.

It has singled out the following company-wide themes for engagement:

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

Some of these themes are championed more by the fixed income portfolio management teams and promoted by the credit analysts, while others are advocated by the equity portfolio management teams. Others are not subject to specific engagement efforts by the 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, close attention is paid 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 (see the Engagement Policy<sup>2</sup>).

Engagement and voting are closely connected in Equity portfolio management. Some of the areas set out in the Engagement Policy<sup>3</sup> also feature in the Voting Policy.

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

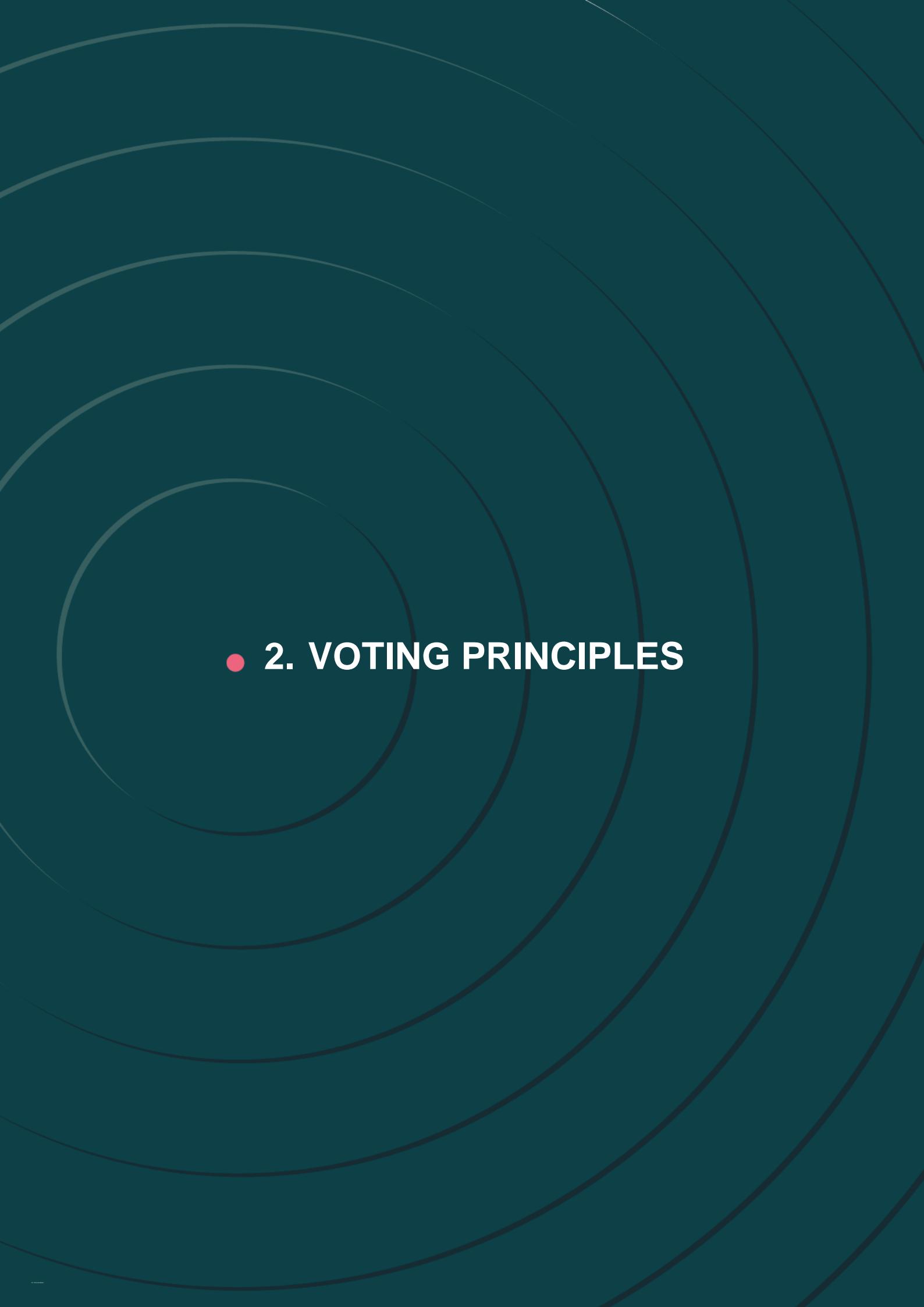
Ostrum Asset Management firmly believes that companies can only create value over the long term if they support all stakeholders' interests as well as the environment.

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<sup>1</sup> <https://www.ostrum.com/sites/default/files/1-ostrum-mediatheque/esq-rse/politiques%20sectorielles/worst-offenders/PO-Exclusion-Worst-Offenders-Web%20EN.pdf>

<sup>2</sup> <https://www.ostrum.com/sites/default/files/1-ostrum-mediatheque/esq-rse/politique%20engagement/PO-Engagement-Web-EN.pdf>

<sup>3</sup> <https://www.ostrum.com/sites/default/files/1-ostrum-mediatheque/esq-rse/politique%20engagement/PO-Engagement-Web-EN.pdf>

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## • 2. VOTING PRINCIPLES

## 2.1. APPROPRIATE GOVERNANCE: CONTROL STRUCTURE, BALANCE OF POWERS AND COMPENSATION POLICY

*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 its 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 the results of this process should be shared with shareholders.*

### 2.1.1 Broad responsibilities of the Board of Directors

Ostrum Asset Management encourages the Board of Directors to consider relevant social and environmental factors when overseeing the company's strategy and risk management policy.

Social and environmental risks include climate risk, biodiversity risk (including water management) and social cohesion risk within the company (gender equality, income gaps, workplace safety) and with stakeholders (business ethics and corruption, employee rights).

The Board of Directors must be given sufficient indicators to support a relevant strategy and action plan in order to avoid and/or mitigate these risks.

### 2.1.2 Quality of the governance structure

#### 2.1.2.1 Combining the functions of Chair of the Board of Directors and Chief Executive Officer

Ostrum Asset Management favours the separation of management and supervisory functions. The Board must therefore ensure that checks and balances are in place and sufficiently independent to exercise effective supervision of executives.

With the exception of the banking sector, where the separation of these roles is vital for sound and prudent management, Ostrum Asset Management will assess requests to combine the functions of Chair and Chief Executive Officer on a case-by-case basis, taking into account:

- the reasons given by the company for combining these powers;
- the company's governance practices;
- the measures the company has put in place to ensure a satisfactory level of supervision within the Board and committees;
- the measures put in place to manage potential conflicts of interest resulting from the combination of these functions.

Moreover, in the event that the functions of Chair and Chief Executive Officer are combined, Ostrum Asset Management recommends that an "independent lead director" be appointed to the Board of Directors, whose role is to:

- oversee the proper functioning of the governance bodies;
- conduct an assessment of the Chair;
- manage conflicts of interest.

In particular, he/she may:

- add items to the agenda;

- convene a Board meeting without executives present.

The duties of the “independent lead director” must be clearly defined in the company’s articles of association or in the Board’s internal rules.

Ostrum Asset Management can vote Against the appointment of a lead director who is not independent based on the criteria outlined in Ostrum Asset Management’s voting policy unless the Board provides information that would warrant a temporary exception to this rule.

#### **2.1.2.2 *Board size***

Ostrum Asset Management votes For resolutions to increase or reduce the number of directors within the three to 18 member range, unless the new configuration of the Board:

- lowers the quality of the Board or compromises its independence or the independence of its committees below the thresholds recommended in the voting policy;
- encourages control of the company by management or the core shareholders at the expense of other shareholders.

#### **2.1.3 *Quality of the composition of the Board and its committees***

In addition to its responsibilities and its formal organisation, the quality of the Board’s composition is a key factor in its effectiveness. Ostrum Asset Management’s support in appointing a director is therefore based on an individual and overall qualitative assessment that includes an analysis of several criteria such as transparency in the appointment process, as well as the director’s independence, skills, expertise, availability and added value for the Board’s operation.

##### **2.1.3.1 *Appointment process for directors, whether a natural or legal person***

###### **Age of directors**

Ostrum Asset Management pays particular attention to elections of directors aged 70 or over.

###### **Transparency in the appointment process**

Ostrum Asset Management recommends that the Board of Directors or Supervisory Board be transparent in the process and criteria for selecting directors in terms of their skills, expertise, independence, and added value for the Board’s operation.

Ostrum Asset Management votes Against the appointment of new directors if the Board’s appointment process lacks transparency.

###### **Staggered renewal and annual elections**

Ostrum Asset Management votes For proposals to stagger the renewal of the Board of Directors in several stages, unless this practice can be regarded as an anti-takeover bid measure. The composition of the Board of Directors must reflect the distribution of voting rights (annual update). Therefore, if a long-term shareholder acquires a significant share of the company’s voting rights and wishes to exercise influence over its governance, the composition of the Board must change at the next ordinary shareholders’ meeting.

###### **Bundling of proposals to appoint directors**

Ostrum Asset Management is, in principle, opposed to the presentation of bundled proposals that could in fact be voted on separately. Bundled resolutions require shareholders to choose between “all or nothing”, thereby shifting power disproportionately to the Board at the expense of shareholders. Ostrum Asset Management believes that director elections are one of the most important voting decisions that shareholders make. Therefore, directors should be selected individually.

Ostrum Asset Management votes Against the election or re-election of directors if the company proposes a single slate of directors, except in Italy, where legislation requires a list voting system (“voto di lista”) when the

entire Board must be renewed. In the special case of Italy, Ostrum Asset Management votes on a case-by-case basis. However, Ostrum Asset Management votes Against if:

- lists of nominees are not published in a timely manner to make an informed voting decision;
- Ostrum Asset Management has insufficient information about the candidates. With this in mind, a curriculum vitae should be provided for each application for a directorship. Details from the company on its choice for each director are appreciated.

If legislation does not require a list voting system and if candidates for appointment or reappointment are presented under a bundled resolution, Ostrum Asset Management votes Against.

### ***2.1.3.2 Independence of the Board and committees***

#### **Board independence**

##### **For controlled companies<sup>4</sup>**

Ostrum Asset Management recommends that at least 33.3% of Board of Directors and Supervisory Board members be independent directors<sup>5</sup>. Otherwise, Ostrum Asset Management votes Against the election of non-independent directors (except in the case of the CEO).

##### **For non-controlled companies**

Ostrum Asset Management recommends that at least 50% of Board of Directors and Supervisory Board members be independent directors and that the Chair of the Board be independent when the Chair and CEO functions are separate. Otherwise, Ostrum Asset Management votes Against the election of non-independent directors (except in the case of the CEO).

##### ***Specific example: France***

For French companies subject to the loi de sécurisation de l'emploi (employment protection law) of 14 June 2013, calculation of the independence ratio does not factor in the presence of employee representatives.

##### ***Specific example: Germany***

For German companies, where 50% of Board members must be employees representatives, Ostrum Asset Management recommends that at least 33.3% of Supervisory Board members be independent.

If a nominee cannot be categorised using the Ostrum Asset Management classification, Ostrum Asset Management assumes that person is non-independent and includes that nominee in the Board independence ratio calculation.

#### **Appointment of a non-voting director to the Board**

Ostrum Asset Management is generally not in favour of having a non-voting director on the Board and votes Against.

### ***2.1.3.3 Board's complementary profiles***

#### **Skills**

Ostrum Asset Management recommends that the members of the Board have the sufficient and necessary skills to understand the company's business and economic environment.

Ostrum Asset Management votes Against the appointment of a director if the company does not provide the information required to assess their skills.

#### **Diversity**

A balanced representation of the different stakeholders in the governance bodies is vital for ensuring collective decision-making in the long-term interests of the company.

Ostrum Asset Management therefore recommends diversity of director profiles in terms of education, nationality, gender and age, as well as a balanced mix of skills and expertise. This ensures that the Board operates effectively.

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<sup>4</sup> A company is considered to be controlled if a shareholder or group of shareholders acting in concert hold more than 50% of the capital.

<sup>5</sup> See 2.7. Ostrum Asset Management's classification of directors

Ostrum Asset Management focuses in particular on gender diversity on the Board of Directors and Executive Committee and does not support the re-election of the Chair of the Appointment Committee if there is not a 40/60 gender mix at the least.

## Ethics

Ostrum Asset Management votes Against the appointment of a director who has failed to oversee risks.

## Performance

Ostrum Asset Management can vote Against the election of one or several directors if they have failed to fulfil their supervisory role with an appropriate degree of diligence.

### *2.1.3.4 Availability of directors*

#### *Directors' terms of office*

Ostrum Asset Management recommends that directors' terms last three years with a view to ensuring that a third of the Board is replaced each time, and votes Against the election or re-election of a director (except for the Chief Executive Officer) for terms that are longer than four years or of an unspecified duration.

Ostrum Asset Management complies with any stricter regulations on directors' terms in force in some countries.

#### *Multiple directorships for a director or a Chair of the Board*

In its assessment of directors' availability, Ostrum Asset Management takes into account all directorships and non-voting director mandates held by them at listed French and foreign companies.

Ostrum Asset Management recommends a maximum of four directorships. To calculate this limit:

- Each non-executive director position counts as one directorship;
- The position of Chair of the Board of Directors, Lead Director or Audit Committee Chair counts as two directorships;
- The position of Executive Director, including when the positions of Chief Executive Officer and Chair of the Board of Directors are combined, counts as three directorships.

Ostrum Asset Management recommends that the Board also take into account directorships at unlisted French and foreign companies when assessing the availability of candidates.

Ostrum Asset Management votes Against the election of a director considered to be overboarded based on the above-mentioned recommendations.

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 according to the information provided by the company. Ostrum Asset Management takes into account recommendations of existing best practices in its assessment.

#### *Specific case for the banking sector*

In keeping with banking regulations, Ostrum Asset Management limits the maximum number of total directorships to four.

## *Cross directorships*

Ostrum Asset Management is not in favour of cross directorships, unless the appointment is proposed as part of a strategic partnership.

## *Attendance*

When assessing the re-election of a director, Ostrum Asset Management considers the director's actual attendance at Board meetings and votes Against the reappointment of any director whose attendance rate is below 75% without valid justification.

### **2.1.3.5 Election of shareholder representatives**

#### **Election of non-employee shareholder representatives**

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.

Ostrum Asset Management votes For the election of shareholder representatives to the Board if:

- their appointment will provide real added value for the Board's operation;
- their appointment does not compromise the balance of the Board in terms of independence;
- the principle of proportionality between capital held and the number of seats on the Board is applied.

If the representative is a legal entity, Ostrum Asset Management votes Against their appointment if the name of the director representing the legal entity is not available to shareholders in a timely manner before the meeting.

#### **Election of employee shareholder representatives**

Ostrum Asset Management supports the presence of employee shareholder representatives on Boards and recommends greater transparency in the selection process for employee shareholder representatives submitted to a vote by shareholders.

Ostrum Asset Management votes For the appointment to the Board of employee shareholder representatives if they have obtained a majority of votes from the employee shareholders.

#### **Election of employee representatives**

Ostrum Asset Management supports the inclusion of employee representatives on Boards of Directors and committees, including in those countries where this practice is not legally binding.

Ostrum Asset Management does not support the re-election of the Appointment Committee Chair if there are no employee representatives on the Board.

### **2.1.4 Transparency and quality of the compensation policy**

#### **2.1.4.1 Make-up of the Compensation Committee**

Ostrum Asset Management recommends that the Compensation Committee be chaired by an independent director and have a majority of independent members.

Ostrum Asset Management is not in favour of Executive Directors sitting on the Compensation Committee.

#### **2.1.4.2 Compensation transparency**

Ostrum Asset Management supports an annual shareholders' vote on compensation policies and votes For any measures of this sort.

Ostrum Asset Management supports any proposal aimed at improving transparency on compensation and particularly any proposal that aims to better assess compensation systems and policies in place within a company.

#### **2.1.4.3 Compensation report**

Ostrum Asset Management examines proposals made by the Board of Directors or Supervisory Board on approval of the compensation report on a case-by-case basis. Ostrum Asset Management generally recommends that the compensation policy be aligned with the company's long-term performance on the basis of financial, social and environmental criteria and avoid excessive risk-taking. Ostrum Asset Management encourages companies to apply the following principles:

- a clearly balanced breakdown of senior managers' compensation between fixed, short-term performance-related and long-term performance-related components to promote long-term value creation for the company, while also taking into account social and environmental issues;
- transparency on a par with best market standards with a clear link between compensation and value creation;
- the compensation policy or practices show a clear connection with the company's actual performance.

Ostrum Asset Management can vote Against compensation or compensation-related resolutions where one or more of these practices are observed.

#### Transparency of the compensation policy

The proposed compensation policy or report has not been disclosed to shareholders in a timely manner.

#### Overall compensation system

The Board has the discretionary right to alter and/or has considerably altered the compensation policy (wage or pension increases, changing compensation plans) without providing a satisfactory explanation or reason.

The executive officer's total compensation – including the fixed portion and the performance-related portion (annual, multi-annual and long term) – exceeds 150% of the median for executive officers' total compensation at listed European companies in the same sector, or exceeds 150% of the median total compensation for executive officers of a relevant market index.

When the proposed compensation is high, Ostrum Asset Management recommends that an explanation of the assignments handled by the non-executive Chair be provided.

The fairness ratio at the company is more than 120 times the median salary, as the compensation structure should attract skilled managers, but also have regard for social cohesion. The calculation of this ratio is clearly explained and represents the actual structure of the group's payroll.

Without reliable information on the median annual compensation of employees, Ostrum Asset Management votes Against total compensation exceeding 250x (the number of days worked per year) the legal minimum wage observed on average in the following Eurozone countries: Germany, Spain, France, Italy and the Netherlands.

The company does not have sufficiently ambitious targets for promoting women to management positions or for reducing the gender pay gap.

#### Short-term performance-related compensation (bonus)

Given his/her functions, the non-executive Chair receives performance-related compensation.

The short-term compensation policy is not in line with the company's long-term strategy.

The company does not provide clear and adequate information regarding performance criteria and weightings.

The company does not provide clear and adequate retrospective information regarding targets set for previous years or whether they were met.

Changes in performance-related compensation components are not in line with the company's financial results.

Qualitative criteria represent more than 25% of the total amount considered.

#### Medium and long-term share-based compensation plans (not submitted to vote under a separate resolution)

The company does not disclose the group of beneficiaries nor the individual ceilings for corporate officers.

Total dilution of the share plans is more than the 10% threshold and the burn rate is excessive.

The company has allowed discounted stock option plans.

The performance evaluation period is less than three years.

Performance criteria are not transparent, quantifiable, stable over time and consistent with the company's long-term strategy.

The allocation scale is not transparent or sufficiently demanding.

Information regarding the achievement of performance targets set in previous plans is not disclosed.

The plan does not provide for a minimum holding period for corporate officers.

The manager's performance-related compensation does not include non-financial criteria that are in line with the company's objectives.

For sectors severely impacted by decarbonisation, a substantial portion of long-term performance-related compensation must be tied to decarbonisation targets consistent with the company's policy.

#### **Severance packages (not subject to vote under a separate resolution)**

The triggering conditions are not limited to forced departures following a change of control or strategy.

The severance payment is not linked to transparent and enforceable performance criteria.

The severance package is not capped at 24 months of salary (fixed wage + bonus), including the non-compete clause.

The company does not explain or provides insufficiently convincing explanations for exceptional or non-contractual payments.

The company grants loans, guarantees, or other similar instruments that do not correspond to the normal course of business, on terms not applicable to all employees, and without the approval of the Supervisory Board.

The company has made payments or entered into longer-term obligations (including pension obligations) to compensate an executive who has left the company of his/her own will without full disclosure and justification to shareholders.

### **2.1.5 Vote on specific components of the compensation policy**

#### ***2.1.5.1 Senior managers' and corporate officers' compensation***

##### **Stock option plans and performance share plans**

Stock option plans and performance share plans are compensation systems that can be used by the Board of Directors to provide an incentive for management to promote the company's sustainable performance and align the interests of senior managers with those of shareholders.

Ostrum Asset Management believes that the Board should make sure that these compensation systems reward the creation of long-term value, which cannot be solely assessed on the basis of share price performance. Performance objectives must fit with the long-term strategy, but also reflect the company's intrinsic performance and be measurable against the results of companies in the same sector.

Ostrum Asset Management recommends the following practices:

- stock option and performance share plans should be presented under separate resolutions depending on the beneficiaries (employees or corporate officers), or the portion reserved for management and corporate officers should at least be clearly distinguished from the portion reserved for the company's employees;
- plans for management and corporate officers should be fully subject to performance criteria, which should be transparent, measurable and comparable;
- total amounts paid out should be restricted to a certain percentage of the fixed compensation;
- information should be regularly provided on achievement of targets set out in previous plans;

- senior managers and corporate officers should keep a portion of the shares obtained through the exercise of stock options until the end of their term.

Based on these principles, Ostrum Asset Management can vote Against any proposal whereby:

- allocations to senior managers and corporate officers are not subject to performance criteria;
- performance criteria are not in line with strategic targets and include only share price targets;
- weightings and assessment structures are not transparent or sufficiently demanding;
- performance conditions are not assessed over a significant period of more than three years;
- total dilution of the plans submitted for vote and of all outstanding plans is more than 10% and the three-year average annual burn rate is excessive;
- options can be issued at an exercise price below market price;
- the resolution gives or cedes discretionary power to allocate options to oneself;
- the resolution allows for a change in the initial issue conditions;
- the resolution allows the grant of stock options or performance shares when the beneficiary leaves the company;
- the resolution allows for an acceleration in exercising the options apart from situations of change in control.

In addition, Ostrum Asset Management recommends that companies include in their reports:

- from one year to the next: the degree of achievement of objectives;
- at the end of the plan: the final degree of achievement of objectives;
- following the end of the plans: to what extent the final allocations reflect the value created for the company.

Except in unusual circumstances (accompanying measures, company's operating results, market trends, etc.), Ostrum Asset Management votes Against grants of stock options and performance shares to corporate officers and management when the company has implemented a restructuring plan, resulting in a significant reduction of the workforce.

### Severance payments

Ostrum Asset Management recommends that resolutions aimed at ratifying the severance payments of corporate officers be submitted to the shareholders' meeting under separate items and at each term renewal within 18 months from the signature of the agreement.

Ostrum Asset Management examines resolutions aimed at confirming the amount of severance payments on a case-by-case basis. The criteria taken into account are:

- the company's intrinsic valuation over the course of the beneficiary's term;
- whether the payment is proportionate to the length of the person's tenure and to his/her compensation.

Ostrum Asset Management votes For proposals to ratify a corporate officer's severance payments if:

- the severance payment is only made in the event of forced departure (and in the absence of serious misconduct) following a change in control or strategy;
- the amount of severance payments, including payments provided for in the employment contract (i.e. payment provided under a non-compete clause), is not more than twice the corporate officer's total compensation (fixed + performance-related) for terms of more than one year and 12 months' compensation (fixed + bonus) including the non-compete clause for terms of less than one year.

Ostrum Asset Management votes Against proposals aimed at ratifying a corporate officer's severance payments if:

- the company does not set out transparent and enforceable performance and seniority criteria;
- the manager leaving is taking retirement;
- total compensation is already above the threshold set in Ostrum Asset Management's policy.

Ostrum Asset Management recommends not having the status of both employee and corporate officer and votes Against proposals to ratify severance payments where these two positions are combined for a new term or the renewal of a term.

Where proposals to ratify severance payments relate to an existing corporate officer where the term is ongoing, Ostrum Asset Management examines these on a case-by-case basis and takes account of the arguments put forward by the company to justify why s/he should also be an employee.

In addition, Ostrum Asset Management is not in favour of severance payments that can be granted to a corporate officer, if s/he is also entitled to receive a regular pension.

#### Retirement plans

Ostrum Asset Management opposes additional pension payments if the beneficiary is no longer at the company at the time of retirement.

Ostrum Asset Management assesses pension schemes on a case-by-case basis, taking into account the following aspects:

- the companies are transparent as to the calculation method used for retirement payments;
- the group of potential beneficiaries is materially broader than management and corporate officers;
- the beneficiaries have been at the company for at least five years;
- for additional defined benefit pension commitments, allocation must be subject to the beneficiary meeting performance conditions, on the basis of the company's showings. The Board of Directors or Supervisory Board checks each year that these conditions are met and determines the increase in conditional rights, up to a limit of 3% of annual compensation used as the reference to calculate the annuity paid. These provisions also apply in the event of a renewal of term. The amount provided by defined benefit pension schemes must not exceed 30% of annual compensation (fixed and annual performance-related);
- vesting is capped at 3% per year and subject to performance conditions;
- the basis for calculating potential rights and the reference period for the calculation of benefits covers several years;
- the annuity in the supplementary pension scheme including other retirement plans equates to no more than 45% of fixed and performance-related compensation;
- the beneficiary should be working at the company when he or she retires.

Ostrum Asset Management is not in favour of the repurchase of rights as a welcome package.

#### *2.1.5.2 Directors' compensation*

##### Directors' fees

Ostrum Asset Management recommends that fees paid to directors be proportionate to their level of responsibility, and to their attendance rate at Board and committee meetings.

Ostrum Asset Management recommends that directors invest part of their fees (the equivalent of one year of fees) in the company's shares and that they keep a minimum number of shares until the end of their term.

Ostrum Asset Management votes For proposals to approve the compensation of directors when the amount is not excessive and there is no evidence of abuse.

Ostrum Asset Management votes Against resolutions:

- if there is a lack of disclosure with respect to the total amount of fees for all members of the Board;
- if they provide for stock options or similar incentives to non-executive members of the Board of Directors or Supervisory Board.

##### Directors' and senior managers' indemnification and liability protection

Proposals on directors' and senior managers' indemnification and liability protection are assessed on a case-by-case basis.

Ostrum Asset Management votes Against proposals to limit or entirely eliminate directors' and senior managers' liability for monetary damages in the event of a violation of their duty of care.

Ostrum Asset Management votes Against indemnification proposals that would expand coverage for directors and senior managers beyond mere legal expense to acts such as severe breach of professional duties, which is a more serious violation of fiduciary responsibility than mere negligence.

### *2.1.5.3 Plans for employees*

Ostrum Asset Management supports initiatives that tie all employees' interests to the company's performance.

#### **Capital increase reserved for employees**

Ostrum Asset Management votes For capital increases reserved for the company's employees, if the capital increase does not exceed 10% of outstanding share capital and if the discount does not exceed 20%, or 30% when the reserved shares cannot be sold for a 10-year period.

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.

#### **Free share plans**

Ostrum Asset Management votes For free share plans intended for a very large majority of employees to enable them to benefit from the company's results.

## 2.2. TRANSPARENCY, RELIABILITY AND RELEVANCE OF FINANCIAL AND NON-FINANCIAL INFORMATION

*Transparency, completeness, reliability and relevance of financial and non-financial information contribute to the integrity of financial markets and reinforce trust among the various participants in the value chain, laying the cornerstones for responsible corporate governance. Companies must therefore ensure adherence to these principles when preparing and disseminating information for investors. This information must also be certified without reservations by statutory auditors.*

### 2.2.1 Shareholders' Meetings

#### 2.2.1.1 *Prior required information*

Ostrum Asset Management votes Against a resolution if a company fails to provide shareholders with detailed information to analyse the resolutions (specific to the company) on which to base an informed vote decision in a timely manner.

### 2.2.2 Transparency and quality of financial and non-financial information

#### 2.2.2.1 *Financial statements, management report and statutory auditors' report*

Ostrum Asset Management votes For management proposals seeking approval of the financial statements in the annual report, unless:

- there is concern about the past actions of the company's auditors or management;
- the auditors have refused to certify the accounts or expressed reservations;
- the auditors' report on the audit of the financial statements is not included in the management report;
- a member of the Audit Committee is an executive.

Ostrum Asset Management also recommends that companies include information on their environmental and social performance in the management report and that such information be regularly audited and certified (see Business Ethics & Corporate Social Responsibility).

#### 2.2.2.2 *Allocation of income and dividend distribution*

##### *Allocation of income and dividend distribution*

Ostrum Asset Management 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. Factors taken into account include the company's past payout levels, its management's arguments and its financial situation. 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.

##### *Stock (scrip) dividends*

Ostrum Asset Management generally votes For proposals to pay a dividend in shares as long as the shareholder retains the option to have it paid in cash, and as long as the discount does not exceed 10%.

Ostrum Asset Management votes Against proposals that do not allow for a cash option, unless management can demonstrate that this would be detrimental to value creation for the company or if Ostrum Asset Management believes that this cash payout would significantly increase the risk of insolvency.

### **2.2.2.3 Discharge of the Board, management and/or statutory auditors**

In countries where this discharge makes it difficult to bring later legal action against the directors, management or auditors for serious or proven breaches of their duties, Ostrum Asset Management votes Against discharge.

Where this is not the case, Ostrum Asset Management votes For discharge unless it has reliable information relating to a serious and proven breach of duties by the Board or members of management, or if the auditors have refused to certify the accounts or expressed reservations.

### **2.2.3 Supervision of internal control and risks**

#### **2.2.3.1 Appointment of statutory auditors**

Ostrum Asset Management recommends a regular rotation of the company's auditors every six years, unless there is a specific requirement otherwise, and votes Against if the rotation of auditors exceeds three terms (18 years in general).

Ostrum Asset Management votes Against the re-appointment or compensation of auditors if the fees received for non-audit services represent more than 50% of the fees received for audit engagements.

### **2.2.4 Managing conflicts of interests of directors**

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

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.

Moreover, Ostrum Asset Management votes Against the statutory auditors' report on related-party agreements if:

- the report is not available 21 days before the date of the shareholders' meeting;
- the report contains previous agreements that are not in the interests of shareholders, even if these agreements were approved at previous shareholders' meetings;
- the Board has not justified the advisability of the agreement and the related financial conditions in the statutory auditors' report.

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 recommends that any permanent agreement that provides for compensation and that has a long-term effect be resubmitted for vote annually (except agreements involving deferred commitments for management, where the resubmission procedure is governed by law).

If different agreements are put to vote within a single resolution requiring the approval of the auditors' report on related-party agreements, Ostrum Asset Management votes Against this resolution if the report contains agreements that are not in the interests of shareholders.

If one of the agreements does not comply with the principles outlined in its voting policy and is submitted in a separate resolution, Ostrum Asset Management votes Against the resolution on this agreement, but may vote For the resolution requiring the approval of the report on related-party agreements.

### **2.2.5 Business ethics**

Business ethics is considered as an essential factor in assessing the efficiency of a company's governance system.

#### *2.2.5.1 Donations to political parties*

Ostrum Asset Management votes Against management's proposals that enable the company and its subsidiaries to make donations to political organisations.

Ostrum Asset Management votes For shareholder resolutions requesting the elimination of donations to political parties or their prior approval by shareholders.

Ostrum Asset Management also votes For shareholder resolutions that seek to enhance transparency on donations and payments made by the company.

#### *2.2.5.2 Donations to associations or foundations*

Ostrum Asset Management votes For requests for charitable donations (associations, foundations, etc.).

#### *2.2.5.3 Directors' ethics*

As a reminder, Ostrum Asset Management votes Against the appointment of a director who has failed to oversee risks.

## 2.3. SHAREHOLDERS' RIGHTS

*Companies have a duty to implement all measures to ensure the equal treatment of shareholders in the same category. We also believe it is essential that companies achieve a balance between measures to protect their own long-term interests as well as those of their shareholders and stakeholders. Ostrum Asset Management encourages companies to take all necessary steps to facilitate the exercise of shareholder voting rights.*

### 2.3.1 Equal treatment of shareholders

#### 2.3.1.1 Voting rights

Ostrum Asset Management is in favour of equal treatment of shareholders and votes Against any measure that does not adhere to the principle of "one share one vote".

### 2.3.2 Supporting shareholders' rights

#### 2.3.2.1 Disclosure threshold for stock ownership

Ostrum Asset Management votes Against resolutions to lower the disclosure threshold for stock ownership below 5% unless there are specific reasons to lower this threshold.

#### 2.3.2.2 Supermajority shareholder vote requirement to approve article amendments

Ostrum Asset Management votes Against management proposals to require a qualified majority shareholder vote to approve article amendments.

Ostrum Asset Management votes For proposals to lower shareholder vote percentage requirements for article amendments.

#### 2.3.2.3 Qualified majority shareholder vote requirement to approve mergers

Ostrum Asset Management votes Against management proposals that require a qualified majority shareholder vote to approve mergers and other significant business combinations.

Ostrum Asset Management votes For shareholder proposals that lower shareholder vote percentage requirements for mergers and other significant business combinations.

#### 2.3.2.4 Qualified majority vote requirement to remove a director from office

Ostrum Asset Management votes Against resolutions restricting the ability of shareholders to remove a director from office by requiring a qualified majority vote for such a decision.

#### 2.3.2.5 Reincorporation and expansion of business activities

##### Reincorporation

Proposals to change a company's country of incorporation are examined on a case-by-case basis for reincorporation inside Europe.

Ostrum Asset Management votes Against proposals to change a company's country of incorporation outside Europe.

## Expansion of business activities

Ostrum Asset Management reviews all proposals to expand the company's business activities on a case-by-case basis.

### 2.3.2.6 Other article amendments

Ostrum Asset Management reviews all proposals to amend the articles of association on a case-by-case basis.

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.

Moreover, when amendments are aggregated in a single resolution, Ostrum Asset Management votes Against said resolutions if one of the amendments does not comply with its voting policy.

## 2.3.3 Anti-takeover measures

### 2.3.3.1 Poison pills

Ostrum Asset Management is against the existence of poison pills which are intended to thwart takeover attempts.

Ostrum Asset Management recommends that any mechanism that can be construed as a poison pill be submitted to shareholder vote.

Ostrum Asset Management assesses company proposals to ratify a poison pill on a case-by-case basis, taking into account the specific context of the company and the impact of such mechanism on the interests of minority shareholders and other stakeholders.

#### Specific example: France

Pursuant to the French Florange Act, Ostrum Asset Management assesses financial authorisations that do not specify the exclusion of their use during a public tender offer on a case-by-case basis. This analysis takes into account the guarantees provided by the Board as to the use of these authorisations in the long-term interests of the company as well as the quality of the company's governance practices.

### 2.3.3.2 Defensive use of share warrant issues

Ostrum Asset Management is opposed in principle to the issuance of warrants (French BSA) in the event of a public tender offer or exchange offer. However, Ostrum Asset Management believes that this instrument could be used for negotiation purposes in the interests of minority shareholders.

In the event of a public offer, Ostrum Asset Management analyses the requests to issue warrants prior to the filing of the offer and votes on a case-by-case basis, factoring in the following criteria:

- dilution should be restricted to 25%;
- the degree of independence of the Board of Directors or of the Supervisory Board;
- the guarantees presented by the Board to ensure the independence of its decision.

Ostrum Asset Management votes Against all requests for approval or delegation for warrant issuance prior to the filing of an offer, and if one of the aforementioned criteria is not met.

All proposals to issue warrants that are submitted after an offer has been filed are examined by Ostrum Asset Management on a case-by-case basis.

### 2.3.3.3 Specific example for the Netherlands: Protective Preferred Shares

Ostrum Asset Management assesses these proposals on a case-by-case basis and only supports resolutions if:

- the Supervisory Board approves issuance of shares, assuming that the Supervisory Board remains independent as defined by Ostrum Asset Management's categorisation rules and the Dutch Corporate Governance Code;
- no call/put option agreement exists between the company and the foundation for the issuance of PPS;
- the issuance authorisation is for a maximum of 18 months;
- there are no priority shares or other protective measures;
- the Board of the company's foundation is 100% independent;
- the company states specifically that the issue of PPS is not meant to block a takeover, but will only be used to investigate alternative bids or to negotiate a better deal;
- the foundation buying the PPS does not have as a statutory goal to block a takeover;

The PPS will be outstanding for a maximum period of six months (a shareholders' meeting must be called to determine the continued use of such shares after this period).

## 2.3.4 Share capital increases and reductions

### 2.3.4.1 Share capital increases without specific purpose

General issuance requests under both authorised and conditional capital increase systems allow companies to issue shares to raise funds for general financing purposes. Issuances can be carried out with or without pre-emptive rights. Corporate law in many countries recognises pre-emptive rights and requires shareholders' approval for the revocation of such rights.

#### Capital increases with pre-emptive rights

Ostrum Asset Management votes For share capital increases with pre-emptive rights without a specific purpose that do not exceed 50% of the capital.

Above this threshold, Ostrum Asset Management votes on a case-by-case basis depending on the company's situation.

#### Capital increases without pre-emptive rights

Ostrum Asset Management votes For share capital increases without pre-emptive rights and without a specific purpose that do not exceed 10% of the capital, or 15% when a priority right is guaranteed.

Above this threshold, Ostrum Asset Management votes on a case-by-case basis depending on the company's situation.

#### Reserved capital increases

Ostrum Asset Management votes Against capital increases that reserve subscription rights to a specific category of shareholders.

#### Overall limits to capital increases

Ostrum Asset Management recommends that the general limit for all capital increase requests with pre-emptive rights be set at 50% of the capital, at 15% without pre-emptive rights and with priority rights, and at 10% without priority rights.

#### Creation/issuance of preferred stock

Ostrum Asset Management votes For the creation/issuance of convertible preferred stock as long as the maximum number of common shares that could be issued upon conversion meets Ostrum Asset Management's guidelines on equity issuance.

Ostrum Asset Management votes Against the creation of a new class of shares that would carry superior voting rights to common stock.

Ostrum Asset Management votes Against the creation of “blank cheque” preferred stock unless the Board clearly states that the authorisation will not be used to thwart a takeover bid.

Otherwise, Ostrum Asset Management votes on a case-by-case basis.

#### **Stock classes**

Ostrum Asset Management votes Against the creation or extension of multiple class stocks with voting rights.

#### ***2.3.4.2 Capital increases with a specific purpose***

Specific stock issuance requests are judged on a case-by-case basis, taking into account the financial and strategic interest of the specific project for the creation of long-term shareholder value, as well as the potential environmental, social and governance risks.

#### ***2.3.4.3 Capital increase through capitalisation of reserves***

Ostrum Asset Management votes For proposals to capitalise the company's reserves for bonus issues of shares or to increase the par value of shares.

#### ***2.3.4.4 Capital reduction***

Ostrum Asset Management votes For proposals to reduce share capital that are warranted by current accounting needs, unless the conditions of this reduction are not in shareholders' best interests.

In all other circumstances, Ostrum Asset Management votes on a case-by-case basis.

#### ***2.3.4.5 Use of authorisations during a tender offer period (France)***

Pursuant to the French Florange Act, Ostrum Asset Management assesses financial authorisations that do not specify the exclusion of their use during a public tender offer on a case-by-case basis. This analysis takes into account the guarantees provided by the Board as to the use of these authorisations in the long-term interests of the company as well as the quality of the company's governance practices.

### **2.3.5 Operations on outstanding shares**

#### ***2.3.5.1 Share buyback programmes***

##### **Share buyback programmes**

Ostrum Asset Management votes For proposals to implement share buyback plans in which all shareholders may participate on equal terms if they meet the following criteria:

- the percentage of shares to be repurchased does not exceed 10% of issued share capital, and the percentage of treasury shares does not exceed 10% of share capital;
- the plan does not exceed 18 months.

Ostrum Asset Management votes Against share buyback proposals if:

- the buyback can take place during a takeover period;
- there is clear evidence of abuse of such authorisation in the past;
- the buyback programme puts the company's ability to pursue its activity in jeopardy, particularly as a result of excessive use of its cash flow.

Ostrum Asset Management may support plans to repurchase shares in excess of the 10% limit under exceptional circumstances, e.g. capital restructuring. Ostrum Asset Management assesses these resolutions

on a case-by-case basis, taking into account the explanations presented by management, which must be publicly disclosed in the annual report. Ostrum Asset Management votes For such proposals if:

- the buyback plan is in shareholders' interests;
- the plan maintains the maximum percentage of treasury shares at 10%.

Ostrum Asset Management believes it is preferable to give shareholders the right to vote on this type of transaction and votes Against any resolution granting the Board a discretionary right regarding share buybacks.

#### **Use of financial derivatives for the repurchase of shares**

Ostrum Asset Management votes For management proposals to use derivatives as part of a share buyback programme if:

- the use of derivatives is limited to 5% of the company's share capital;
- the derivatives transaction is carried out via an independent financial intermediary.

#### ***2.3.5.2 Other operations on outstanding shares***

##### **Reissuance of repurchased shares**

Ostrum Asset Management votes For requests to reissue repurchased shares unless there was abuse in the past.

##### **Capital reduction through cancellation of treasury shares**

Ostrum Asset Management votes For management proposals to reduce capital through the cancellation of treasury shares. This enables the company to cancel repurchased shares and reduce its capital by an equivalent amount.

##### **Reverse stock splits**

Ostrum Asset Management votes For management proposals to implement a reverse stock split when authorisations to increase the number of ordinary shares are proportionately adjusted.

Ostrum Asset Management votes For management proposals to implement a reverse stock split to avoid delisting.

Ostrum Asset Management assesses management proposals to implement a reverse stock split without adjusting authorisations to increase the number of ordinary shares on a case-by-case basis.

##### **Stock splits**

Ostrum Asset Management votes For stock splits, provided that they do not lead to an excessive number of shares available for a capital increase.

##### **Adjusting par value of common stock**

Ostrum Asset Management votes For management proposals to reduce the par value of common stock.

#### ***2.3.5.3 Use of authorisations during a tender offer period (France)***

Pursuant to the French Florange Act, Ostrum Asset Management assesses financial authorisations that do not specify the exclusion of their use during a public tender offer on a case-by-case basis. This analysis takes into account the guarantees provided by the Board as to the use of these authorisations in the long-term interests of the company as well as the quality of the company's governance practices.

## 2.3.6 Borrowing powers/debt issuance/financing plans/affiliation agreements

### 2.3.6.1 Debt restructuring

Ostrum Asset Management reviews proposals to increase common and/or preferred shares and to issue shares as part of a debt restructuring plan on a case-by-case basis, taking into account the following issues:

- Dilution – how much will ownership interests of existing shareholders be reduced, and how extreme will dilution to any future earnings be?
- Change in Control – will the transaction result in a change in control of the company?
- Bankruptcy – is the threat of bankruptcy, which would result in a severe loss in shareholder value, the main factor driving the debt restructuring?

Generally, Ostrum Asset Management approves proposals that facilitate debt restructuring unless there are clear signs that they are intended for related-party transactions or other abuses.

### 2.3.6.2 Debt issuance requests

#### Issuance of convertible bonds

Ostrum Asset Management votes Against the issuance of convertible bonds if the total dilution resulting from such authorisation and any other authorisations of dilution submitted during the shareholders' meeting could exceed 10% of capital.

#### Issuance of non-convertible debt securities

Ostrum Asset Management evaluates debt security issuance requests on a case-by-case basis with the support of its credit research team. Overly high leverage may incline markets and financial analysts to downgrade a company's bond rating, increasing its perceived risk as an investment. Acceptable leverage can only be analysed using a sector-based approach.

Ostrum Asset Management votes For the creation/issuance of convertible debt instruments as long as the maximum number of common shares that could be issued upon conversion meets Ostrum Asset Management's guidelines on equity issuance.

### 2.3.6.3 Issuance of contingent convertible bonds (CoCos)

Ostrum Asset Management votes on a case-by-case basis on issuance of contingent convertible bonds in the banking sector depending on the conditions of issuance.

### 2.3.6.4 Increase in company's borrowing powers

Ostrum Asset Management votes on proposals to approve increases in a company's borrowing powers on a case-by-case basis.

### 2.3.6.5 Financing plans

Ostrum Asset Management generally votes For financing plans if they are in the best economic interests of shareholders.

### 2.3.6.6 Control and profit transfer agreements (affiliation agreements with subsidiary)

Ostrum Asset Management votes For control and profit transfer agreements between a parent company and its subsidiaries.

## 2.3.7 Mergers and corporate restructurings

### 2.3.7.1 Mergers and acquisitions

Ostrum Asset Management examines resolutions on mergers and acquisitions on a case-by-case basis, taking into account at least the following elements:

- Strategic considerations:
  - consistency of the corporate purpose, commercial products, complementarity of industries concerned, etc.
- Financial considerations:
  - valuation of securities contributed and liabilities created;
  - projected financial results;
  - price of the offer;
  - cost synergies;
  - sustainability of the potential additional level of debt.
- Corporate social responsibility (CSR) considerations:
  - governance structure of the new entity;
  - impact on the rights of minority shareholders;
  - environmental and social impact of the proposed M&A transaction.

### 2.3.7.2 Corporate restructuring and spin-offs

#### Corporate restructuring

While value creation can be based on a cost-cutting strategy in the short term, this should not be at the expense of long-term profitability and growth. As a result, Ostrum Asset Management takes into consideration social and environmental criteria and their impacts on long-term shareholder value when evaluating corporate restructuring proposals.

#### Spin-offs

Ostrum Asset Management usually approves such resolutions unless there are clear conflicts of interest among the various parties, shareholders' rights are negatively affected, or certain groups or shareholders appear to be getting a better deal at the expense of other shareholders.

### 2.3.7.3 Asset sales and liquidations

#### Asset sales

Ostrum Asset Management votes on a case-by-case basis on asset sales after considering their impact on the balance sheet/working capital, the value received for the asset, and the potential economies of scale.

#### Liquidations

Ostrum Asset Management votes on liquidations on a case-by-case basis after reviewing management's efforts to pursue other alternatives, the appraised value of assets, and the compensation plan for executives managing the liquidation.

### 2.3.7.4 Appraisal rights

Ostrum Asset Management votes For proposals to restore or provide shareholders with rights of appraisal by an expert.

### 2.3.7.5 Change of corporate name

Ostrum Asset Management votes For proposals to change the corporate name.

### **2.3.7.6 Mandatory takeover bid waivers**

Ostrum Asset Management assesses proposals to waive mandatory takeover bid requirements on a case-by-case basis.

### **2.3.7.7 Joint ventures**

Ostrum Asset Management votes on proposals to establish joint ventures on a case-by-case basis, taking into consideration ownership percentage, financial and strategic benefits, conflicts of interest, other alternatives, governance structure and possible synergies.

## **2.3.8 Climate resolutions**

Ostrum Asset Management assesses how portfolio companies' climate strategies align with the analysis-based factors presented below.

Depending on this alignment, Ostrum Asset Management may vote Against climate strategies as part of so-called Say on Climate votes, and can hold executives to account via votes on their appointment and/or compensation.

Ostrum Asset Management also refers to this analytical framework to assess external climate resolutions. It assesses the issuer's decarbonisation strategy and votes accordingly.

### **2.3.8.1 Setting ambitious objectives**

- Reduction in direct (scope 1 and 2) and indirect (scope 3) emissions in line with the goals of the Paris Agreement;
- 2050 target along with short intermediate (~2025) and medium-term (~2030) goals.

### **2.3.8.2 An action plan in line with objectives**

- The decarbonisation target is part of a specific strategy. The initiatives announced materially contribute to achievement of this goal and are recognised by leading institutions (e.g. Science-Based Targets Initiative – SBTi);
- Short- and medium-term action plans account for most of the reduction in targeted emissions;
- Investment expenditure related to the company's decarbonisation is detailed, at least for the short- and medium- term.

### **2.3.8.3 Transparent communication**

- The company's decarbonisation plan sets out the proportion of gross emissions reduction (direct and indirect), carbon offsetting through the development of carbon sinks, and emissions avoided by the company's operations;
- The progress of the decarbonisation plan includes relevant key indicators based on the company's activity.

### **2.3.8.4 Governance that addresses climate issues**

- The company's climate strategy and its execution are subject to regular shareholder voting (at least once every three years);
- A significant portion of performance-related compensation is indexed to the achievement of climate targets;
- The Board of Directors is responsible for overseeing environmental issues faced by the company and has put in place structures to achieve this.

### 2.3.8.5 Specific factors resulting from Ostrum Asset Management's Oil & Gas policy<sup>6</sup>

- Clear communication on refraining from new FIDs (final investment decisions) based on the recommendations of the International Energy Agency<sup>7</sup>;
- A plan to exit non-conventional/controversial activities by no later than 2030;
- One-third of executives' performance-related compensation is contingent on meeting climate strategy targets;
- The 2030 targets include a precise/explicit action plan explaining 75% of decarbonisation;
- A Say on Climate must be put to a vote every year. If the shareholders' meeting did not approve the resolution, the Board of Directors must factor in the main reasons behind the no vote and put a revised climate strategy to vote at a subsequent shareholders' meeting. Ostrum Asset Management encourages companies in its portfolios to include this in their articles of incorporation.

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<sup>6</sup> [https://www.ostrum.com/sites/default/files/1-ostrum-mediatheque/politiques-reglementaires/politiques\\_sectorielles/petrole\\_et\\_gaz/PO\\_VF\\_P%C3%A9role%20et%20Gaz%2020230701\\_Web%20EN.pdf](https://www.ostrum.com/sites/default/files/1-ostrum-mediatheque/politiques-reglementaires/politiques_sectorielles/petrole_et_gaz/PO_VF_P%C3%A9role%20et%20Gaz%2020230701_Web%20EN.pdf)

<sup>7</sup> Net Zero by 2050: A Roadmap for the Global Energy Sector  
[https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroby2050-ARoadmapfortheGlobalEnergySector\\_CORR.pdf](https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroby2050-ARoadmapfortheGlobalEnergySector_CORR.pdf)

## 2.4. PRINCIPLES FOR ANALYSING RESOLUTIONS ON MID-CAP SECURITIES

*The principles outlined below cover all mid- and small-cap companies in Ostrum Asset Management's voting universe.*

*Small- and medium-sized securities are defined as companies with a market capitalisation of less than €4 billion.*

*For all resolutions not dealing with subjects discussed in this section, we will apply the analysis principles adopted for large-cap securities.*

### 2.4.1 Quality of the composition of the Board and committees

#### 2.4.1.1 Independence of the Board

Ostrum Asset Management recommends that at least 33.3% of Board of Directors and Supervisory Board members at mid- and small-caps be independent directors. However, Ostrum Asset Management votes For the election of non-independent directors below this ratio if the director in question is:

- a corporate officer;
- a representative of the main shareholder (subject to application of the principle of proportionality between capital held and the number of seats on the Board);
- a representative of the family (subject to application of the principle of proportionality between capital held and the number of seats on the Board).

#### 2.4.1.2 Directors - Terms of office

Ostrum Asset Management recommends a three-year term for directors, with re-election of one-third of Board members each time, and votes Against the election or re-election of a director (other than the CEO) if the term of office exceeds five years or has not been disclosed.

#### 2.4.1.3 Election or re-election of directors to audit, compensation and appointment committees

Ostrum Asset Management recommends that a mostly independent Audit Committee be set up, made up of members with financial skills. However, for companies with a small Board, Ostrum Asset Management prefers that the Board of Directors take on the role of the Audit Committee, and that specific meetings be set up to carry out the work that would be conducted by such a committee.

Ostrum Asset Management recommends that appointment and compensation committees be set up. For companies with a small Board, transparency on the way directors are appointed and how senior managers' compensation is determined is strongly recommended.

For companies that have set up special committees, Ostrum Asset Management recommends that at least one independent director be present, and encourages all steps aimed at improving this independence with a view to better complying with good governance practices. Moreover, Ostrum Asset Management votes Against the appointment of an executive director if s/he has a seat on the appointment, compensation or audit committee.

### 2.4.2 Compensation and value creation for the company

#### 2.4.2.1 Compensation report

In cases where compensation (fixed + bonus) is less than €1 million, Ostrum Asset Management votes For the compensation report, unless changes in compensation are not linked to the company's long-term performance.

Where compensation (fixed + bonus) is greater than €1 million, Ostrum Asset Management votes Against the compensation report if:

- the level of transparency is well below best practices and does not establish a connection between compensation paid and value creation;
- the compensation policy or practices show a lack of correlation with the company's actual performance.

#### *2.4.2.2 Stock option plans*

Ostrum Asset Management recommends that requests for allocation of free shares be subject to separate resolutions depending on the beneficiaries or at least that the percentage reserved for senior managers be clearly stated as compared to the portion reserved for the company's employees.

Plans for senior managers and corporate officers are fully subject to performance criteria as regards financial, social and environmental aspects, which must be transparent, measurable and comparable.

Ostrum Asset Management votes Against any stock option plan that:

- authorises the issue of options at an exercise price lower than the current market price;
- gives or cedes discretionary power to allocate options to oneself;
- has performance criteria and a compensation structure that are not transparent or sufficiently demanding;
- includes the option to alter the initial conditions of issue;
- has no minimum period for the options to be held.

However, when the beneficiaries are part of a group other than senior managers, Ostrum Asset Management assesses the absence of performance criteria included in these plans on a case-by-case basis. Except in unusual circumstances (support measures, company's operating results, market trends, etc.), Ostrum Asset Management votes Against stock option plans that are confined to corporate officers and/or senior managers when the group has implemented a restructuring plan that significantly reduces the workforce.

Ostrum Asset Management assesses the acceptable level of dilution on a case-by-case basis depending on the company's profile.

#### *2.4.2.3 Requests for allocation of free shares*

Ostrum Asset Management recommends that requests for allocation of free shares be subject to separate resolutions depending on the beneficiaries or at least that the percentage reserved for senior managers be clearly stated as compared to the portion reserved for the company's employees.

Ostrum Asset Management votes Against any free share allocation plan designed for management and corporate officers that does not include performance criteria or does not stipulate vesting and holding periods.

When the beneficiaries of free share allocation plans are part of a group other than management, Ostrum Asset Management assesses the absence of performance criteria included in these plans on a case-by-case basis.

In cases where the beneficiaries include a very large proportion of employees, Ostrum Asset Management supports the proposed plan.

Ostrum Asset Management assesses the acceptable level of dilution on a case-by-case basis depending on the company's profile.

Except in unusual circumstances (support measures, company's operating results, market trends, etc.), Ostrum Asset Management votes Against the allocation of free shares when they are confined to corporate officers and/or management when the group has implemented a restructuring plan that significantly reduces the workforce.

#### *2.4.2.4 Severance pay*

Ostrum Asset Management examines resolutions that aim to ratify the amounts of severance pay, taking into account:

- the company's intrinsic valuation over the course of the beneficiary's term;
- the proportionality of payments to the beneficiary's length of service at the company and to his/her compensation.

Ostrum Asset Management votes For proposals aimed at ratifying a corporate officer's severance payments if:

- the severance payment can only be made in the event of forced departure (and in the absence of serious misconduct) or following a change in control or strategy;
- the amount of this severance pay, including payments due as part of the employment contract (i.e. bonus provided for under a non-compete clause), is not more than twice the corporate officer's total compensation (fixed + performance-related);
- the allocation of severance pay is linked to demanding performance criteria.

Ostrum Asset Management does not take into account the combination of directorship and work contract when a manager has spent a large part of his/her career at the company, especially in the case of a family-run company.

## 2.5. PROCEDURES FOR IDENTIFYING, PREVENTING AND MANAGING CONFLICTS OF INTEREST

Generally speaking, the asset management company exercises voting rights solely in the general interest of its unitholders, irrespective of its own interests, and in compliance with its guiding principles on the exercise of these rights. Ostrum Asset Management has introduced a procedure to prevent, identify and manage conflicts of interest. Thus:

- if a conflict of interest were to arise between Ostrum Asset Management and one of its clients, Ostrum Asset Management's Head of Compliance, Internal Control and Risks would decide what steps to take;
- if a member of the team involved in the exercise of voting rights were to have a conflict of interest on a vote, s/he would need to notify Ostrum Asset Management's Head of Compliance, Internal Control and Risks immediately and not take part in the exercise of the vote concerned.

If exercising its voting right for a given company exposes Ostrum Asset Management to a significant conflict of interest, the equity portfolio management team will refer the matter to the Head of Compliance, Internal Control and Risks, who will decide on the appropriate measures, including the advisability of taking part in the company's shareholders' meeting.

Ostrum Asset Management, which is part of the BPCE Group, exercises voting rights in the sole interest of unitholders and does not participate in shareholders' 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 shareholders' meetings of companies with which it has a business relationship.

## 2.6. OSTRUM ASSET MANAGEMENT'S ORGANISATION FOR EXERCISING VOTING RIGHTS

### 2.6.1 Exercising voting rights

The exercise of voting rights is structured on the basis of two separate activities:

#### **Analysis of resolutions:**

- For securities subject to an internal fundamental analysis, portfolio managers analyse and validate the voting recommendations proposed by our voting services provider, based on our voting policy as described above. This analysis takes into account the results of dialogue conducted with the company as part of the engagement process. Thus, Ostrum Asset Management is flexible in applying its voting principles, while still remaining true to the spirit of its voting policy.
- For securities not subject to an internal fundamental analysis, voting is based on the recommendations of Ostrum Asset Management's voting services provider according to its policy, in line with Ostrum Asset Management's approach.

**Voting:** votes are cast by NIM-os' Flow Middle Office department based on instructions from the portfolio managers for securities subject to a fundamental analysis. The NIM-os' Flow Middle Office also handles relations with service providers and custodians and is responsible for ensuring that voting is uniform for a single issuer when it is held by several portfolios within Ostrum Asset Management.

### 2.6.2 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 shareholders' 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 voting universe on a daily basis.

Following the portfolio management team's analysis of the resolutions for securities subject to a fundamental analysis, Ostrum Asset Management registers its votes on the voting platform for each of its accounts. The procedure then varies depending on whether the securities are French, in which case Ostrum Asset Management votes by post, or foreign, in which case Ostrum Asset Management votes by proxy.

#### *2.6.2.1 French securities: Ostrum Asset Management votes by post*

Ostrum Asset Management completes the postal voting forms from a platform provided by the service provider then faxes and posts them to the various custodians.

Once the voting instructions are received, custodians check and adjust the securities positions in each account for which a vote is recorded and send the voting forms to the issuer or its agent.

On a case-by-case basis, Ostrum Asset Management decides whether to attend shareholders' meetings.

#### **2.6.2.2 Foreign securities: Ostrum Asset Management votes by proxy**

Ostrum Asset Management enters the voting instructions on the voting platform and the proxy passes on the instructions for Ostrum Asset Management's accounts to the local sub-custodians. In certain cases, the proxy is required to vote directly on behalf of Ostrum Asset Management, in accordance with the principles defined in its voting policy.

On a case-by-case basis, Ostrum Asset Management decides whether to attend shareholders' meetings.

#### **2.6.3 Principles for setting the framework for exercising voting rights**

Except in certain cases, Ostrum Asset Management exercises voting rights for all the UCITS (Undertakings for Collective Investments in Transferable Securities) and AIF (Alternative Investment Funds) 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 its voting rights for all assets in portfolios for which it holds voting rights and identified as being eligible towards the end of the year preceding the voting campaign, 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.

#### **2.6.4 Securities lending policy**

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

## 2.7. OSTRUM ASSET MANAGEMENT'S CLASSIFICATION OF DIRECTORS

### 2.7.1 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.

### 2.7.2 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 client, 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 shareholders' meeting (such as a contractual appointment by a significant 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 recommended best practice in the market in question:
  - nine years (from the date of election) in Ireland;
  - 12 years in European markets;
- Any person benefitting from compensation plans based on performance criteria or the top-up pension scheme.

### 2.7.3 Independent non-executive director

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

### 2.7.4 Employee Representative

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

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Ostrum Asset Management

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