



FUNDING YOUR
TOMORROW

2019 REPORT ON EXERCISE OF VOTING RIGHTS

For all investors, including retail investors as described by MiFID



An affiliate of:





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1. OVERALL FRAMEWORK

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

1.1. VOTING POLICY

Ostrum¹ set out a voting policy in 1998 stipulating its guiding principles when exercising voting rights at shareholder meetings. These principles set out in the policy aim to define the framework for independently analyzing resolutions submitted on the one hand, and exercising voting rights in an informed manner and solely in the interest of our unit-holders on the other. We revise these principles on a yearly basis to take account of changes in regulation and corporate governance practices throughout the year.

[>> View the voting policy here](#)

1.2. OSTRUM'S VOTING PROCESS SET-UP

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

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

1.3. BREAKDOWN OF VOTES AT SHAREHOLDER MEETINGS

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

[> View the platform](#)

¹ Ostrum Asset Management (Ostrum) 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)

2. OVERVIEW OF OSTRUM'S EXERCISE OF VOTING RIGHTS

2.1.VOTING SCOPE IN 2019

Ostrum exercised its voting rights as shareholder of securities in the UCITS² and AIF³ it manages and where it holds voting rights, in accordance with AMF regulations on asset management companies' exercise of voting rights (article 319-22 of the General Regulation) and in line with the principles outlined in its voting policy.

The voting scope in 2019 covered **636** securities held across **38** UCITS and AIF managed by Ostrum.

737 shareholder meetings were held on this scope in 2019 and Ostrum exercised its voting rights during 729 of them, i.e. 98.9% of meetings.

At the 8 remaining shareholder meetings, Ostrum did not exercise its voting rights as a result of technical or administrative problems (migration of funds in proxy systems, validity of power of attorney, etc.).

Breakdown of votes by geographical region		
	No. Of Shareholder meetings	As %
Europe	601	82%
America	58	8%
Asia	43	6%
Africa	4	1%
Oceania	23	3%
Total	729	100%

² Undertakings for Collective Investment Schemes in Transferable Securities

³ Alternative investment fund

2.2.OVERALL STATISTICS

Of the 729 confirmed shareholder meetings where we voted, Ostrum expressed its opinion on 10,692 resolutions.

Breakdown of votes by geographical region		
	No. of Resolutions	As %
Europe	9401	87.9%
America	652	6.1%
Asia	397	3.7%
Africa	75	0.7%
Oceania	167	1.6%
Total	10692	100%

Out of the 10,692 resolutions:

- Ostrum voted for 8,273 resolutions, or 77%;
- Ostrum voted against 1,993 resolutions, or 19%;
- Ostrum abstained from voting on 426 resolutions, or 4%;

Ostrum voted for 114 of the 211 resolutions put forward by shareholders, or 54%.

Ostrum cast at least one against vote per meeting during 540 shareholder meetings, or 74% of shareholder meetings where it voted.

Breakdown of votes by geographical region							
	For	As %	Against	As %	Abstention	As %	Resolutions
Europe	7304	77.7%	1737	18.5%	360	3.8%	9401
America	472	72.4%	114	17.5%	66	10.1%	652
Asia	305	76.8%	92	23.2%			397
Africa	58	77.3%	17	22.7%			75
Oceania	134	80.2%	33	19.8%			167
Total	8273	77.4%	1993	18.6%	426	4.0%	10692

However, there was a divergence in our percentage of against/abstention votes⁴ depending on geographical region, ranging from 19.8% for Oceania to 27.1% for America. On the European markets, we voted against 22.3% of resolutions open to vote.

These differences can be attributed to several factors including:

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

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

⁴ Number of Abstain votes and Against Votes as a percentage of total votes

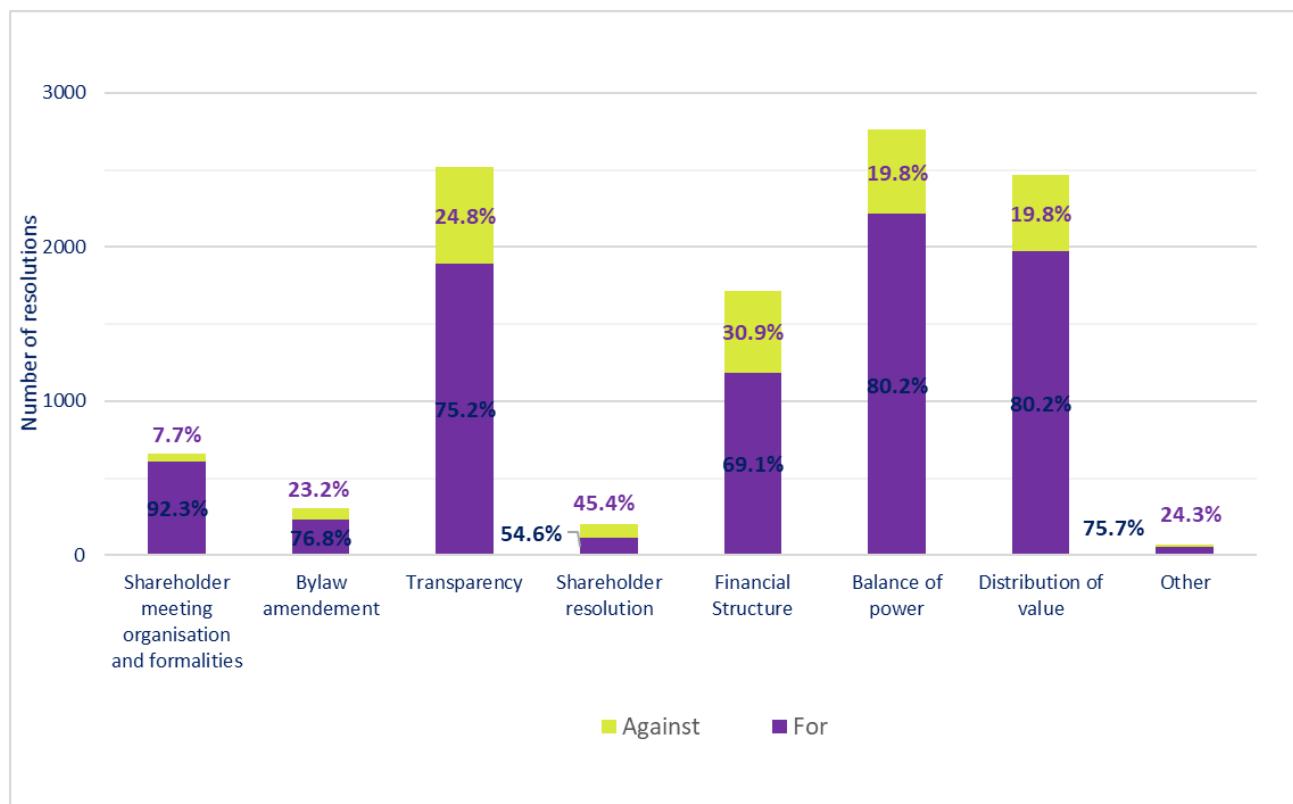
2.3.BREAKDOWN OF RESULTS BY GEOGRAPHICAL AREA

2.3.1 All geographical areas

Our against/abstention rate came to 23% for all geographical areas and all resolution categories taken together.

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

Chart 1: Breakdown of votes across all geographical areas



Resolutions on the balance of power, particularly the election of new directors: our votes against/abstentions were a moderate 19.8%.

On questions of **transparency**, which is the cornerstone of responsible governance, we continued to vote against/abstain on one out of five resolutions (24.8%). This category consists of resolutions on approval of accounts and financial discharge as well as the appointment of statutory auditors.

Votes on the **distribution of value** this year saw a clear deterioration, as we voted against/abstained on 19.8% of resolutions. However, votes vary considerably with an opposition rate of 18.3% in Europe and a much higher figure of 52.6% for the Americas region.

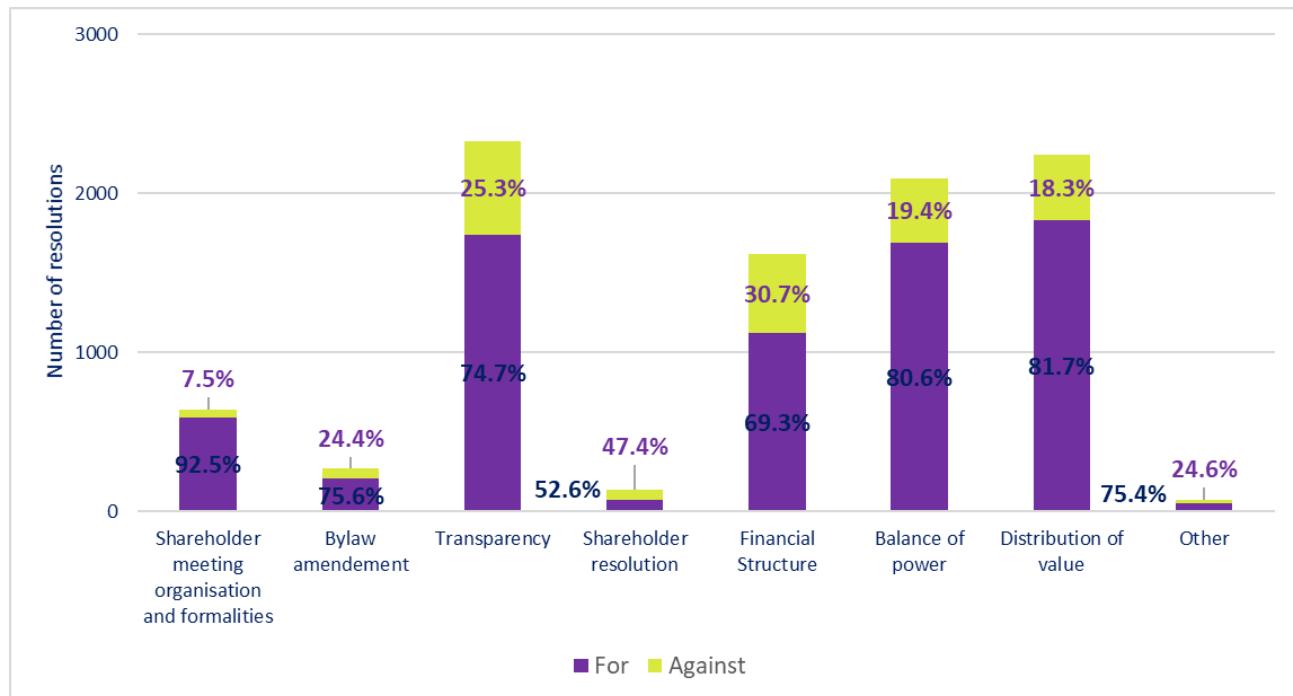
We voted against/abstained on 45.4% of **shareholder resolutions**, reflecting Ostrum's demanding requirements on the contents of these resolutions, as well as their transparency and potential impact for the company.

Overall, we again voted against a high number of resolutions, pointing to companies' considerable room for improvement on the key aspects of corporate governance.

An analysis of our votes for each subject and by geographical area below (see 2.4) reflects our diverging approaches from one market to another.

2.3.2 Europe

Chart 2: Breakdown of votes in Europe



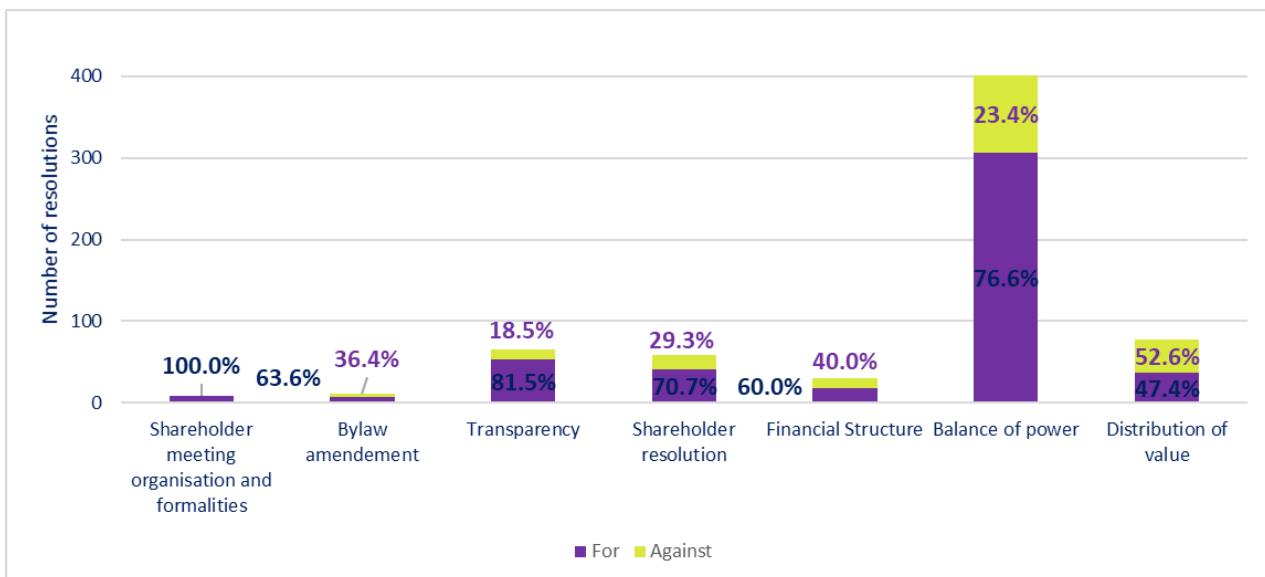
Europe remained the largest area in our voting scope, accounting for 87.9% of resolutions we voted on in our investment universe worldwide. Three countries – France, Germany and the UK – accounted for more than half of the resolutions voted, thereby leading to a hefty market-specific slant in the type of themes covered in the resolutions voted.

Questions of financial structure and financial transparency met with high levels of opposition, in line with the requirements of our voting policy.

Issues of balance of power and distribution of value saw lower levels of opposition, reflecting European companies' greater efforts to take on board better governance practices and tighter regulations.

2.3.3 Americas

Chart 3: Breakdown of votes in Americas



Looking now to the Americas region, the US market accounted for most of our votes for this region. The US market's preponderance can be seen on compensation and we voted against or abstained on a particularly high number of proposals. This is primarily attributable to tougher requirements on executive compensation in order to align with the European market, particularly in terms of:

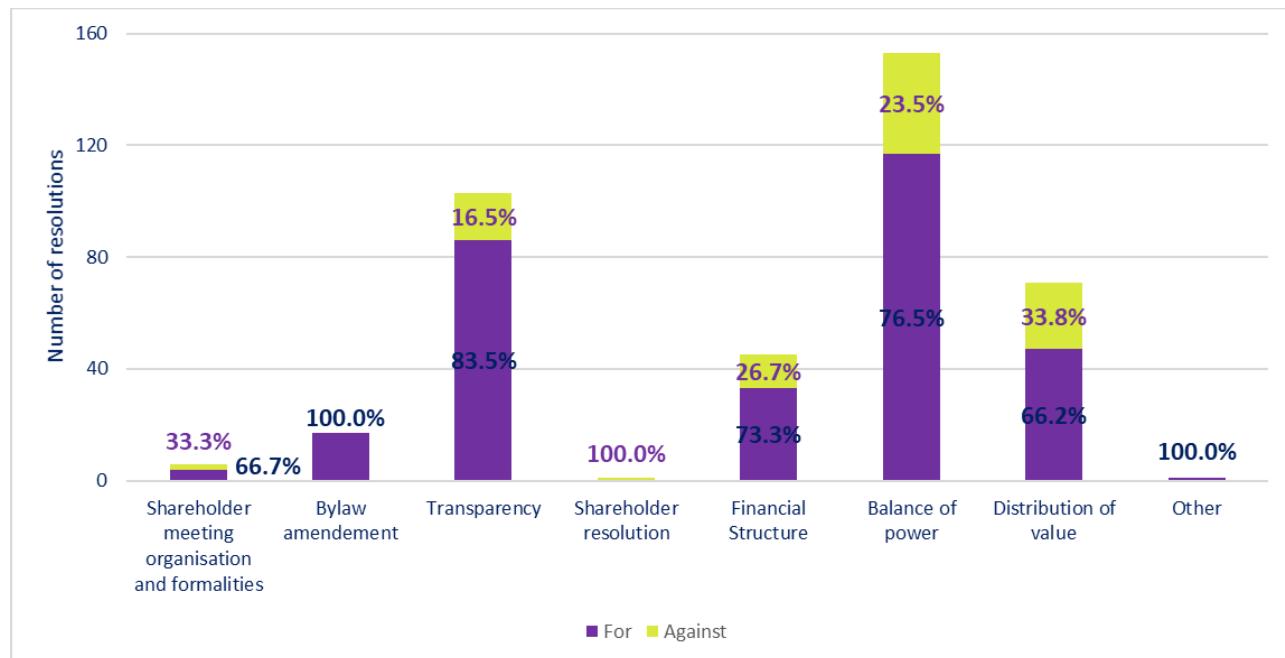
- post-mandate incentives: we voted against termination packages if they can exceed two years' salary;
- long-term plans: we voted against if they were not entirely performance-related or if they were fully share price-dependent;
- exceptional compensation: we voted against golden parachutes and unwarranted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

We therefore voted against/abstained on a very substantial more than 48% of resolutions on say on pay.

The issue of the election of directors was the most prevalent resolution on shareholder meeting agendas (Balance of power). This is due to the fact that a lot of US and Canadian companies put renewal of the entire board to the vote each year. The issue of board independence remains a key challenge on the US market, and Ostrum put in an against vote or abstained on the appointment or renewal of directors' terms in 23.4% of situations. In the absence of a national standard in the US on director classification and board independence, companies' assessments of these features are very varied and several directors present conflicts of interest (particularly from a commercial standpoint) or have been on the board for more than 12 years.

2.3.4 Asia

Chart 4: Breakdown of votes in Asia

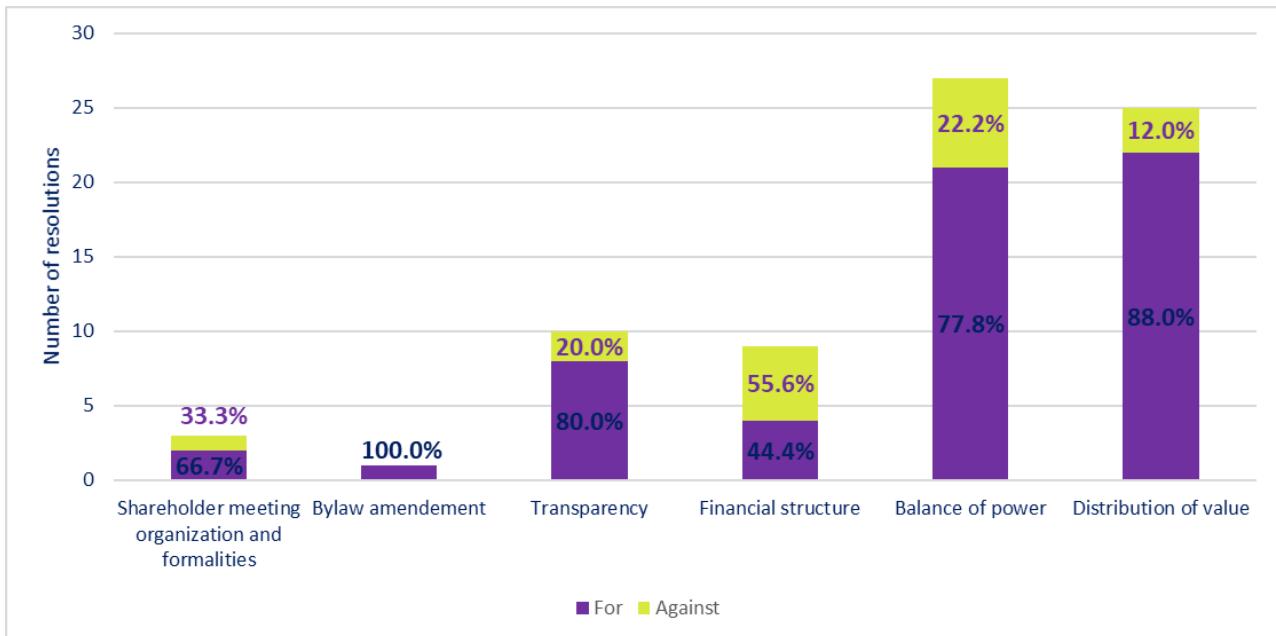


In Asia, the voting universe was more diverse than in previous years, with China and India playing a larger role in our voting (42% of total votes).

Most resolutions submitted to vote in this region involved director elections, and our total degree of against votes and abstentions drastically decreased, reflecting efforts from Asian companies and regulators to better align governance practices with international standards.

2.3.5 Africa

Chart 5: Breakdown of votes in Africa



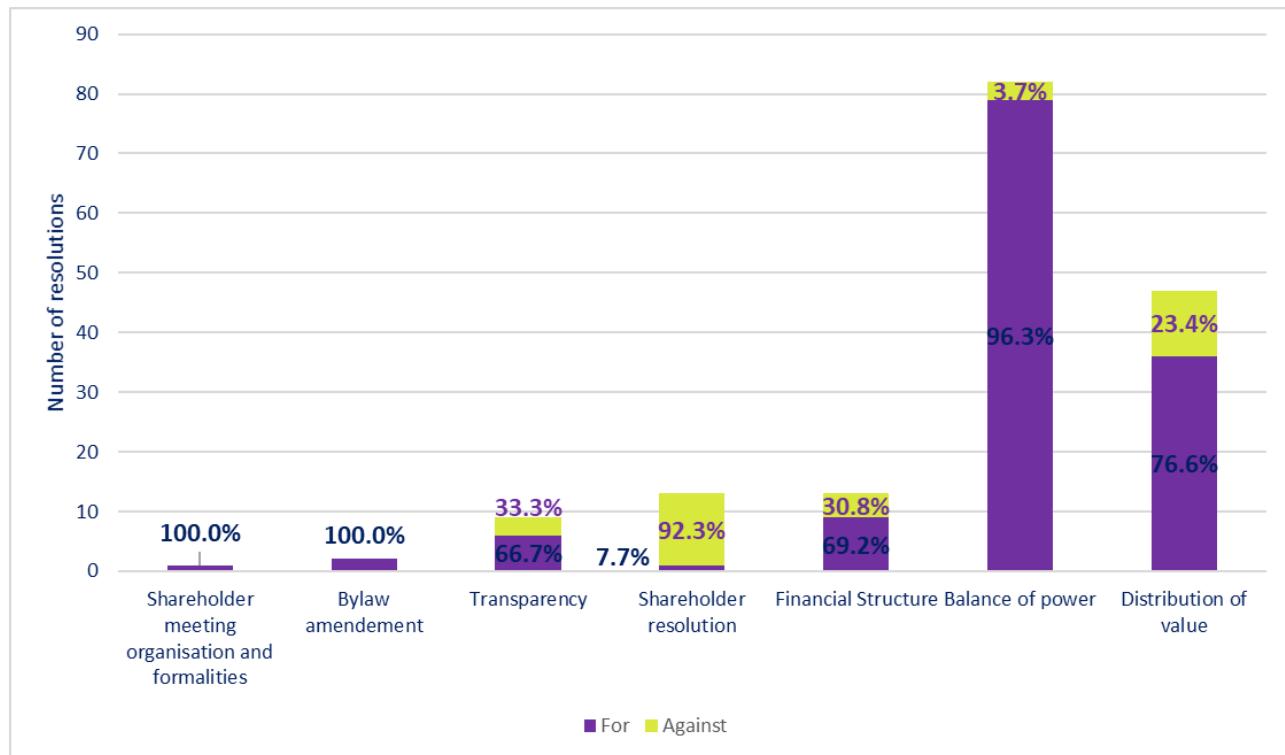
In Africa, our votes focused on two countries only i.e. South Africa and Kenya.

The large majority of against votes and abstentions was in South Africa, and our exacting approach on capital transactions is reflected in our very strong opposition on the Financial Structure category (55%). This degree of opposition can also be attributed to the divergence between African standards and Ostrum's standards, as we take on board best governance practices.

We also note that distribution of value and compensation issues are less problematic in the Africa region than the rest of the world with only 12% opposition.

2.3.6 Oceania

Chart 6: Breakdown of votes in Oceania

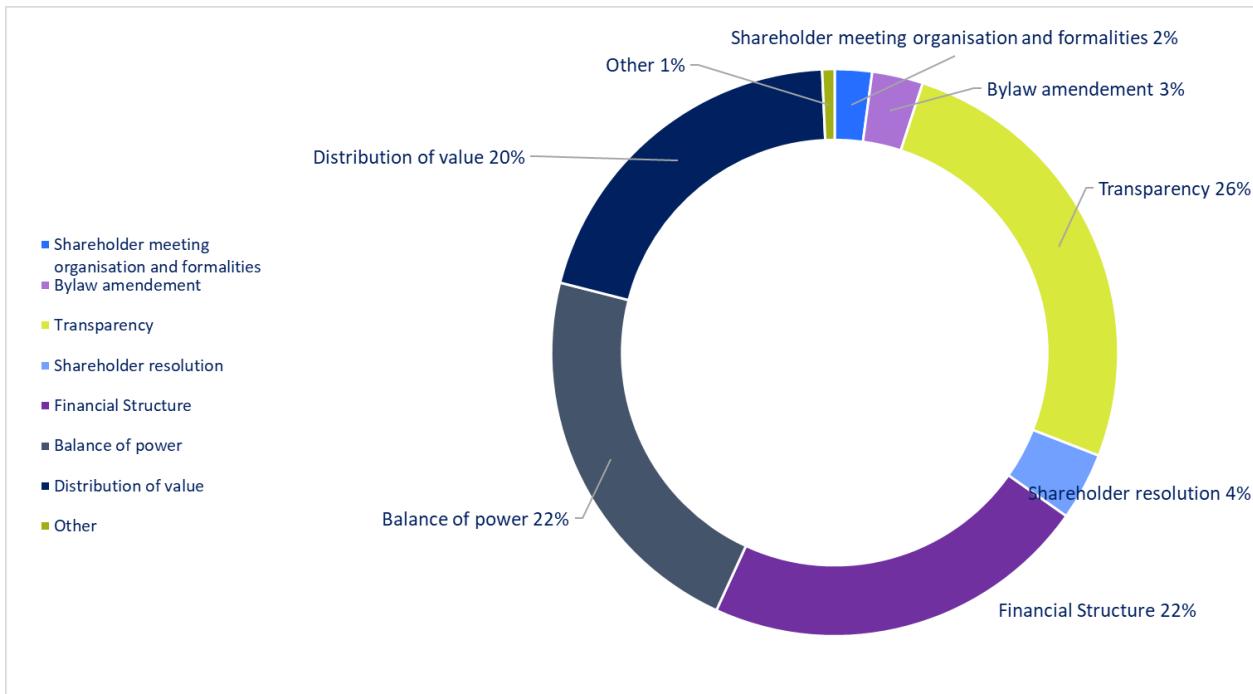


In the Oceania region, our votes were entirely related to Australian stocks where the make-up of governance bodies fits perfectly with Ostrum's policy. Our against and abstain votes on this theme were very low at 3.7%, which is very far from the overall figure (19.8%).

The high degree of against or abstain votes on shareholder resolutions can be primarily attributed to the rejection of several resolutions on governance aspects.

2.4. ANALYSIS OF FACTORS FOR OPPOSITION VOTES

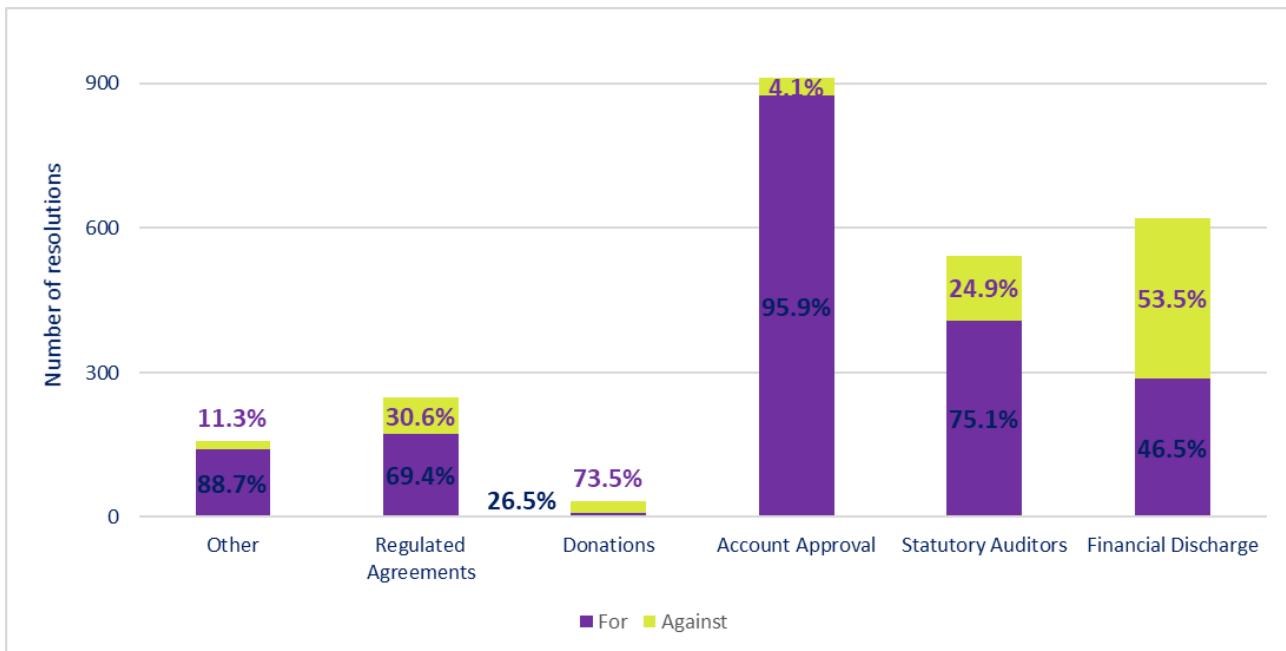
The breakdown of our negative votes across all resolutions submitted to shareholder vote is as follows:



2.4.1 Financial and non-financial transparency

Issues of transparency accounted for 26% of our against votes and abstentions.

Chart 7: Breakdown of votes on Transparency



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

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

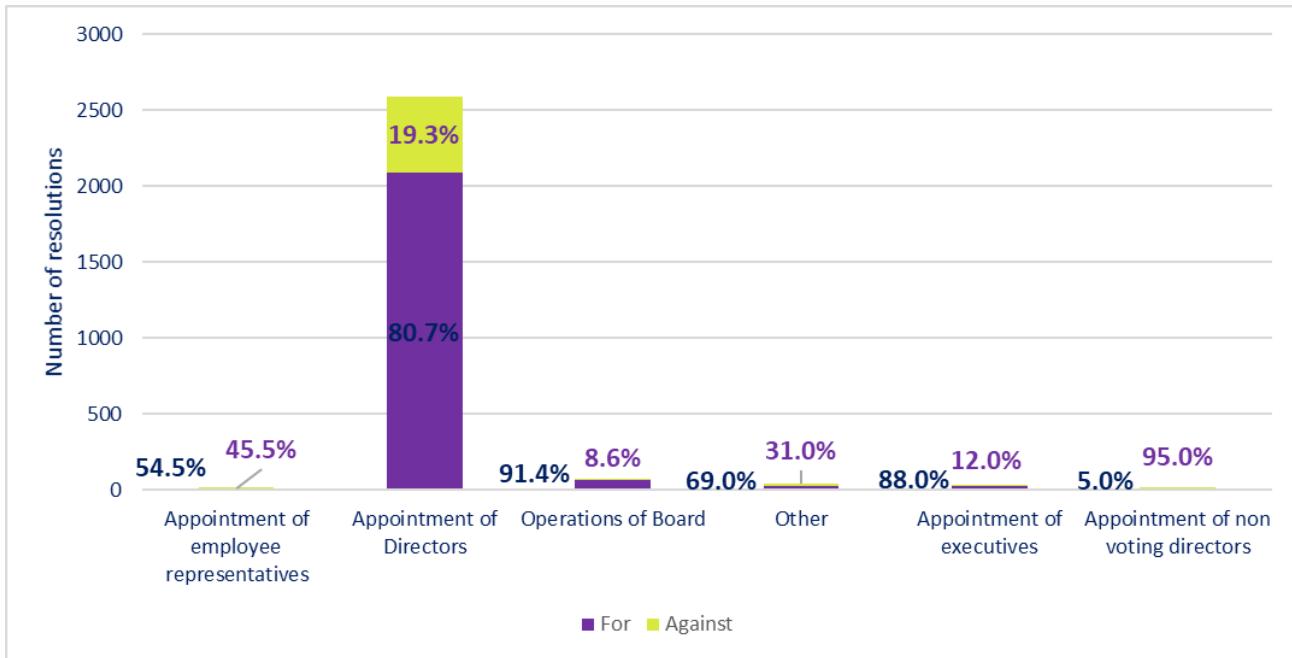
Our against votes and abstentions on auditors' appointment and compensation mostly involved situations where there was a doubt over auditors' independence as fees paid for non-audit related tasks were the equivalent of more than 50% of the amount of fees paid for audits. To a very small extent, this category also involved Japanese companies that proposed the appointment of non-independent auditors.

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

2.4.2 Balance of power

Resolutions on the balance of power accounted for 23% of our against votes and abstentions.

Chart 8: Breakdown of votes on Balance of Power



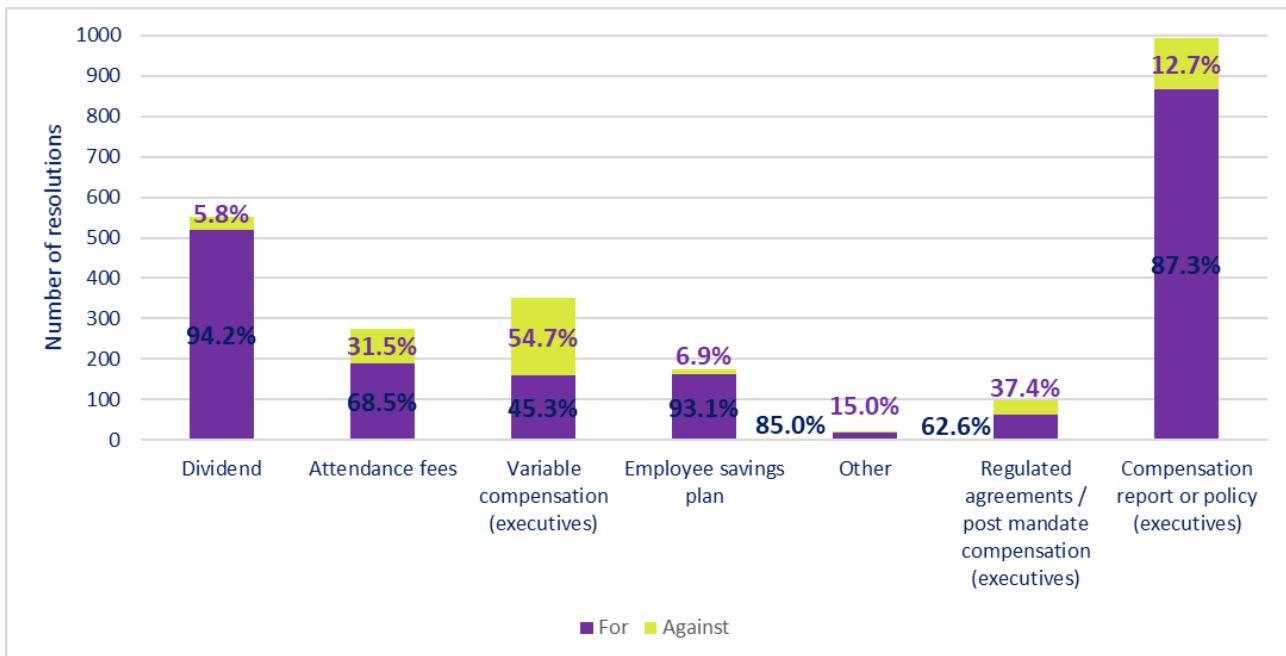
Resolutions on director elections accounted for almost all the resolutions in this category. However, we voted against or abstained on a relatively low number of total resolutions at 19.3%, with most votes on the European markets, where practices tend to align with good governance standards.

This year we approved the appointment of a minority number of non-voting directors proposed for vote (5%). This is only possible when it is temporary, exceptional or justified, and when we believe that the board is sufficiently independent as compared to our expectations.

2.4.3 Distribution of value

Compensation accounted for close to 20% of our against votes and abstentions overall.

Chart 9: Breakdown of votes on Distribution of value



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

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

Opposition in this area came to 12.7%, while the number of resolutions put to vote was stable. Some companies ran into difficulties establishing first-time compensation policies that fit with Ostrum's requirements in this area. It is worth highlighting regulatory changes – particularly in France – that allow for shareholders to better take on board compensation-related matters.

We voted against/abstained on 54.7% of variable compensation resolutions put to separate vote. Variable compensation is increasingly being put to vote in separate resolutions. The deterioration in performance-related compensation plans was clear in 2019.

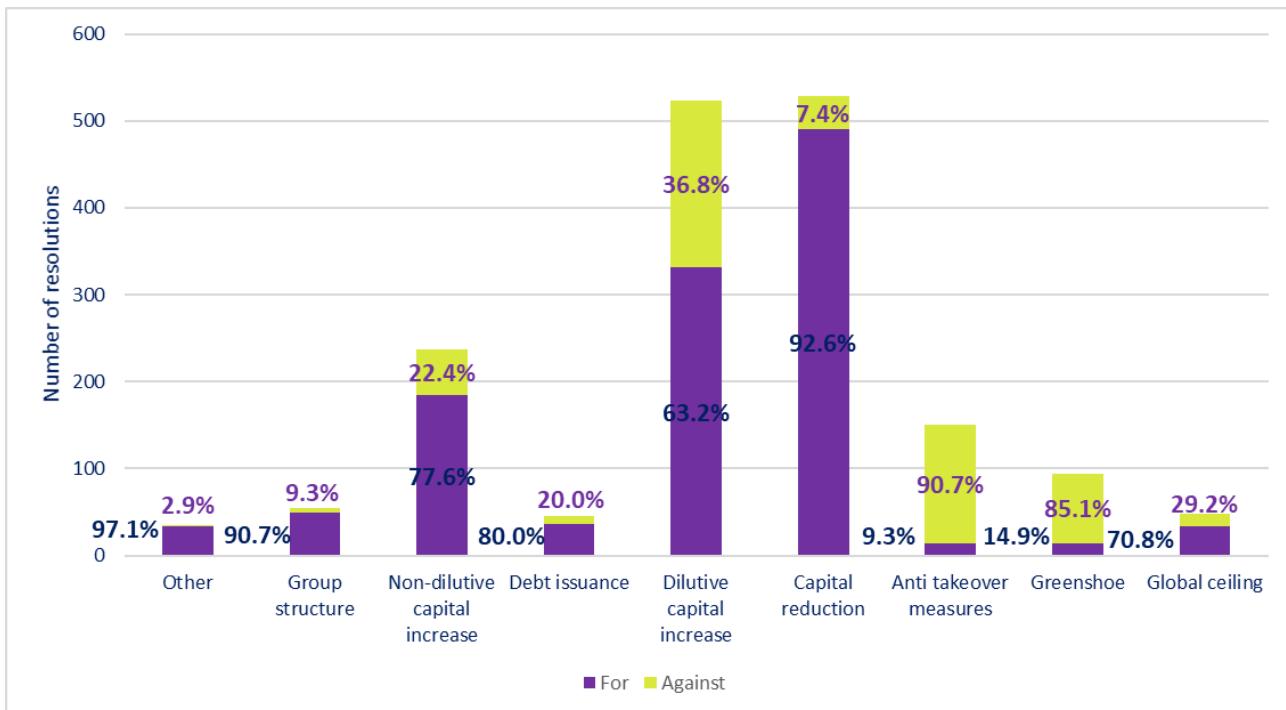
Looking to attendance fees, Ostrum systematically opposed director compensation consisting of variable financial instruments indexed to the company's share performance, as the alignment of directors' interests on the share price creates a potential risk of conflict of interest in exercising their role.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

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

2.4.4 Financial structure

Resolutions on companies' financial structure made up 22% of our against votes and abstentions overall.

Chart 10: Breakdown of votes on Financial structure



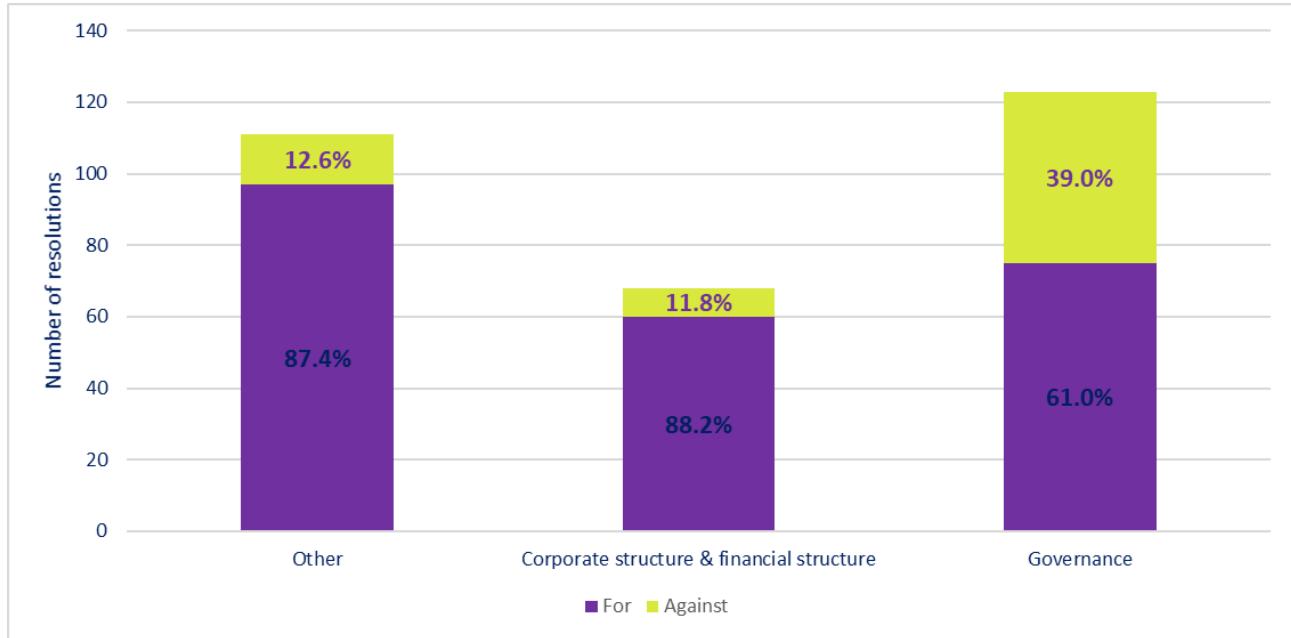
Around one third of votes on dilutive or one quarter on non-dilutive capital increases were against or abstentions. The main reason for our against votes was when the thresholds set out in Ostrum's voting policies were exceeded. The consistency of our percentage of against votes and abstentions in this category over the years shows that corporate practices have failed to change significantly.

We also voted against a significant number of financial authorizations (90.7%) as they can be used as anti-takeover measures. Resolutions on these issues are very specific to the European markets. Ostrum took a fairly pragmatic approach on this matter, with our against votes reflecting the fact that the governance structure often did not provide sufficient guarantees that these set-ups would be used in the company's long-term interests.

2.4.5 Bylaw amendments

Bylaw amendments accounted for 3% of our against votes and abstentions and primarily involved issues of governance.

Chart 11: Breakdown of votes on Bylaw amendments



Overall resolutions putting forward changes in bylaws affecting governance were the main source of our opposition. We staged much less opposition to proposals for bylaw amendments on the financial structure and other issues.

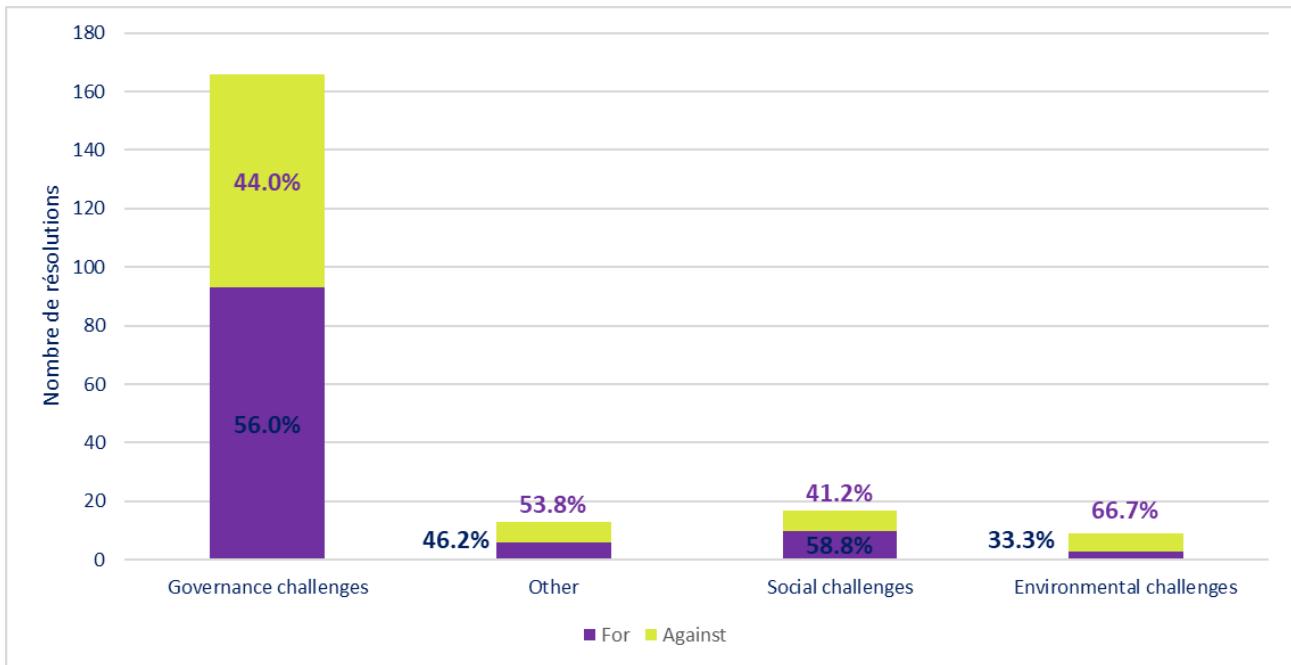
The UK still saw fairly extensive levels of opposition on bylaw amendments put to the vote. Resolutions put to vote mostly aimed to reduce the timeframe for calling an extraordinary shareholder meeting: in light of the importance of the subjects submitted to this type of shareholder meeting, we believe that the suggested timeframes are too short to guarantee an insightful analysis of the resolutions tabled.

2.4.6 Shareholder resolutions

Shareholder resolutions accounted for 4% of our total against votes and abstentions, and primarily involved matters of governance.

The US market accounted for most of shareholder resolutions submitted to vote, but Italy was also particularly active in this respect.

Chart 12: Breakdown of votes on Shareholder resolutions



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

Our against votes and abstentions on social challenges were particularly on resolutions that were either too specific or too vague, and deemed to run contrary to the company's long-term interests. There was again a large number of resolutions aimed at providing greater transparency on companies' lobbying policies and Ostrum supported a number of them.

We also note the increasing number of resolutions on reducing the gender wage gap and diversity in governance bodies.

In Italy, shareholder resolutions focused mostly on the election of directors. The "voting by list" system in force in Italy since 2005 allows both majority and minority shareholders to put forward director lists for post openings on the board. Ostrum's policy is to support the list put forward by minority shareholders to ensure their representation on the board, thereby leading to our opposition to the list proposed by majority shareholders and explaining our high degree of opposition. This system had previously been set up to ensure independent shareholder representation on the boards of state-controlled companies, but it is not necessarily relevant today as these companies are mostly no longer held by a controlling shareholder.

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

We encountered an exceptional situation in 2019 as regards Theraclion (French small-cap) and resolutions on private placements. One of our portfolios had taken part in a capital increase via private placement, so we supported these resolutions, contrary to our voting policy.

In light of this event, we revised our voting policy to take on board the specific features of equity financing for very small caps, in order to allow for greater flexibility on very small caps. However, we maintain our general rule to vote against private placements in order to ensure the greatest possible balance between shareholders.

2.6.CONFLICTS OF INTEREST

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

Furthermore, for the exercise of voting rights in 2019, Ostrum did not take part in the Arkema shareholder meeting, as the CEO of BPCE is a member of the board of directors. Similarly, Ostrum did not attend CNP Assurance's shareholder meeting, as it is one of its major clients.

ADDITIONAL NOTES

Ostrum Asset Management

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

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