

VOTING AND SHAREHOLDER ENGAGEMENT POLICY

Ostrum Asset
Management

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Un affilié de  **NATIXIS**
INVESTMENT MANAGERS

FOREWORD

As an asset management company, Ostrum AM¹ considers that it has a responsibility and duty of due diligence to shareholders to monitor changes in the value of their investments and to exercise the ownership rights attached to the securities held in the portfolios it manages. Thus, Ostrum AM exercises its voting activity in the exclusive interest of the unitholders.

Ostrum AM has had a voting policy setting out the principles to which it will refer when exercising voting rights at shareholder meetings since 1998. These principles reflect best corporate governance practice in Europe, and form the basis of our philosophy and vision of a good corporate governance system, defined by the OECD as “a key element in improving economic efficiency and growth and enhancing investor confidence”.

The principles set out in this voting policy document aim to define our framework for independently analyzing resolutions submitted and exercising voting rights in an informed manner solely in the interest of unitholders. They are revised annually to take account of changes in the law, regulation and corporate governance practices during the year.

As part of its approach to promoting responsible asset management, Ostrum AM decided in 2008 to develop expertise in bondholder voting by exercising voting rights during debt restructurings.

Ostrum AM maintains the highest standards of corporate governance. However, if the governance practices within a particular country are more rigorous than the principles of our voting policy, we will align our practices with local practices when analyzing resolutions and determining our vote.

However, we are aware that some of these standards may present constraints for small- and mid-caps that do not have the resources to implement a strict corporate governance policy. Ostrum AM has therefore decided to adapt some of our principles in order to take into account these companies' specific features related to their size and shareholding structure. These principles are set out in the chapter headed “Principles for analyzing resolutions on small and medium-sized securities”.

Lastly, Ostrum AM has placed engagement at the core of its action as a responsible investor, and defined an engagement policy as part of our voting policy. We apply this engagement policy with the companies we invest in. This engagement process involves constructive dialogue with the companies, in order to encourage them to better integrate social, environmental and corporate governance issues into their corporate strategies. Engagement also enables Ostrum AM to exercise its voting rights in an enlightened and responsible” manner.

¹ Ostrum AM was created by the separation of Ostrum AM's fixed-income and equity investment management operations into a separate subsidiary on October 1, 2018 (registered on the Paris Trade and Companies Register under number 329 450 738, previously Natixis AM)

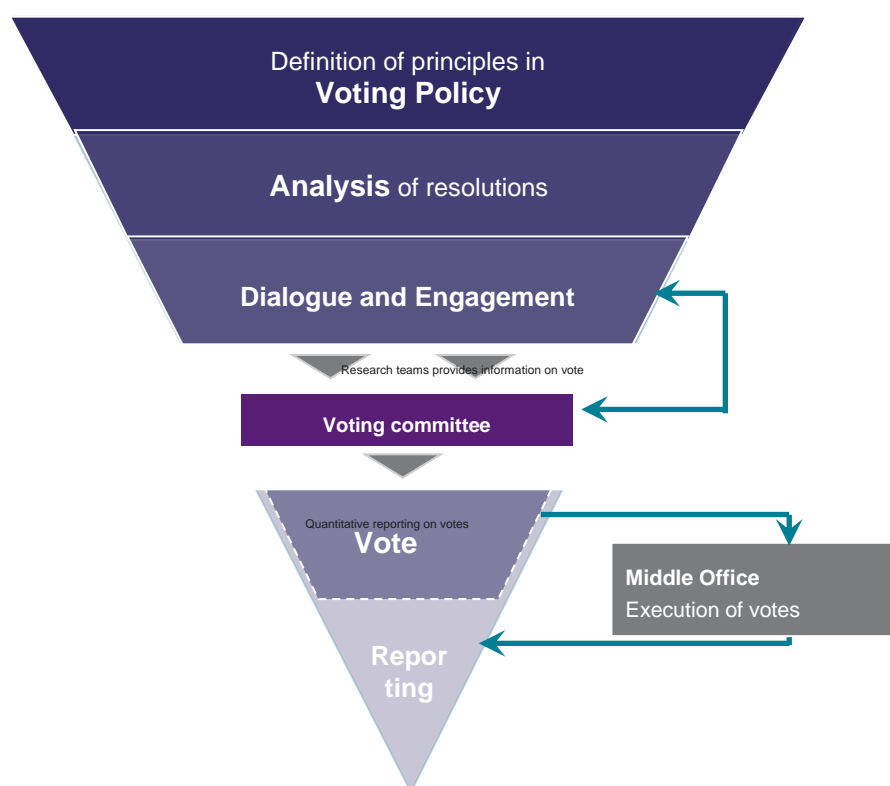
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I- ORGANIZATION OF OSTRUM AM FOR THE EXERCISE OF VOTING RIGHTS

The exercise of voting rights is based on two different approaches:

- **The analysis of resolutions:** performed by research teams at Ostrum Asset Management, with the support of a voting service provider, based on the principles described in the voting policy as determined by Ostrum AM and approved by its Executive Committee.
- Ostrum AM has also adopted a specific and detailed approach for around a hundred stocks that make up its research universe and for which it has adopted an extensive engagement approach. The list of this so-called core universe is approved by the Executive Committee at the same time as the voting policy. Voting decision for these stocks will be made on the one hand on the basis of principles defined in the policy and on the other hand by taking into account the results of dialogue conducted with the company as part of the engagement process. Thus, Ostrum AM can be flexible in applying its voting principles, while still remaining true to the spirit of its voting policy.
- In order to ensure strict application of the voting policy, Ostrum AM has established a **Voting Committee**² under the supervision of the Equity CIO, who is in charge of ruling on any particularly critical resolutions or for which principles have not been defined in the voting policy.
- **The exercise of voting rights:** performed by Ostrum AM's Flow Middle Office department, which is also in charge of relations with service providers and custodians.

The voting process is organized as follows:



² The voting committee is responsible for approving votes on resolutions presented at shareholder meetings. It consists of the Equity CIO, the Head of Equity ESG and the Governance & Engagement analyst. Analyst-portfolio managers are invited to take part in committee discussions depending on the issue at hand.

II- THE CURRENT PROCEDURE FOR EXERCISING VOTING RIGHTS

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

- informing Ostrum AM of upcoming shareholder meetings related to securities in the Ostrum AM voting universe;
- analyzing resolutions according to the principles defined in Ostrum AM'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 AM voting universe on a daily basis.

Following the research team's analysis of the resolutions put to vote, Ostrum AM 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 AM votes by post, or foreign, in which case Ostrum AM votes by proxy.

➤ **French securities: Ostrum AM votes by post**

Ostrum AM completes the postal voting forms on a platform provided by the service provider then faxes and posts it 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 AM can physically attend shareholder meetings.

➤ **Foreign securities: Ostrum AM votes by proxy**

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

On a case-by-case basis, Ostrum AM can physically attend shareholder meetings.

III-PRINCIPLES FOR SELECTING THE VOTING FRAMEWORK

Except in certain cases³, Ostrum AM 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.

Ostrum AM will exercise 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.

³ The only exceptions concern funds with restrictive management processes whereby freezing securities in order to exercise voting rights may be detrimental to the value of shareholders' investments.

IV- SECURITIES LENDING POLICY

During shareholder meetings, Ostrum AM optimizes the repatriation of lent securities in order to exercise its voting rights in the sole interest of unitholders.

V-PRINCIPLES FOR ANALYZING RESOLUTIONS

The principles defined hereafter may not apply, depending on companies' nationality, as shareholder meetings may exhibit varying powers depending on national legislation.

Principles for analyzing resolutions on large-cap securities

The principles set out below apply to all large-cap securities within the Ostrum AM voting universe.

Large-cap securities are stocks in the voting universe that do not meet the definition of small- and mid-cap securities as defined in the section on **Principles for analyzing resolutions on small and medium-sized securities**. These are companies with a market capitalization of more than €2 billion.

When our review requires an ABSTENTION vote and the country's regulations do not permit this vote, Ostrum AM will vote AGAINST.

Transparency, reliability and relevance of financial and non-financial information

We regard the transparency, reliability and relevance of financial and non-financial information as a key factor in good corporate governance, since these contribute to the integrity of financial markets and reinforce trust among the various actors participating in the value creation process. In this respect, they are the foundations for responsible corporate governance. In our view, companies must respect these principles in drafting financial and non-financial information for shareholders. Furthermore, such information must be certified in the form of an unqualified audit opinion from the statutory auditors.

A) Shareholders meetings

1) Routine agenda items

Depending on national law, shareholders are routinely asked to approve:

- the opening of the shareholder meeting,
- that the meeting has been convened under local regulatory requirements,
- that quorum is achieved,
- the agenda for the shareholder meeting,
- the election of the Chair of the meeting,
- the appointment of shareholders to co-sign the minutes of the meeting,
- regulatory filings,
- the designation of either a scrutineer or shareholder representatives to examine the minutes of the meeting,
- the designation of two shareholders to approve and sign the minutes of the meeting,
- the time allocated for questions,
- the publication of the minutes,
- the closing of the shareholder meeting.

We generally vote **For** these and similar routine management proposals.

2) Disclosure of required information

We vote **Against** a resolution if a company fails to provide shareholders, in a timely manner for analyzing the resolutions, with detailed information (specific to the company) on which to base an informed vote decision.

B) Transparency and quality of financial and non-financial information

1) *Financial statements, annual report and statutory auditors' report*

We generally vote **For** management proposals seeking approval of the financial statements of the annual report, unless:

- there is concern about the past actions of the company's auditors or managers;
- the auditors have refused to certify the accounts or expressed reservations;
- the auditors' report on financial statements is not included in the annual report;
- the audit committee includes a member of an executive body among its members.

Ostrum AM 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 Ethics Business & Corporate Social Responsibility, A) 1.).

2) *Allocation of income and dividends*

a. Allocation of income and dividends

We generally vote **For** management proposals concerning allocation of income and the distribution of dividends, unless the amount of the payout is unusually small or large, in which case we vote on a **case-by-case** basis. In doing so, we take into account the company's past payout levels, its management's arguments and its financial situation. Notably, we do not wish to encourage excessive dividend policies that would be detrimental to the company's solvency or its ability to invest in the long term.

➤ **Specific example: Japan**

Ostrum AM will vote **Against** any change in status granting the board a discretionary right to determine the allocation of earnings.

b. Stock (scrip) dividends

Generally, we vote **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%.

We vote **Against** proposals that do not allow for a cash option, unless management can demonstrate that this would dent value creation for the company or if we believe that this cash payout would significantly increase the risk of insolvency.

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, officers or auditors for serious or proven breaches of their duties, Ostrum AM will vote **Against** discharge.

Where this is not the case, Ostrum AM will vote **For** discharge unless we have reliable information relating to a serious and proven breach of duties by the board or the management, or if the auditors have refused to certify the accounts or expressed reservations.

C) Statutory auditors and audit committee

1) Ratification of statutory auditors

Ostrum AM recommends a regular rotation of the company's auditors every six years, unless there is a specific requirement otherwise, and will vote **Against** if the rotation of auditors is not in line with the most restrictive industry regulations.

We vote **For** proposals to ratify auditors, unless:

- the company has not disclosed their identity;
- an auditor has a financial interest in or association with the company, or is not independent;
- there is reason to believe that the independent auditor has provided non-financial advice;
- non-audit fees exceed 50% of audit fees;
- there are serious concerns about the accounts presented or the audit procedures used;
- the auditors have been changed without explanation.

Ostrum AM will vote **Against** the appointment of auditors if audit fees are not disclosed or if the company does not disclose the breakdown of the auditors' fees into audit fees and consulting fees.

➤ *Specific example: election of an internal auditor in Italy*

The election or re-election of internal auditors in Italy is conducted through a slate system ("voto di lista"). At least two slates are presented for shareholders' vote, one proposed by the main shareholders and the other list put forward by minority shareholders. Ostrum AM will vote **For** the list presented by minority shareholders provided the situation is not one of the cases mentioned above.

Ostrum AM will vote **Against** a resolution asking to elect or re-elect the company's internal auditors if the lists are not available in a timely manner before the vote.

2) Compensation of statutory auditors

We vote **For** proposals that authorize the board to determine the compensation of auditors, unless the amounts are excessive compared to the size and type of the company.

We vote **Against** proposals seeking approval of auditors' compensation if:

- non-audit fees exceed 50% of audit fees;
- there are serious concerns about the accounts presented or the audit procedures used;
- the auditors have been changed without explanation.

Ostrum AM will vote **Against** any fees paid to auditors to cover the risks related to their liability.

Ostrum AM will vote **Against** the compensation of auditors if audit fees are not disclosed or if the company does not disclose the breakdown of auditors' fees into audit fees and consulting fees.

3) Statutory auditors' independence

We vote on a **case-by-case** basis on shareholder resolutions asking companies to prohibit their auditors from engaging in non-audit services (or capping the level of non-audit services), taking into account:

- whether the non-audit fees are excessive (max. 50% of audit fees);
- whether the company has policies and procedures to prevent conflicts of interest.

4) Independence of the audit committee

Ostrum AM recommends that two thirds of the audit committee be made up of independent directors, including one with particular expertise in financial and accounting matters, and that the committee chair should be independent.

D) Managing conflicts of interests of directors

Ostrum AM is not in favor of regulated agreements involving company directors.

Ostrum AM will assess proposals requesting the approval of the statutory auditors' report on regulated 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,
- the board's justification on the advisability of the agreement and the related financial conditions,
- whether they are in keeping with shareholders' interests.

Moreover, Ostrum AM will vote **Against** the statutory auditors' report on regulated agreements if:

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

Ostrum AM recommends that any significant agreement for at least one of the parties concerned and involving, directly or indirectly, a manager or a shareholder, as well as all new regulated agreements, should be subject to separate resolutions.

Ostrum AM 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 managers, 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 regulated agreements, Ostrum AM will vote **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 Ostrum AM's voting policy and is submitted in a separate resolution, Ostrum AM will vote **Against** the resolution on this agreement, but may vote **For** the resolution requiring the approval of the report on regulated agreements.

Structure of control and balance of powers

The board of directors or supervisory board plays a central role “in guiding the strategy and effective monitoring of a company’s management”. It acts first and foremost in the interest 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. The efficiency of a board primarily depends on the quality of its members. The ability of directors to embrace strategic issues, contribute to managers’ thinking process 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 shared with shareholders.

A) Quality of the governance structure

1) *Change in the company’s governance structure*

Ostrum AM does not have a stated preference for a particular governance structure.

Ostrum AM will vote **For** proposals to change the company’s governance structure from a one-tier board to a two-tiered board structure (i.e. management board and supervisory board). When the proposal involves a change from a two-tiered board to a one-tier board, Ostrum AM votes on a **case-by-case** basis.

➤ **Specific example: Japan**

- Ostrum AM recommends that Japanese companies change their governance structure from a model with a board of directors and a board of statutory auditors to a model with a unitary board and one or several committees.
- Ostrum AM will therefore vote **For** a change in the governance structure provided that the board includes at least two independent external directors and that two thirds of the audit committee is independent, taking into account the specific independence criteria for Japanese directors⁴.

2) *Separation of the functions of chair of the board and CEO*

Ostrum AM is in favor of the separation of management and supervisory functions. The board will therefore have to ensure that checks and balances are in place and sufficiently independent to exercise effective control over the executive directors.

With the exception of the banking sector, where the separation of these roles is vital for sound and cautious management, Ostrum AM will assess requests to combine the functions of chair and CEO on a **case-by-case** basis, taking into account:

- the reasons given by the company for combining these powers,

⁴ See Japan section in appendix p. 46.

- the company's governance practices,
- the measures the company has put in place to ensure a satisfactory level of monitoring within the board and committees,
- the measures put in place to manage situations of potential conflicts of interest resulting from the combination of these functions.

In the event that the functions of chair and CEO are combined, Ostrum AM recommends that an **"independent vice-chairman"** be appointed to the board of directors, whose role would be to:

- oversee the proper functioning of the governance bodies,
- conduct an assessment of the chairman,
- manage situations of conflicts of interest.

S/he should also have the power to:

- add items to the agenda,
- convene a meeting of the board without the executive members.

Ostrum AM recommends that the duties of the independent vice-chairman be defined in the company's articles of association or in the board's by-laws.

Ostrum AM may be **Against** the nomination of a vice-chairman who is not independent based on the criteria outlined in Ostrum AM's voting policy unless the board of directors provides Ostrum AM with information that would warrant a temporary exception to this rule.

3) *Board size*

We vote **Against** proposals to decrease the size of the board to less than five seats, or to increase its size above 16 seats.

We vote **For** resolutions to increase or reduce the number of directors within the 5 to 16 members 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 our voting policy;
- increases control of the company by the managers or the core shareholders at the expense of other shareholders.

➤ ***Specific example: Japan***

When companies have a large board, Ostrum AM will vote **For** a reduction in the number of vacant seats unless the board has no external directors and such a vote would automatically prevent any flexibility.

B) Quality of the composition of the board and committees

Beyond its formal responsibilities and organization, the quality of the board's composition is a key factor in its effectiveness. Ostrum AM's support in appointing a director is therefore based on an individual and overall qualitative assessment, including an analysis of several criteria such as transparency in the appointment process, as well as the independence, skills, expertise, availability and added value of the director for the board.

1) *Selection process for directors, whether natural or legal person*

a. Transparency of the selection process

Ostrum AM recommends that the board of directors (or the supervisory board) be transparent on the process and criteria for appointing new directors, in terms of their skills, expertise, independence, and added value for the board.

Ostrum AM will vote **Against** the election or re-election of any director where the identity of the nominee is not available, and will **Abstain** if the board's nomination process to appoint new directors

lacks transparency.

b. Staggered renewal or annual elections

We will vote **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.

c. Director appointment process (specific to the USA)

We will vote **For** proposals to adopt a majority vote for the election or re-election of directors.

d. Bundling of proposals to appoint directors

As a matter of principle, Ostrum AM disapproves of bundling proposals that could actually be presented as separate voting items, as bundled resolutions leave shareholders with an all-or-nothing choice, skewing power disproportionately towards the board and away from shareholders. Ostrum AM believes that director elections are one of the most important voting decisions that shareholders make. Therefore, directors should be selected individually.

Ostrum AM will recommend voting **Against** the election or re-election of any 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 whole board has to be renewed. In Italy, Ostrum AM will vote **For** the list presented by minority shareholders, although it will vote **Against** if:

- the lists of director nominees are not disclosed in a timely manner to make an informed voting decision,
- there is insufficient disclosure on the candidates.

If legislation does not require a list voting system and if candidates are presented under a bundled resolution, Ostrum AM will vote **Against**.

2) Independence of the board and committees

a. Board independence

➤ For controlled companies⁵

Ostrum AM recommends that at least 33.3% of boards of directors and supervisory boards should consist of independent directors⁶. Otherwise, Ostrum AM will vote **Against** the election of non-independent directors (except in the case of the CEO).

➤ For non-controlled companies

Ostrum AM recommends that at least 50% of boards of directors and supervisory boards consist of independent directors, and that the chair of the board be independent where the chair and CEO functions are separate. Otherwise, Ostrum AM will vote **Against** the election of non-independent directors (except in the case of the CEO).

➤ Specific example: France

For French companies liable to the labor stabilization law of June 14, 2013, calculation of the independence ratio (of the board and committees) does not factor in the presence of employees and employee shareholder representatives.

➤ Specific example: Germany

For German companies where 50% of the board must consist of labor representatives, Ostrum AM

⁵ A company is considered controlled if a shareholder or a group of shareholders acting in concert hold more than 50% of capital.

⁶ Cf. appendix 1 - Ostrum AM classification of directors.

recommends that 33.3% of the total board be independent.

If a nominee cannot be categorized using the Ostrum AM classification, Ostrum AM will assume that person is non-independent and include that nominee in the board independence ratio calculation.

b. Election of non-voting directors to the board of directors

Ostrum AM is not in favor of the presence of a non-voting director on the board and will vote **Against**, unless:

- the circumstances are exceptional and temporary,
- the presence of the non-voting director adds significant value to the board,
- the board's degree of independence (including the non-voting director) is in line with the thresholds set in our voting policy,
- the number of offices held by the non-voting director as director or non-voting director on other boards is in line with the limits set in Ostrum AM's voting policy.

c. Committee independence

Ostrum AM recommends that boards of directors include audit, compensation and appointment committees, and that the duties of these committees be defined in the internal rules of the board.

Ostrum AM recommends that the appointment and compensation committees include a majority of independent members and that the chairman of these committees be an independent director.

Ostrum AM recommends that two-thirds of the audit committee be made up of independent directors, including one director with specific financial or accounting expertise. The chair of this committee should also be an independent director.

Ostrum AM is not in favor of executive directors being members of the appointment, compensation or audit committees and will vote **Against** the election or re-election of any executive director serving on the audit or compensation committees.

Ostrum AM will vote **Against** any non-independent director sitting on a committee where the independence rate is insufficient as compared to the thresholds outlined in our voting policy.

3) Board's complementary profiles

a. Skills

Ostrum AM recommends that the members of the board have the sufficient and necessary skills to understand the company's business and its economic environment.

Ostrum AM will vote **Against** the appointment of a director if the company does not provide the information required to assess their skills.

b. 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 AM therefore recommends diversity of director profiles in terms of education, nationality, gender and age, as well as a balanced mix of skills and expertise to ensure that the board operates effectively.

Ostrum AM focuses in particular on gender diversity on the board of directors and the executive committee and will not support the re-election of the chair of the appointment committee if there is not a one third/two thirds gender balance at the very least.

c. Ethics

Ostrum AM will vote **Against** the appointment of a director who has breached good corporate

governance practices in the past.

d. Performance

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

4) Availability of directors

a. Directors' term of office

Ostrum AM recommends that directors' mandates last three years with a view to ensuring that a third of the board is replaced each time, and will vote **Against** the election or re-election of a director (except for the CEO) for mandates that are greater than four years or of an unspecified duration.

Ostrum AM will comply with any stricter regulations on directors' terms in force in some countries.

b. Multiple directorship for a director or a chair of the board

In its assessment of the availability of a director, Ostrum AM takes into account all directorships and director mandates that s/he holds in listed French and foreign companies.

Ostrum AM recommends:

- restricting the number of directorships for non-executive directors to a maximum of five, or four if the director also chairs a board. If a director chairs two boards, Ostrum AM recommends restricting his/her directorships to a maximum of three (including the two chairmanships).
- restricting the number of directorships for executive directors to a maximum of three. In the case of a chair and CEO, Ostrum AM recommends that the board should restrict the number of his/her directorships to a maximum of two (including the chair). In this case, Ostrum AM is not in favor of the CEO holding a second chair.

Ostrum AM recommends that the board take into account directorships held in unlisted French and foreign companies in assessing the availability of candidates.

Ostrum AM will vote **Against** the election of a director considered to be overboarded based on the above-mentioned recommendations.

Ostrum AM will assess the appointment of a previous executive to the functions of a non-executive chair of the board on a **case-by-case** basis depending on the information put forward by the company. Ostrum AM will take into account recommendations of existing good practices in its assessment.

➤ Specific example: banking sector

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

c. Cross directorships

Ostrum AM is not in favor of cross-directorships, unless they are proposed as part of a strategic partnership.

d. Attendance

When assessing the re-election of a director, Ostrum AM will consider his/her actual attendance at board meetings and will vote **Against** the renewal of any director whose attendance rate is below 75% without valid justification.

5) *Election of shareholder representatives*

a. Election of non-employee shareholder representatives

Ostrum AM 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 AM will vote **For** the election of shareholder representatives if:

- their appointment will provide real added value for the board;
- 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 met.

If the representative is a legal entity, Ostrum AM will vote **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.

b. Election of employee shareholder representatives

Ostrum AM supports the presence of employee shareholder representatives on boards and recommends improved transparency in the employee shareholder representative selection process, submitted to vote by all shareholders.

Ostrum AM will vote for the appointment to the board of employee shareholder representatives if they have obtained a majority of votes from the employee shareholders.

c. Election of employee's representatives

Ostrum AM supports the inclusion of employee representatives on boards and committees, including in those countries where this practice is not legally binding.

Ostrum AM will vote against the re-election of the appointment committee chair if there are no employee representatives on the board⁷.

6) *Specific example: appointment of directors in Japan*

Ostrum AM refers to best practices recommended by the Japanese code of governance.

a. Companies with a Japanese structure with a board of statutory auditors (Kansayaku-kai)

➤ **Appointment of directors**

Ostrum AM recommends that the board should include at least two independent external directors, and will vote **For** the appointment of a director, unless:

- the director is not independent and the board has less than two independent external directors;
- the director has previously demonstrated mismanagement or poor governance practices;
- the director's attendance at board meetings was less than 75% (in the event of re-election).

➤ **Appointment of statutory auditors**

Ostrum AM will vote **For** the appointment of statutory auditors and alternate auditors, unless:

⁷ With the exception of companies that have already made this type of commitment

- the statutory auditor is considered non-independent based on independence criteria adopted for Japan;
- the external statutory auditor's attendance is below 75%.

b. Companies with a board and audit committee structure

In the case of a company with a board and audit committees structure, as recommended in the law on company reforms and the Japanese code of governance, Ostrum AM will recommend that the board has a least two independent external directors and that the audit committee be considered two-thirds independent.

c. Companies with a board and committees structure

In the case of a company with a board and committees structure, Ostrum AM will apply the same requirements in terms of independence as outlined in its general policy, taking into account the definition of independent directors⁸ in Japan.

7) Shareholders' proposal (specific to the USA)

a. Classification/declassification of the board

We will **Abstain** on any proposal aiming to introduce an annual election of directors.

b. Cumulative voting

We will vote **Against** any proposal aiming to implement cumulative voting. When the proposal aims to abolish cumulative voting, we will vote **For**.

c. Director elections with a majority vote

We will vote **For** any proposal aiming to implement a majority vote for the election or the re-election of directors.

d. Power to put forward candidates

We will vote **For** proposals aiming to grant shareholders the power to put forward candidates for vote.

⁸ See section on Japan in appendix p.46

Shareholders' rights

The company has a duty to implement all measures to ensure the equal treatment of shareholders belonging to the same category. We also feel that it is essential for companies to achieve a balance between measures to protect the long-term interests of the company, its shareholders and stakeholders, and measures to prevent hostile takeover bids. Ostrum AM encourages companies to take all necessary steps to facilitate the exercise of shareholder voting rights.

A) Equitable treatment of shareholders

1) *Voting rights*

Ostrum AM favors mechanisms that promote long-term shareholding in the company and will vote against any mechanisms aimed at including in the bylaws the principle of "one share, one vote", except in cases where the company has established equivalent mechanisms, such as loyalty dividends.

B) Shareholders' rights

1) *Lower disclosure threshold for stock ownership*

We vote **Against** resolutions to lower the stock ownership disclosure threshold below five percent unless specific reasons exist to implement a lower threshold.

2) *Timeframe for calling an extraordinary shareholder meeting (UK)*

Ostrum AM will vote **Against** resolutions requesting the authorization to call an extraordinary shareholder meeting within two weeks.

3) *Supermajority shareholder vote requirement to approve article amendments*

We vote **Against** management proposals to require a qualified majority shareholder vote to approve article amendments.

We vote **For** proposals to lower shareholder vote percentage requirements for article amendments.

4) *Qualified majority shareholder vote requirement to approve mergers*

We vote **Against** management proposals that require a qualified majority shareholder vote to approve mergers and other significant business combinations.

We vote **For** shareholder proposals which lower shareholder vote percentage requirements for mergers and other significant business combinations.

5) *Qualified majority vote requirement to remove a director from office*

We will vote **Against** a resolution restricting the ability of shareholders to remove a director from office by requiring a qualified majority vote for such a decision.

6) *Reincorporation and expansion of business activities*

a. Reincorporation proposals

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

We vote **Against** proposals to change a company's state of incorporation outside Europe.

b. Expansion of business activities

We review on a **case-by-case** basis all proposals seeking to expand the company's business activities.

7) *Amendment relating to management buy-out transactions (Japan)*

In Japan, Ostrum AM is not in favor of management buy-out deals when their purpose is to thwart a takeover (poison pill)⁹, and will vote **Against** any resolutions to that effect.

8) *Other article amendments*

We review on a **case-by-case** basis all proposals seeking amendments to the articles of association. To vote for article amendments, the following criteria are requested:

- shareholder rights are protected;
- there is negligible or positive impact on shareholder value;
- management provides adequate reasons for the amendments; and,
- the company is required to do so by law.

Moreover, when amendments are aggregated in a single resolution, Ostrum AM will vote **Against** said resolutions if one of the amendments does not comply with its voting policy.

C) Tender offer defenses

1) *Poison pills*

Ostrum AM is against the existence of poison pills which are intended to thwart takeover attempts. Ostrum AM recommends that any mechanism that can be construed as a poison pill be submitted to shareholder vote.

Ostrum AM will assess management 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 of other stakeholders.

⁹ A poison pill is a measure taken by a company to make it difficult to launch a hostile tender offer. It can be implemented in many forms: freeze on voting rights, introduction of double voting rights, or setting a discount on the price of shares to the benefit of current shareholders of the target company in the event of a takeover.

➤ **Specific example: France**

As part of the French Florange Act, Ostrum AM will assess financial authorizations that do not specify the exclusion of use during a public tender offer on a case-by-case basis. This analysis will take into account the guarantees provided by the board as to the use of these authorizations in the long-term interests of the company as well as the quality of the governance practices of the company.

➤ **Specific example: Japan**

Ostrum AM will assess resolutions aimed at implementing a poison pill on a **case-by-case** basis, depending on the impact of the measure on the company's long-term value creation, and will systematically vote **Against** if:

- at least 20% of the board's members are not independent and there are fewer than two independent directors;
- the attendance rate of independent directors is less than 75%;
- directors are not submitted to shareholder approval every year;
- one or several members of the takeover bid evaluation committee are not independent;
- the threshold for triggering the poison pill is relatively low (under 20% of the share capital);
- the life of the poison pill is more than three years;
- there are other options to protect the company (blocking mechanisms by partner companies, elimination of all vacant board seats, more restrictive procedures to remove a director from office, etc.);
- the company has not provided the required documentation at least three weeks before the extraordinary shareholder meeting;
- the company's disclosure of accounts is not transparent;
- the company has behaved in a way that is not in the best interests of the company and shareholders;
- the company's performance has been poor for several years.

Moreover, Ostrum AM's review will take into account the strategic plan provided by the company to address the risk of a takeover and to improve shareholder value.

2) *Defensive use of share warrant issues*

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

Prior to the filing of an offer, Ostrum AM will analyze the requests to issue warrants in the event of a public offer and will vote 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 AM will vote **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 launched will be examined by Ostrum AM on a **case-by-case** basis.

3) *Special case in the Netherlands: protective preference shares*

Ostrum AM will assess these proposals on a **case-by-case** basis and will only support resolutions if:

- the supervisory board approves issuance of shares, assuming that the supervisory board remains independent as defined by Ostrum AM's categorization 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 authority is for a maximum of 18 months;

- there are no priority shares or other protective measures;
- the board of the company's friendly 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 period of maximum 6 months (an EGM must be called to determine the continued use of such shares after this period).

4) Shareholder proposals (specific to the USA)

a. Action with written consent

We will vote **Against** any proposal aiming to restrict the capacity of shareholders to act with written consent.

b. Calling a general meeting

We will vote **Against** any proposal aiming to restrict the capacity of shareholders to call a general meeting.

c. Qualified majority voting

We will vote **Against** any proposal aiming to implement qualified majority voting.

Compensation system

The executive compensation system can influence both a company's strategic direction and the risks taken by its executives. Consequently, compensation mechanisms must be linked to the financial and non-financial performance of both the concerned person and company, and take into account long-term value creation for the company. It is also essential that the performance criteria adopted be transparent, relevant and measurable.

In addition, we encourage companies to introduce incentive schemes involving employees in the company's performance.

A) Transparency and quality of compensation systems

1) *Make-up of compensation committee*

Ostrum AM recommends that the compensation committee be chaired by an independent director and have a majority of independent members.

Ostrum AM is not in favor of executive directors sitting on the compensation committee.

2) *Compensation transparency*

Ostrum AM supports an annual shareholders' vote on compensation policies and will vote **For** any measures of this sort.

Ostrum AM supports any proposal aiming to improve transparency on compensation and particularly any proposal that aims to better assess compensation systems and policies in place within a company.

3) *Compensation report (excluding UK)*

Ostrum AM will examine proposals made by the board of directors or supervisory board on approval of the compensation report on a **case-by-case** basis. Ostrum AM recommends that the compensation policy should be aligned with the company's long-term performance and should avoid excessive risk taking.

Ostrum AM encourages companies to apply the following principles:

- a balanced breakdown of managers' compensation between fixed salary, short-term performance-related and long-term performance-related pay, promoting long-term value creation for the company, while also taking on board social and environmental matters;
- transparency on a par with market standards and a clear link between compensation and value creation;
- the compensation policy and/or practices show a clear connection with the company's actual performance.

These practices will be assessed on a case-by-case basis for companies that are part of our "core" voting universe.

For other companies in our voting scope, Ostrum AM will pay particular attention to practices outlined above and vote **Against** compensation or compensation-related proposals where one or several of the following practices are observed:

Transparency of compensation policy:

- the compensation report or policy is not 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 satisfactory grounds.

Short-term variable compensation (bonus):

- 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 past information regarding targets for previous years and whether they have been met;
- changes in short-term compensation components are not in line with the company's financial results.

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

- the company does not specify the group of beneficiaries nor the individual ceilings for corporate officers;
- the company's share plans lead to a total dilution of more than 15%, and represent an excessive burn rate;
- the company has allowed discounted stock-option plans;
- the performance period is less than three years;
- performance criteria are not transparent, quantitative, nor stable over time and they do not reflect the company's overall strategy;
- the vesting schedule is not transparent nor sufficiently demanding;
- information on the achievement of performance conditions set out in previous plans is not disclosed;
- the plan does not provide for a minimum holding period for corporate officers.

Severance package (not subject to vote via 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.

Other practices:

- the company does not explain or provides insufficiently convincing explanation 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 the 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 director who has left the company of his/her own will without full disclosure and justification to shareholders;
- the company has not made significant changes to its compensation policy, despite significant opposition from shareholders at the previous shareholder meeting.

Compensation of non-executive directors:

- the company allows non-executive directors to receive stock options or shares, or any similar compensation plan;
- see "directors' fees".

4) *Compensation report (UK)*

Setting aside the points outlined below to adjust its voting policy to comply with local regulations and market practices, Ostrum AM will apply its voting policy with respect to compensation systems as described above.

Ostrum AM may vote **Against** the resolution if the following practices are identified:

Service contracts of executive directors:

- executive directors are employed without a specific service contract or with a contract that does not fully reflect their executive responsibilities and their role on the board;
- service contracts provide for notice periods in excess of one year (including non-compete clauses).

Bonuses:

- the company has paid pensionable bonuses.

Long-term compensation plans:

- average annual performance objectives are not increased significantly every year during the plan.

Golden parachutes:

- for directors with one-year service contracts, contractual payments on termination are not limited to one year's basic salary, including bonus and benefits, and the company has not provided adequate justification for the payment;
- service contracts provide for compensation rights in excess of one year in the event of a change of control;
- severance payments paid after the manager has terminated employment by the company are not restricted to one year's basic salary (including benefits and pension payments).

5) *Maximum level of compensation for corporate officers (Switzerland)*

Since 2015, shareholders have been asked to annually vote on the maximum amount of compensation that will be allocated to corporate officers. The vote is binding and split into two distinct resolutions, one for each category of beneficiaries (board and management members). Companies can choose the nature of the vote (ex ante, ex post or mixed) and its terms, and the vote can involve the overall amount or several different amounts, depending on the various compensation components, and also set statutory limits on the performance-related compensation potentially paid out.

Ostrum AM's compensation guidelines primarily aim to assess the quality of compensation mechanisms on one hand, and the link between performance and compensation on the other hand. As such, Ostrum AM will vote on these resolutions in the light of these two aspects only and its vote should not be viewed as an opinion expressed on the amount of compensation proposed.

Ostrum AM will vote **For** the proposed amount if a full level of disclosure on compensation mechanisms has been ensured and if the link between performance and compensation is clearly established.

Ostrum AM may vote **Against** the proposed amount if the level of disclosure on the elements covered by the resolution is not sufficient. For example, this will be the case when the vote is conducted on an overall amount and ex post.

Finally, Ostrum AM may **Abstain** if the level of disclosure is sufficient but the link between performance and compensation is not clearly established.

In addition, Ostrum AM encourages companies to explicitly define a statutory limit for the compensation amounts.

6) *Compensation for managers, directors and statutory auditors (Japan)*

a. *Raising the ceiling for the compensation of managers, directors and statutory auditors*

Ostrum AM will vote **For** increasing the upper limit of the compensation for managers, directors and statutory auditors, unless:

- the company does not provide convincing justification for this increase;
- the compensation of executive directors does not include a variable component;
- there are serious doubts regarding the actions of the directors.

b. *Annual bonuses of directors and statutory auditors*

As a matter of principle, Ostrum AM does not support the payment of short-term compensation linked to the company's performance to non-executive directors and statutory auditors, as this may compromise their independence.

Ostrum AM will vote **Against** proposed bonuses if they include non-executive directors and statutory auditors.

B) Vote on specific components of compensation policy

1) Managers' and corporate officers' compensation

a. *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 managers with those of shareholders.

Ostrum AM 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, reflect the company's intrinsic performance and be measured against the results of companies in the same sector.

Ostrum AM recommends the following practices:

- Stock option and performance share plans are presented under separate resolutions depending on the beneficiaries (employees or corporate officers), or the portion reserved for executives and corporate officers should at least be clearly distinguished from the portion reserved for the company's employees.
- Plans for managers 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.
- Managers and corporate officers should keep a portion of the shares obtained through the exercise of stock options until the end of their mandate.

Ostrum AM may vote **Against** any proposal whereby:

- Payouts to 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 plans submitted for vote along with all plans under way is more than 15% and the average over three years in 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 payout 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.

Ostrum AM 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 award reflects the value created for the company.

Except in unusual circumstances (accompanying measures, company's operating results, market trends, etc.), we shall vote **Against** stock options or performance shares to corporate officers and managers when the company has implemented a restructuring plan, resulting in a significant reduction of the workforce.

b. Severance payments

Ostrum AM recommends that resolutions aiming at ratifying the severance payments of corporate officers be submitted under separate items, and at each mandate renewal, within 18 months starting from the signature of the agreement concerning the severance payment.

Ostrum AM will examine on a **case-by-case** basis the resolutions aiming at ratifying the amount of severance payments. The criteria that will be taken into account are:

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

Ostrum AM will vote **For** severance payments to corporate officers if:

- the severance payment can only be made in the event of forced departure (and in the absence of serious cause), or at the time of 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 annual compensation (fixed + variable);
- severance payments are linked to demanding performance criteria.

Ostrum AM recommends not having the status of both employee and corporate officer. Ostrum AM will vote **Against** proposals to ratify severance payments where a director is appointed or reappointed while remaining an employee of the company.

Where proposals to ratify severance payments relate to an existing corporate officer, Ostrum AM will examine these on a **case-by-case** basis and take account of the arguments put forward by the company to justify why s/he should also be an employee.

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

c. Retirement plans

Ostrum AM will assess additional pension schemes on a **case-by-case** basis, taking into account the following aspects:

- The companies are transparent on the calculation method used for retirement payments.
- The group of potential beneficiaries must be materially broader than managers and corporate officers.
- The acquisition rate is capped at 3% per year and subject to performance conditions.

- The benchmark periods taken into account for the calculation of the benefits must cover several years.
- The amount of the additional pension scheme and of all other retirement plans together should equate to no more than 30% of fixed and performance-related compensation.
- The beneficiary should be working within the company when he or she retires.

Ostrum AM is not in favor of the repurchase of rights as a welcome package.

➤ ***Specific example: Japan***

Ostrum AM will vote **Against** executive pension schemes or payment of a compensating bonus in lieu of a retirement plan for executives and employees if:

- Some beneficiaries are outside directors or statutory auditors.
- The company has disclosed neither the individual amount nor the aggregate amount of the payout.
- Some beneficiaries are implicated in a scandal involving the company or could be held responsible for poor financial performances that dented the company's value.

2) *Directors' compensation*

a. Directors' fees

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

We vote **For** proposals to approve the compensation of directors when the amount is not excessive and there is no evidence of abuse.

Ostrum AM will vote **Against** resolutions:

- if there is a lack of disclosure with respect to the total amount of fees;
- if they provide for stock options or similar incentives to non-executive directors of the board of directors or supervisory board.

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

b. Directors' and managers' indemnification and liability protection

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

We vote **Against** proposals to limit or entirely eliminate directors' and managers' liability for monetary damages in the event of a violation of their duty of care.

We vote **Against** indemnification proposals that would expand coverage 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.

3) *Plans for employees*

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

a. Rights issues reserved for employees

Ostrum AM will vote **For** capital issuances dedicated to 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, we will vote on a **case-by-case** basis.

b. Free share plans

Ostrum AM will vote **For** free share plans intended for a very large majority of employees to enable them to benefit from the company's results.

4) Shareholders' proposal (specific to the USA)

a. Advisory vote on Say on Pay

We will vote **For** any proposals aimed at implementing an advisory vote on executives' and non-executives' compensation.

b. Severance payments

We will vote **For** any proposal aimed at requiring prior approval from a shareholder meeting for severance payments.

Financial structure

A) Share capital increases and reductions

1) *Share capital increases without specific purpose*

General issuance requests under both authorized and conditional capital 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 recognizes pre-emptive rights and requires shareholders' approval for the revocation of such rights.

a. Capital increases with pre-emptive rights

Ostrum AM will vote **For** share capital increases with pre-emptive rights without specific purpose that do not exceed 50% of the outstanding capital.

Above this threshold, Ostrum AM will vote on a **case-by-case** basis depending on the company's situation.

b. Capital increases without pre-emptive rights

Ostrum AM will vote **For** share capital increases without pre-emptive rights and without specific purpose that do not exceed 10% of the outstanding capital, or 15% when a priority right is guaranteed.

Above this threshold, Ostrum AM will vote on a **case-by-case** basis depending on the company's situation.

c. Reserved capital increases

We will vote **Against** capital increases reserved to a specific category of shareholders.

d. Overall limits to capital increases

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

e. Creation/issuance of preferred stock

We vote **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 AM guidelines on equity issuance requests.

We vote **Against** the creation of a new class of shares that would carry superior voting rights to the common shares.

We vote **Against** the creation of blank check preferred stock unless the board clearly states that the authorization will not be used to thwart a takeover bid.

Otherwise, we vote on a **case-by-case** basis

f. Stock classes

We vote **Against** the creation or extension of multiple class stocks with voting rights.

2) Capital increases with a specific purpose

Specific stock issuance requests will be 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.

3) Capital increase through capitalization of reserves

We vote **For** proposals to capitalize the company's reserves for bonus issues of shares or to increase the par value of shares.

4) Requests to increase the company's authorized share capital (Japan)

Ostrum AM does not support resolutions seeking to increase the company's authorized share capital that do not specify the terms of the transaction, and will vote **Against** if:

- the increase equates to more than 50% of the authorized share capital before the increase and the capital increase is performed with pre-emptive rights,
- the increase is more than 10%, without pre-emptive rights,
- the capital increase is a poison pill.

5) Capital reduction

We will vote **For** proposals to reduce share capital warranted by current accounting needs, unless the conditions of such reduction are not in shareholders' best interests.

In all other circumstances, we will vote on a **case-by-case** basis.

6) Use of authorizations during a tender offer period (France)

Following the implementation of the Florange Act, Ostrum AM assesses financial authorizations that do not specify restrictions on their use during a tender offer on a **case-by-case** basis. It will assess the guarantees given by the Board on the use of these authorizations in the long-term interests of the company and to ensure the quality of corporate governance practices.

B) Operations on outstanding capital

1) Share repurchase programs

a. Share repurchase programs

We vote **For** proposals to implement share repurchase plans in which all shareholders may participate on equal terms if:

- the percentage of shares to be repurchased does not exceed 10% of issued share capital (exception: up to 15% for the UK), and the percentage of treasury shares does not exceed 10% of share capital;
-

We vote **Against** any proposal where:

- the repurchase can be used during a takeover period;
- there is clear evidence of abuse of such authorization in the past;
- the repurchase program puts the company's ability to pursue its activity in jeopardy, particularly

as a result of excessive use of its cash flow.

Ostrum AM can vote for plans to repurchase shares in excess of the 10% repurchase limit (15% for the UK) under exceptional circumstances e.g. capital restructuring. Ostrum AM will assess these resolutions on a **case-by-case** basis, taking into account the explanations presented by management, which are required to be publicly disclosed in the annual report. Ostrum AM will vote **For** such proposals if:

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

Ostrum AM believes it is preferable to give shareholders the right to vote on this type of transaction and will vote **Against** any resolution granting the board a discretionary right regarding share repurchases.

b. Use of financial derivatives for the repurchase of shares

Ostrum AM will vote **For** management proposals to use derivatives as part of a share repurchase program 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) Other operations on outstanding capital

a. Reissuance of repurchased shares

We vote **For** requests to reissue repurchased shares unless there is clear evidence of past abuse of this authority.

b. Capital reduction through cancellation of treasury shares

We vote **For** management proposals to reduce capital through the cancellation of treasury shares. This enables the company to cancel shares repurchased and reduce its capital by a corresponding amount.

c. Reverse stock splits

We vote **For** management proposals to implement a reverse stock split when the number of authorized shares will be proportionately reduced.

We vote **For** management proposals to implement a reverse stock split to avoid delisting.

We will vote on a **case-by-case** basis on management proposals to implement a reverse stock split that do not proportionately reduce the number of ordinary shares.

d. Stock splits

We vote **For** stock splits, provided that the increase in authorized shares would not result in an excessive number of shares available for issuance.

e. Adjusting par value of common stock

We vote **For** management proposals to reduce the par value of common stock.

3) Use of authorizations during a tender offer period (France)

Following the implementation of the Florange Act, Ostrum AM assesses financial authorizations that do not specify restrictions on their use during a tender offer on a **case-by-case** basis. It will assess the guarantees given by the Board on the use of these authorizations in the long-term interests of the company and to ensure the quality of the corporate governance practices.

C) Borrowing powers/debt issuance/financing plans/ affiliation agreements

1) Debt restructuring

We review 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 on board 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 severe losses in shareholder value, the main factor driving the debt restructuring?

Generally, we approve proposals that facilitate debt restructuring unless there are clear signs that they are intended for related-party transactions or other abuses.

2) Debt issuance requests

a. Issuance of convertible bonds

Ostrum AM will vote **Against** the issuance of convertible bonds if the total dilution resulting from such authorization and any other authorizations of dilution submitted during the shareholder meeting could exceed 10% of capital.

b. Issuance of non-convertible bonds

We evaluate debt issuance requests on a **case-by-case** basis with the support of the credit research team at Ostrum AM. Very high leverage may incline markets and financial analysts to downgrade the company's bond rating, increasing its investment risk in the process. Acceptable leverage can only be analyzed using a sector-based approach.

Ostrum AM 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 AM guidelines on equity issuance requests.

3) Issuance of contingent convertible bonds

Ostrum AM will vote on a **case-by-case** basis on issuance of contingent convertible bonds in the banking sector depending on the conditions of issuance.

4) Increase in borrowing powers

Proposals to approve increases in a company's borrowing powers are assessed on a **case-by-case** basis.

5) Financing plans

We generally vote **For** financing plans if they are in the best economic interests of shareholders.

6) Control and profit transfer agreements (affiliation agreements with subsidiary)

We vote **For** control and profit transfer agreements between a parent and its subsidiaries.

D) Mergers and corporate restructurings

1) Mergers and acquisitions

Ostrum AM examines on a **case-by-case** basis the voting provisions on mergers and acquisitions taking into account at least the following elements:

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

2) Corporate restructuring and spin-offs

a. 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 AM takes into consideration social and environmental criteria and their impacts on long-term shareholder value when evaluating corporate restructuring proposals.

b. Spin-offs

Ostrum AM 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.

3) Asset sales and liquidations

a. Asset sales

We vote on a **case-by-case** basis on asset sales after considering the impact on the balance sheet/working capital, the value received for the asset, and the potential diseconomies.

b. Liquidations

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

4) Appraisal rights

We vote **For** proposals to restore, or provide shareholders with, rights of appraisal.

5) Change of corporate name

We vote **For** proposals changing the corporate name.

6) *Mandatory takeover bid waivers*

Proposals to waive mandatory takeover bid requirements are evaluated on a **case-by-case** basis.

7) *Joint ventures*

We vote on a **case-by-case** basis on proposals to establish joint ventures. The criteria are: ownership percentage, financial and strategic benefits, conflicts of interest, alternatives, governance structure, possible synergies.

Business ethics & Corporate Social Responsibility

While looking at corporate growth and financial performance, the interests of all stakeholders should not be overlooked as they contribute to sustainable management and long-term growth. Stakeholders particularly include bondholders, who play an essential role in a company's long-term financing capability as well as employees, who contribute to wealth creation. Ostrum AM is convinced that factoring non-financial elements into portfolio management can improve the long-term risk/return ratio. Ostrum AM is a signatory to the United Nations Principles for Responsible Investment (PRI) ¹⁰.

A) Social and environmental issues

1) *CSR report*

From a long-term perspective, a company's growth strategy should not only include financial issues but also environmental and social aspects on a par with these matters. The company should report on its corporate social responsibility (CSR) policy on a regular basis alongside its financial performances.

Ostrum AM supports the inclusion of this type of information in the annual report and will vote **For** any shareholder resolution asking the company to establish a CSR report.

2) *Social and environmental issues*

In general, we vote on shareholders' social, political, or environmental proposals on a **case-by-case** basis, basing our analysis on the following factors:

- the positive or negative impact on the company's short-term or long-term value;
- the exposure of the company to such issues (reputational impact, risk of boycott, etc.);
- the company's ability and legitimacy in taking up the issue (vs. government responsibility);
- the responses already provided by the company to the request submitted in the proposal;
- what other companies have implemented in response to the issue;
- the sound nature of the proposal itself.

After conducting our own analysis, we systematically support any resolution that encourages the company to implement more responsible practices. In most cases we will be in favor of resolutions supporting the creation of a CSR or ethics committee, as well as proposals requiring greater transparency on environmental and social matters.

¹⁰ The PRI initiative works with an international network of signatories with the aim of applying the six principles for responsible investment. It seeks to assess the links between investment and environmental, social and governance issues, and support signatories as they include these factors in their investment and shareholding decisions. More information at <https://www.unpri.org/>

Similarly, Ostrum AM will vote for resolutions aimed at increasing the transparency of information on the main risks and uncertainties linked to climate change that companies face and/or explaining how they adapt their strategy to a 2-degree scenario.¹¹

3) Managers' and corporate officers' compensation

Refer to principle B/1/a in the chapter "Compensation system".

As a reminder: Except in unusual circumstances (accompanying measures, company's operating results, market trends, etc.), Ostrum AM will vote **Against** the allocation of stock options and performance shares to corporate officers and managers when the company has implemented a restructuring plan resulting in a significant reduction in the workforce.

4) Incorporation of environmental, social and governance (ESG) criteria in compensation policies

Ostrum AM will vote **For** shareholder resolutions calling for the integration of non-financial criteria in managers' compensation policies, unless said requests prove to be such a burden for the firm that they are not in the best interests of the company and its shareholders.

B) Business ethics

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

1) Political donations

We vote **Against** management's proposals that enable the company and its subsidiaries to make donations to political organizations.

Ostrum AM will vote **For** shareholder resolutions requesting the elimination of donations to political parties or their prior approval from shareholders.

We will also vote **For** shareholder resolutions that seek to enhance transparency on donations and payments made by the company.

2) Donations to associations or foundations

Ostrum AM will vote **For** requests for charitable donations (associations, foundations, etc.).

3) Directors' ethics

Cf. Principle B/3/c in the chapter "Control structure and balance of power".

As a reminder: Ostrum AM will vote **Against** the appointment of a director who has contravened good corporate governance practices in the past.

¹¹ In December 2010, the United Nations Framework Convention on Climate Change (UNFCCC) set a goal to keep the global temperature rise this century below 2 degrees Celsius above pre-industrial levels in order to avoid the most severe impacts of climate change.

Principles for analyzing resolutions on small and medium-sized securities

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

Small and medium-sized securities shall be understood in accordance with the definition given by the French financial markets watchdog, the AMF: all companies with a market capitalization of less than €2 billion.

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

A) Quality of the composition of the board and committees

1) *Independence of the board*

Ostrum AM recommends that at least 33.3% of the board of directors or supervisory board at mid- and small-caps should be made up of independent directors. However, Ostrum AM will vote **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 (respecting the principle of proportionality between capital held and the number of seats on the board);
- a representative of the family (respecting the principle of proportionality between capital held and the number of seats on the board).

2) *Directors - Terms of office*

Ostrum AM recommends a three-year tenure for directors, with re-election of a third of board members each time, and will vote **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.

3) *Election or re-election of directors to audit, compensation and appointment committees*

Ostrum AM recommends that a mostly independent audit committee be set up, made up of members with financial skills. However, for companies with a small board, we prefer 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.

We recommend that appointment and compensation committees be set up. For companies with a small board, transparency on the way directors are appointed and on the way their compensation is determined is strongly recommended.

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

B) Compensation and value creation for the company

1) *Compensation report*

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

For compensation where amounts (fixed + bonus) are greater than €1 million, Ostrum AM will vote **Against** the compensation report if:

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

2) *Stock option plans*

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

Ostrum AM will vote **Against** any stock option plan which:

- authorizes the issue of options at an exercise price lower than the current market price;
- gives or cedes discretionary power to allocate options to oneself;
- with performance criteria and a compensation structure that are not transparent or demanding enough;
- 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 managers, Ostrum AM will assess the absence of performance criteria included in these plans on a **case-by-case** basis. Except in the event of special circumstances (accompanying measures, company's operating results, market trends, etc.), we will vote **Against** stock option plans that are solely confined to corporate officers and/or managers when the group has implemented a restructuring plan that significantly reduces the workforce.

Ostrum AM will assess the acceptable level of dilution on a **case-by-case** basis depending on the company's profile.

3) *Requests for the allocation of free shares*

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

Ostrum AM will vote **Against** any free share allocation plan designed for managers 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 managers, Ostrum AM will assess 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 AM will support the proposed plan.

Ostrum AM will assess the acceptable level of dilution on a **case-by-case** basis depending on the company's profile.

Except in the event of special circumstances (accompanying measures, company's operating results, market trends, etc.), we will vote **Against** the allocation of free shares when they are confined to corporate officers and/or managers when the group has implemented a restructuring plan that significantly reduces the workforce.

4) Golden parachutes

Ostrum AM will examine resolutions that aim to ratify the amounts of severance pay, taking into account:

- the company's intrinsic valuation during the beneficiary's entire duration of service,
- the proportionality of payments to the beneficiary's length of service with the company and to his/her compensation.

Ostrum AM will vote **For** proposals that aim to ratify severance pay for a corporate officer if:

- the severance payment can only be made in case of forced departure (and in the absence of serious cause), or in the event of a change in control or strategy,
- the total amount of this pay, including payments due as part of the employment contract (i.e. bonus provided for under a non-compete clause), is no more than twice the corporate officer's total compensation (fixed + performance-related),
- The allocation of severance pay is linked to demanding performance criteria.

Ostrum AM will not take into account the cumulative holding of both a term as corporate officer and a work contract in its calculation when a manager has spent a large part of his/her career with the company – especially in the case of a family-run company.

C) Share capital increases and reductions

1) Share capital increases without specific purpose

Reserved capital increases for small companies are included in the threshold for capital increase requests without specific purpose and without pre-emptive rights. This allows for greater flexibility in their capital.

Ostrum AM will therefore vote **For** requests for capital increases providing for subscription rights reserved for a shareholder category, up to 15% of capital.

VI- ENGAGEMENT

1) Our vision of corporate governance

Corporate governance refers to all the systems that define how a company is managed and controlled. It is mainly concerned with addressing the issue of protecting the interests of minority shareholders in light of the asymmetry of information between these shareholders and the managers, and the divergence of their respective interests. Prevailing theory of the firm (Jensen M. and Meckling, 1976) holds that shareholders' interests are restricted to the maximization of their profit.

However, this is a fairly limited definition of corporate governance since shareholders' interests are narrowed to purely financial considerations and the maximization of profit is interpreted purely as immediate stock market and dividend gains, ignoring the interests of other stakeholders who contribute to the company's value creation. Yet a company's sustainability, which is a key pre-requisite for generating long-term profits, means striking a balance between the interests of all stakeholders and protecting the environment.

In addition to economic and financial objectives, the company's strategy must therefore include environmental and social issues, and re-internalize the economic costs inherent in the associated risks. Here, corporate governance plays a key role, ensuring that the environmental and social factors that could impact the value of a company are incorporated into the firm's systems and underlying practices.

A socially responsible system of corporate governance therefore ensures:

- the reliability of financial information and, by extension, non-financial information through effective audit and control systems,
- better control over the management of companies through a balanced distribution of supervisory and managerial powers,
- respect for shareholders' rights and the ways these rights can be exercised,
- a balance between the quest for performance and control of risks through incentive and sanction systems,
- integration of environmental and social factors into strategic planning and operating decisions.

This role is all the more crucial as poor governance practices may lead to failures in the broader systems of corporate planning and supervision, which can in turn have a harmful impact on the company's long-term growth and ultimate value. So, good corporate governance practices lead to a better appreciation of risk and reduce the cost of investment to optimize long-term value creation.

2) Ostrum AM's engagement process

We are convinced that good corporate governance leads to a clearer appreciation of risks and therefore improves the company's medium-/long-term performance, so Ostrum AM takes its fiduciary responsibility as an investor on behalf of third parties very seriously, and seeks to:

- Factor into its investment decisions all financial and non-financial factors that may affect the value of its investments,
- Encourage best corporate governance practices in the companies where it invests through its "responsible and engaged" voting policy.

Engagement is the way in which Ostrum AM carries out its role as a responsible investor to promote best corporate governance practices, and this includes defining and implementing corporate social responsibility (CSR) policies.

It is based on the principles defined in Ostrum AM's voting policy, which is regularly reviewed to incorporate the highest European standards on governance and CSR.

Dialogue is conducted during the exercise of our voting rights and focuses first and foremost on corporate governance and CSR issues that are put to the vote at shareholder meetings. The same

discussions with companies are also an opportunity to address CSR issues identified by our analysts and portfolio managers as part of their analysis of corporate practices. Ostrum AM also conducts several engagement initiatives beyond its voting policy, such as:

- **participation in financial market and public initiatives and consultations**, which aim to develop market standards and promote responsible asset management;
- **dialogue and engagement with companies** in order to: i) gain a better understanding and ii) encourage them to improve their ESG practices. Our portfolio managers engage in this dialogue during meetings and conference calls with management at the companies analyzed.

3) Engagement applied in our voting policy

The themes of our engagement process cover the six major principles defined in our voting policy, which reflect the main corporate governance issues identified by Ostrum AM's portfolio management team.

➤ Theme I: Financial and non-financial information, internal control and risk management

The integrity and reliability of financial and non-financial information are essential for the efficient running of the markets, while a sound risk control and management system helps bolster corporate governance and make it more effective. Poor risk management can have a significant impact on corporate performances and is therefore a major risk for shareholders and creditors. So companies must apply a full range of procedures and take all necessary measures to improve the quality of information published, while also taking the necessary steps to prevent operating, regulatory, legal and reputational risks.

Through our engagement on this theme, we seek to improve the transparency of financial and non-financial information disclosed to the financial markets and shareholders.

➤ Theme II: Control structures and balance of power

The board of directors plays a central role in "guiding strategy and effectively supervising the company's management". Its primary task is to represent the interests of the company, its shareholders and stakeholders, and promote long-term value creation for the company.

It is also the forum for debate for all strategic decisions and therefore the only body qualified to address the environmental and social issues that could impact the implementation of the company's strategy and hence its long-term performance.

The quality of the governance structure and the composition of the board are accordingly two key factors in any sound system of corporate governance.

Through our engagement on this theme we seek to encourage:

- a balance of power between management and control bodies,
- the implementation of an appointment process that ensures the board has appropriate expertise, skills and diversity,
- the independence and complementary abilities of board and committee members,
- the inclusion of corporate social responsibility issues in the company's core strategy.

➤ Theme III: Compensation

The system for compensating senior managers can influence both a company's strategic direction and the risks taken by its senior managers. It is also a way for the board to motivate and incentivize management to prioritize sustainable performance. Consequently, compensation mechanisms must be linked to the company's financial and non-financial performances and reflect long-term value creation for shareholders and stakeholders. It is also of prime importance that performance criteria be transparent, relevant and measurable.

Through our engagement on this theme we seek to encourage:

- transparent compensation policies and systems,
- transparent financial incentive arrangements that are consistent with creating value for the company,
- the integration of environmental and social/societal issues into compensation policies.

➤ **Theme IV: Corporate social responsibility**

We believe that corporate social responsibility (CSR) has an important role to play in bringing about the changes necessary to build a sustainable model of development.

Through our engagement on this theme we seek:

- to incorporate environmental and social issues into the company's strategy and investment decisions,
- to respect human rights at work,
- to include environmental and social issues in compensation policy,
- to instill respect for business ethics.

4) The scope of our engagement process

The scope of our engagement is mainly confined to the "core" securities in the voting universe.

"Core" securities are those where Ostrum AM holds relatively substantial positions in the funds that it manages. These stocks are redefined each year based on changes to portfolios.

5) The engagement process as part of the exercise of voting rights

Ostrum AM's engagement is expressed throughout the voting season via a multi-stage process:

➤ **Stage 1: Contact**

Before the voting season gets under way, Ostrum AM reviews the principles underlying its voting policy and incorporates recent changes to regulations and corporate governance practices.

The voting policy is then sent to the companies of the core universe to encourage them to plan ahead for the engagement process and open a dialogue in advance on the resolutions to be put to vote during shareholder meetings.

➤ **Stage 2: Dialogue & engagement**

Prior to the exercise of voting rights, the Governance research team, in coordination with our analysts/portfolio managers, contacts the companies for which "actions to take" have been identified.

Contact can be made via conference calls, emails or face-to-face meetings.

The aim of this dialogue is to discuss with the companies the engagement topics that have been identified, and urge them to adopt practices more in line with the good governance and CSR principles defined in our voting policy.

➤ **Stage 3: Results of our engagement process**

At the end of the dialogue and engagement process, a voting committee takes the voting decisions and also decides on any potential further steps required based on the company's responses:

- if satisfactory => end of the engagement process;
- if unsatisfactory => vote **Against** certain resolutions and/or continue engagement efforts and/or change the ESG opinion on the stock.

Companies are informed of the voting committee's decisions, particularly as regards the various resolutions discussed under the engagement process, either by email or by conference call.

➤ **Stage 4: Reporting**

Ostrum AM publishes an annual report on voting rights, including a chapter on engagement actions it has taken. This report is posted on the investment manager's website and is available to unitholders on request.

VII-PROCEDURES FOR IDENTIFICATION, PREVENTION AND MANAGEMENT OF CONFLICTS OF INTEREST

In compliance with the French financial markets authority's (*Autorité des Marchés Financiers*) General Regulation, Ostrum AM has implemented a program to detect conflicts of interest that may arise in the course of its activities.

The Compliance department at Ostrum AM has mapped potential conflicts of interest, outlining situations that could lead to a conflict of interests or that involve a risk that the interests of one or several clients could be affected. This mapping is reviewed on a yearly basis to take on board the development of our business and any changes in regulation.

As an asset management company that operates within the broader Natixis universe, Ostrum AM conducts its investment management operations independently from other group entities via the application of Chinese wall principles.

Staff at Ostrum Asset Management must not take part in any transaction that could put them in a situation of conflict of interest, in accordance with the company's in-house policies. Otherwise, they must inform Compliance and their line manager in order to prevent and manage this risk. Ostrum AM's company policies also outline the personal transactions that staff must declare.

Additionally, 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.

Once a year, the company carries out an assessment to exclude voting on:

- Listed companies that are also Ostrum AM clients,
- Listed companies where a staff member involved in managing Ostrum AM is identified in management bodies.

Additionally:

- If a conflict of interest should arise between Ostrum AM and one of its clients, the Head of Compliance, Internal Control and Risks, in coordination with the Voting Committee, would rule on what steps to take.
- If a member of the team involved in the exercise of voting rights has a conflict of interest on a vote, s/he should immediately notify the voting committee, the Head of Compliance, Internal Control and Risks and take no part in the exercise of the vote concerned.

If exercising its voting right for a given company exposes Ostrum AM to a significant conflict of interest, the Ostrum AM voting committee will refer the matter to the Head of Compliance, who will decide on the appropriate measures, including the advisability of taking part in the company's shareholder meeting.

VIII- APPENDIX 1 – OSTRUM AM CLASSIFICATION OF DIRECTORS

Executive Director

- An employee or executive of the company.
- Any director who is classified as a non-executive but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid managers of the company.

➤ ***Non-independent Non-executive Director (NED)***

- 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 organization representative whose role and/or composition presents substantial risks of conflicts of interest.
- Any director (or one of his/her relatives¹) 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 test²).
- Any director who has conflicting cross-directorships with executive directors or the chairman of the company.
- Any director who is a relative of a current employee of the company or its affiliates.
- Any director who is 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 recommended best practice in the market in question:

- 9 years (from the date of election) in the United Kingdom and 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 connection³, 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).

➤ **Definition of independence for directors and statutory auditors of Japanese companies**

Concerning Japanese companies, only the criteria below will be taken into account when assessing the independence of directors and statutory auditors. Outside directors and statutory auditors cannot be considered independent in the following cases:

- Persons employed or formerly employed by one of the company's majority shareholders;
- Persons employed or formerly employed by one of the company's main creditors;
- Persons employed or formerly employed by one of the company's main advising banks;
- Persons employed or formerly employed by one of the company's major trading partners (i.e. transactions in material amounts for one party or another);
- Partners and former partners of the company's auditors;
- Persons providing or having provided services (legal, financial, and tax advisory services, consulting, etc.) to the company;
- Persons with close family ties to a company employee.

Notes:

1 "Relative" follows the SEC definition of "immediate family members," which covers: spouses, parents, children, siblings, in-laws, and anyone sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

2 If the company makes or receives annual payments exceeding the greater of either \$200,000 or 5% of the recipient's gross revenues (the recipient is the party receiving the financial proceeds from the transaction.)

3 For the purposes of Ostrum AM's independent director classification, "material" will be defined as a standard relationship (financial, personal, or otherwise) that a reasonable person might conclude could potentially influence the objectivity of the person in question in the boardroom in a manner that would have a material impact on an individual's ability to satisfy the fiduciary standards required from shareholders.

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OSTRUM ASSET MANAGEMENT

Limited company with a share capital of 27 772 359 euros

Asset management company regulated by AMF under n° GP-18000014

Trade register n°525 192 753 Paris

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ADDITIONAL NOTES**Ostrum Asset Management**

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

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

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Ostrum Asset Management

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