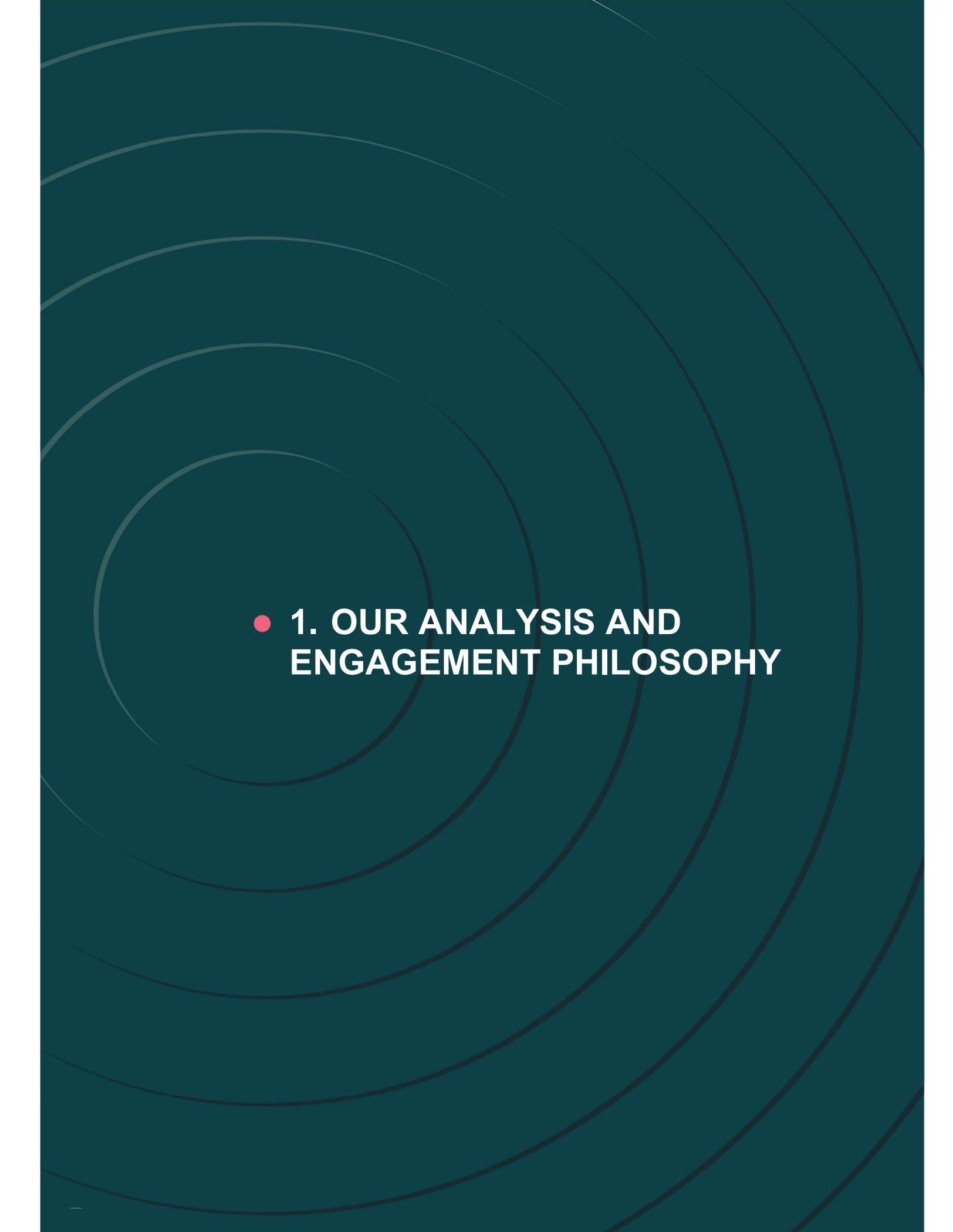


• **2021 VOTING POLICY**

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- **1. OUR ANALYSIS AND ENGAGEMENT PHILOSOPHY**

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

This policy is also part of Ostrum Asset Management's broader engagement practices as it pursues shareholder engagement, dialogues with issuers and contributes to collaborative engagement initiatives.

As of 2021, Ostrum Asset Management has decided to identify the main themes and areas in our assessment of companies' CSR (corporate social responsibility) policies and raise companies' awareness on their importance for us in our analysis.

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

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

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

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

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

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

Engagement and voting are closely connected in equity portfolio management. Some of the areas set out in the policy also feature in the voting policy.

Our voting policy therefore does not reduce shareholders' interests to solely financial considerations.

We firmly believe that companies can only create value over the long term if they support all stakeholders' interests as well as the environment.

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Ostrum Asset Management therefore pays particular attention to:



### GOVERNANCE

Strict compliance with shareholders' rights by promoting representative governance that ensures a balance of powers;



### INFORMATION TRANSPARENCY

Sufficiently relevant and detailed information disclosed publicly to ensure that risks and opportunities can be ascertained, particularly as regards environmental, social and governance aspects;



### ALIGNMENT OF INTERESTS

Pursuit of balance between the interests of all stakeholders and environmental protection.

## 1.1. APPLYING THE HIGHEST GOVERNANCE STANDARDS

In its role as an asset manager, Ostrum Asset Management seeks to enhance governance structures via its engagement efforts.

Strong governance safeguards the interests of the company's stakeholders and allows for a clearer appreciation of financial, social and environmental risks and opportunities. A solid governance structure affords a company additional scope to enhance its medium- to long-term performances.

Ostrum Asset Management particularly seeks to promote the following aspects as it fosters effective governance:

- Quality and diversity of the board of directors, with a focus on each director's skills and the effectiveness of supervision for management;
- Compensation for management and directors that is attractive while preserving social cohesion in the company.

## 1.2. ENGAGING IN DIALOGUE TO BETTER INCORPORATE ESG DIMENSIONS

Dialogue with companies offers an opportunity to address the CSR challenges identified by our analysts and portfolio managers as part of their analysis of corporate practices.

The various aspects are submitted and discussed, and we systematically monitor progress to assess each company's commitment.

This dialogue is part of our broader efforts to exercise our voting rights and primarily focuses on each company's sustainability and long-term performance.

The voting process at shareholder meetings is a central plank in Ostrum Asset Management's engagement policy and is crucial to communicating our stance with issuers. It is a powerful illustration of our philosophy "Enhancing your power to act".

Ostrum Asset Management also pursues a number of engagement initiatives in addition to its voting policy, with the following approaches:

- participation in market-wide initiatives and public consultations or initiatives with a view to co-developing standards and promoting responsible asset management;
- dialogue and engagement with companies in order to gain a better understanding of their challenges and encourage them to improve their ESG practices.

## 1.3. OPEN AND PROACTIVE COMMUNICATION

Ostrum Asset Management incites issuers to adopt more transparent disclosure practices beyond their legal obligations.

It is crucial that companies provide investors with transparent, exhaustive and reliable reporting covering financial, social, environmental and governance aspects that should be incorporated into the annual report.

With this in mind, Ostrum Asset Management may disclose its voting intentions ahead of shareholder meetings.

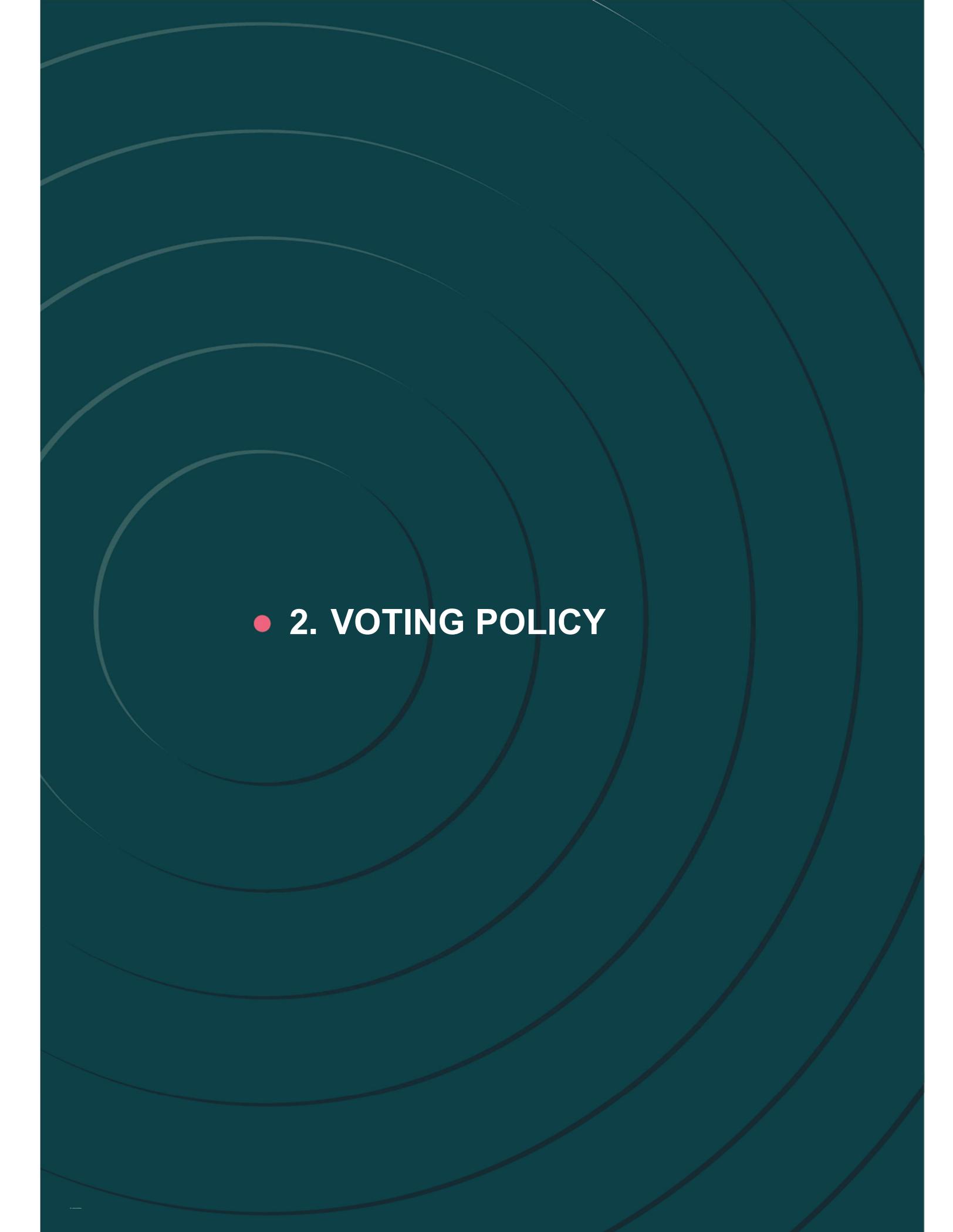
Depending on the substance of discussions with the company, we may then change our initial voting intentions. These changes along with the reasons explaining them are listed in an inhouse document.

## 1.4. A DIFFERENTIATED APPROACH

Ostrum Asset Management requires the most stringent 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.

We are also 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 Asset Management 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".

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- **2. VOTING POLICY**

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

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

Additionally, the effectiveness of a board primarily depends on the quality of its members. The ability of directors to embrace strategic issues, contribute to management’s thinking processes and ensure implementation of the decisions made by executives is vital for efficient corporate governance. This means that the board must choose directors who can bring real added value to the board’s discussions and work, and ensure a balanced mix in terms of expertise, skills and diversity i.e. education, nationality, gender, etc.

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

### 1. Quality of the governance structure

#### *a. Change in the company’s governance structure*

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

Ostrum Asset Management will vote For proposals to change the company’s governance structure from a one-tier board (board of directors) 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 Asset Management votes on a case-by-case basis.

#### *b. Separation of the functions of chair of the board and CEO*

Ostrum Asset Management 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 supervision of executives.

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

- the reasons given by the company for combining these powers;
- the company’s governance practices;
- the measures the company has put in place to ensure a satisfactory level of supervision within the board and committees;
- the measures put in place to manage 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 Asset Management 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 chair;
- 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 Asset Management recommends that the duties of the independent vice-chairman be defined clearly in the company's articles of association or in the board's by-laws.

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

### *c. Board size*

We vote Against proposals to decrease the size of the board to less than three seats, or to increase its size above 18 seats.

We vote For resolutions to increase or reduce the number of directors within the 3 to 18 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 management or the core shareholders at the expense of other shareholders.

## **2. Quality of the composition of the board and its committees**

Beyond its formal responsibilities and organization, the quality of the board's composition is a key factor in its effectiveness. Ostrum Asset Management's support in appointing a director is therefore based on an individual and overall qualitative assessment, 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.

### *a. Selection process for directors, whether natural or legal person*

#### **Transparency of the selection process**

Ostrum Asset Management 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's operations.

Ostrum Asset Management will vote Against the election of any director where the board's nomination process to appoint new directors lacks transparency.

#### **Staggered renewal and 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.

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

As a matter of principle, Ostrum Asset Management 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 Asset Management believes that director elections are one of the most important voting decisions that shareholders make. Therefore, directors should be selected individually.

Ostrum Asset Management 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 Asset Management 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;
- with this in mind, a resume should be provided for each application for a directorship. We welcome details from the company on its choice for each director.

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

### *b. Independence of the board and its committees*

#### **Board independence**

- **For controlled companies**

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

- **For non-controlled companies**

Ostrum Asset Management recommends that at least 50% of 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 Asset Management 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 does not factor in the presence of employee representatives.

#### Specific example: Germany

For German companies where 50% of the board must consist of labor representatives, Ostrum Asset Management recommends that at least 33.3% of the supervisory board be independent.

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

### **Election of non-voting directors to the board of directors**

Ostrum Asset Management is generally 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 Asset Management's voting policy.

### **Committee independence**

Ostrum Asset Management recommends that boards of directors include audit, compensation and appointment committees, and that the duties of these committees be defined in the board's by-laws.

Ostrum Asset Management 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 Asset Management 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 Asset Management 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 if s/he serves on the audit or compensation committees.

Ostrum Asset Management 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.

### *c. Board's complementary profiles*

#### **Skills**

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

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

### Diversity

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

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

Ostrum Asset Management 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 40/60 gender mix at the least.

### Ethics

Ostrum Asset Management will vote Against the appointment of a director who has breached good corporate governance practices in the past.

### Performance

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

### *d. Availability of directors*

#### Directors' terms of office

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

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

#### Multiple directorships for a director or a chair of the board

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

Ostrum Asset Management recommends:

- restricting the number of directorships for non-executive directors to a maximum of four, or three if the director also chairs a board or a committee;
- restricting the number of directorships for executive directors to a maximum of two.

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

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

Ostrum Asset Management 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 provided by the company. Ostrum Asset Management will take into account recommendations of existing best practices in its assessment.

Specific case for banking sector: in keeping with banking regulations, Ostrum Asset Management limits the maximum number of directorships to four in total.

#### Cross directorships

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

## Attendance

When assessing the re-election of a director, Ostrum Asset Management 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.

### *e. Election of shareholder representatives*

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

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

Ostrum Asset Management will vote For the election of shareholder representatives to the board 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 Asset Management 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.

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

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

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

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

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

Ostrum Asset Management will not support the re-election of the appointment committee chair if there are no employee representatives on the board.

## 3. Transparency and quality of compensation systems

### *a. Make-up of compensation committee*

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

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

### *b. Compensation transparency*

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

Ostrum Asset Management 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.

### *c. Compensation report*

Ostrum Asset Management 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 Asset Management generally recommends that the compensation policy should be aligned with the company's long-term performance on the basis of financial, social and environmental criteria, and should avoid excessive risk taking. Ostrum Asset Management encourages companies to apply the following principles:

- a clearly balanced breakdown of senior 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 with a clear link between compensation and value creation;
- the compensation policy or practices show a clear connection with the company's actual performance.

Ostrum Asset Management may 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;
- the executive officer's total compensation – including fixed and performance-related components (annual, multi-annual and long term) – is above 150% of the median for executive officers' total compensation in listed European companies in the same sector, or otherwise above 150% of the median total compensation for executive officers of a relevant market index;
- the non-executive officer's total compensation is above 150% of the median for non-executive officers' total compensation in listed European companies in the same sector, or otherwise above 150% of the median total compensation for non-executive officers of a relevant market index;
- when proposed compensation is high, Ostrum Asset Management recommends that an explanation be provided of the assignments handled by the non-executive chair;
- the compensation ratio in the company is more than 120 times the median salary, as the compensation structure needs to attract skilled managers, but also comply with social cohesion requirements.

**Short-term performance-related compensation (bonus):**

- performance-related compensation (annual, multi-annual and long term) for a senior manager is more than 300% his/her fixed compensation;
- in view of his/her functions, the non-executive chair receives performance-related compensation;
- the short-term compensation policy is not in line with the company's long-term strategy;
- the company does not provide clear and adequate information regarding performance criteria and weightings;
- the company does not provide clear and adequate past information regarding targets for previous years and whether they have been met;
- changes in performance-related compensation components are not in line with the company's financial results;
- qualitative criteria account for more than 25% of the total amount under consideration compared with quantitative criteria.

**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 10%, 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, quantifiable, nor stable over time and they are not consistent with the company's long-term strategy;
- the allocation scale 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;

- the senior manager's performance-related compensation does not include measurable, demanding and relevant environmental criteria that comply with the Paris agreement.

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

- the triggering conditions are not limited to forced departures following a change of control or strategy;
- the severance payment is not linked to transparent and enforceable performance criteria;
- the severance package is not capped at 24 months of salary (fixed wage + bonus), including the non-compete clause;
- Other practices:
  - the company does not explain or provides insufficiently convincing explanations for exceptional or non-contractual payments;
  - the company grants loans, guarantees, or other similar instruments that do not correspond to the normal course of business, on terms not applicable to all 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 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.

## 4. Vote on specific components of compensation policy

### *a. Senior managers' and corporate officers' compensation*

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

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

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

Ostrum Asset Management recommends the following practices:

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

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

- payouts to senior managers and corporate officers are not subject to performance criteria;
- performance criteria are not in line with strategic targets and include only share price targets;
- weightings and assessment structures are not transparent or sufficiently demanding;
- performance conditions are not assessed over a significant period of more than three years;
- total dilution of plans submitted for vote along with all plans under way is more than 10% 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 Asset Management recommends that companies include in their reports:

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

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

### Severance payments

Ostrum Asset Management recommends that resolutions aiming at ratifying the severance payments of corporate officers be submitted to the shareholder meeting under separate items, and at each tenure renewal, within 18 months starting from the signature of the agreement.

Ostrum Asset Management 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 term;
- whether the payment is proportionate to the length of the person's tenure and to his/her compensation.

Ostrum Asset Management 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 misconduct) following a change in control or strategy;
- the company does not set out transparent and enforceable performance and seniority criteria;
- the amount of severance payments, including payments provided for in the employment contract (i.e. payment provided under a non-compete clause), is not more than twice the corporate officer's total compensation (fixed + performance-related) for terms of more than one year and 12 months' compensation (fixed + bonus) including the non-compete clause for terms of less than one year;
- the manager leaving is taking retirement;
- total compensation is already above the threshold set in Ostrum Asset Management's policy.

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

Where proposals to ratify severance payments relate to an existing corporate officer where the term is ongoing, Ostrum Asset Management 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 Asset Management 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.

### Retirement plans

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

Ostrum Asset Management will assess 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 management and corporate officers;
- the beneficiaries have been in the company for at least five years;
- for additional defined benefit pension commitments, allocation must be subject to the beneficiary meeting performance conditions, on the basis of the company's showings. The board of directors

or supervisory board checks each year that these conditions are met and determines the increase in conditional rights, up to a limit of 3% of annual compensation used as the reference to calculate the annuity paid. These provisions also apply in the event of a renewal of term. The amount provided by defined benefit pension schemes must not exceed 30% of annual compensation (fixed and annual performance-related);

- the acquisition of rights is limited to 3% per year and subject to performance conditions;
- the basis for calculating potential rights and the benchmark periods taken into account for the calculation of benefits must cover several years;
- the annuity in the additional pension scheme including other retirement plans together should equate to no more than 45% of fixed and performance-related compensation;
- the beneficiary should be working within the company when he or she retires.

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

### *b. Directors' compensation*

#### **Directors' fees**

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

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

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

Ostrum Asset Management will vote Against resolutions:

- where a director's unit compensation is above 150% of the median for directors' unit compensation in listed European companies in the same sector, or otherwise above 150% of the median of unit compensation for directors of a relevant market index;
- if there is a lack of disclosure with respect to the total amount of fees for all members of the board;
- if they provide for stock options or similar incentives to non-executive directors of the board of directors or supervisory board.

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

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

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

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

### *c. Plans for employees*

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

#### **Rights issues reserved for employees**

Ostrum Asset Management 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.

**Free share plans**

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

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

We regard the transparency, reliability and relevance of financial and non-financial information as key factors in good corporate governance, since they contribute to the integrity of financial markets and reinforce trust among the various participants in the value creation process, laying the cornerstones for responsible corporate governance. In our view, companies must comply with these principles when drafting financial and non-financial information for shareholders, while this information must also be certified in the form of an unqualified audit opinion from the statutory auditors.

### 1. Shareholder meetings

#### *a. 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.

#### *b. Disclosure of required information*

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

### 2. Transparency and quality of financial and non-financial information

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

## *b. Allocation of income and dividends*

### **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.

### **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.

## *c. Discharge of the board, management and/or statutory auditors*

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

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

## **3. Supervision of internal control and risks**

### *a. Appointment of statutory auditors*

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

We vote For proposals to ratify the appointment of 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 Asset Management 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 put to shareholder vote, one proposed by the main shareholders and the other list put forward by minority shareholders.

Ostrum Asset Management will vote For the list presented by minority shareholders provided the situation is not one of the cases mentioned above.

Ostrum Asset Management 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.

#### *b. 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 on 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 Asset Management will vote Against any fees paid to auditors to cover the risks related to their liability.

Ostrum Asset Management 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.

#### *c. 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.

#### *d. Independence of the audit committee*

Ostrum Asset Management 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.

### **4. Managing conflicts of interests of directors**

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

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

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

If different agreements are put to vote within a single resolution requiring the approval of the auditors' report on regulated agreements, Ostrum Asset Management 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 Asset Management's voting policy and is submitted in a separate resolution, Ostrum Asset Management will vote Against the resolution on this agreement, but may vote For the resolution requiring the approval of the report on regulated agreements.

## 5. Social and environmental issues

Concerns on corporate growth and financial performance should not override the importance of the interests of other stakeholders that make an important contribution to the company's sustainable management and long-term growth. Stakeholders particularly include bondholders, who play an essential role in a company's stable long-term financing, as well as employees, who contribute to value creation. Ostrum Asset Management is convinced that factoring certain non-financial elements into portfolio management can improve the long-term risk/return ratio. Ostrum Asset Management is a signatory to the Principles for Responsible Investment (PRI).

### *a. 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. Companies should report on their corporate social responsibility (CSR) policies, disclosing environmental and social performances on a regular basis alongside financial performances.

Ostrum Asset Management supports the inclusion of this type of information in the annual report for all stakeholders and will vote For any shareholder resolution asking the company to establish a CSR report.

### *b. 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.

Similarly, Ostrum Asset Management supports resolutions aimed at increasing transparency on the main risks and uncertainties that companies face as a result of climate change and/or details on how they adapt their strategy to a 2-degree scenario.

### *c. Senior managers' and corporate officers' compensation*

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

### *d. Incorporation of environmental, social and governance (ESG) criteria in compensation policies*

Ostrum Asset Management will vote For shareholder resolutions calling for the integration of non-financial criteria in senior managers' compensation policies, or an analysis of wage gaps between executive officers

and other staff, 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.

## 6. Business ethics

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

### *a. Political donations*

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

Ostrum Asset Management 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.

### *b. Donations to associations or foundations*

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

### *c. Directors' ethics*

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

## 2.3. SHAREHOLDERS' RIGHTS

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

### 1. Equitable treatment of shareholders

#### *a. Voting rights*

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

### 2. Supporting shareholders' rights

#### *a. 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.

#### *b. 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.

#### *c. 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.

#### *d. Qualified majority vote requirement to remove a director from office*

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

#### *e. Reincorporation and expansion of business activities*

##### **Reincorporation**

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.

### Expansion of business activities

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

#### *f. 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 considered:

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

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

## 3. Tender offer defenses

### *a. Poison pills*

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

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

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

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

As part of the French Florange Act, Ostrum Asset Management will assess financial authorizations that do not specify the exclusion of their 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.

### *b. Defensive use of share warrant issues*

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

In the event of a public offer, Ostrum Asset Management will analyze the requests to issue warrants prior to the filing of the 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 Asset Management 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 filed will be examined by Ostrum Asset Management on a case-by-case basis.

### *c. Special case in the Netherlands: protective preference shares*

Ostrum Asset Management 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 Asset Management'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 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 (a shareholder meeting must be called to determine the continued use of such shares after this period).

## 4. Share capital increases and reductions

### *a. Share capital increases without specific purpose*

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

#### **Capital increases with preferential subscription rights**

Ostrum Asset Management will vote For share capital increases with preferential subscription rights without a specific purpose that do not exceed 50% of the outstanding capital.

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

#### **Capital increases without preferential subscription rights**

Ostrum Asset Management will vote For share capital increases without preferential subscription rights and without a specific purpose that do not exceed 10% of the outstanding capital, or 15% when a priority right is guaranteed.

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

#### **Reserved capital increases**

We vote Against capital increases reserving subscription rights to a specific category of shareholders.

#### **Overall limits to capital increases**

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

#### **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 Asset Management guidelines on equity issuance.

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

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.

### **Stock classes**

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

#### ***b. 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.

#### ***c. 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.

#### ***d. Capital reduction***

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

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

#### ***e. Use of authorizations during a tender offer period (France)***

Following the implementation of the Florange Act, Ostrum Asset Management assesses financial authorizations that do not specify the exclusion of 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.

## **5. Operations on outstanding capital**

### ***a. Share repurchase programs***

#### **Share repurchase programs**

We vote For proposals to implement share repurchase plans in which all shareholders may participate on equal terms if they meet the following criteria:

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

We vote Against any share repurchase proposals where:

- the repurchase can take place 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 Asset Management can support plans to repurchase shares in excess of the 10% repurchase limit under exceptional circumstances e.g. capital restructuring. Ostrum Asset Management 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 Asset Management 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 Asset Management 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.

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

Ostrum Asset Management votes 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.

#### ***b. Other operations on outstanding capital***

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

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

##### **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.

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

We vote For management proposals to implement a reverse stock split when authorizations for the increase in the number of ordinary shares are proportionately adjusted.

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

We assess on a case-by-case basis on management proposals to implement a reverse stock split without adjusting authorizations for the increase in the number of ordinary shares.

##### **Stock splits**

We vote For stock splits, provided that they do not lead to an excessive number of shares available for a rights issue.

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

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

#### ***c. Use of authorizations during a tender offer period (France)***

Following the implementation of the Florange Act, Ostrum Asset Management assesses financial authorizations that do not specify the exclusion of 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.

## **6. Borrowing powers/debt issuance/financing plans/affiliation agreements**

### ***a. 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 a severe loss 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.

## *b. Debt issuance requests*

### *Issuance of convertible bonds*

Ostrum Asset Management 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.

### *Issuance of non-convertible debt securities*

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

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

## *c. Issuance of contingent convertible bonds (CoCos)*

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

## *d. Increase in company's borrowing powers*

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

## *e. Financing plans*

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

## *f. Control and profit transfer agreements (affiliation agreements with subsidiary)*

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

## **7. Mergers and corporate restructurings**

### *a. Mergers and acquisitions*

Ostrum Asset Management examines on a case-by-case basis resolutions 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:

- 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.

#### *b. Corporate restructuring and spin-offs*

##### *Corporate restructuring*

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

##### *Spin-offs*

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

#### *c. Asset sales and liquidations*

##### *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.

##### *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.

#### *d. Appraisal rights*

We vote For proposals to restore or provide shareholders with rights of appraisal by an expert.

#### *e. Change of corporate name*

We vote For proposals changing the corporate name.

#### *f. Mandatory takeover bid waivers*

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

#### *g. Joint ventures*

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

## 2.4. PRINCIPLES FOR ANALYZING RESOLUTIONS ON SMALL AND MEDIUM-SIZED SECURITIES

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

Small and medium-sized securities shall be understood as all companies with a market capitalization of less than €4 billion.

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

### 1. Quality of the composition of the board and committees

#### *a. Independence of the board*

Ostrum Asset Management 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 Asset Management 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).

#### *b. Directors - Terms of office*

Ostrum Asset Management 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.

#### *c. Election or re-election of directors to audit, compensation and appointment committees*

Ostrum Asset Management recommends that a mostly independent audit committee be set up, made up of members with financial skills. However, for companies with a small board, 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 how senior managers' 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.

## 2. Compensation and value creation for the company

### *a. Compensation report*

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

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

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

### *b. 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 senior managers be clearly stated as compared to the portion reserved for the company's employees.

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

Ostrum Asset Management 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;
- has 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 senior managers, Ostrum Asset Management will assess the absence of performance criteria included in these plans on a case-by-case basis. Except in unusual 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 senior managers when the group has implemented a restructuring plan that significantly reduces the workforce.

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

### *c. 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 management be clearly stated as compared to the portion reserved for the company's employees.

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

When the beneficiaries of free share allocation plans are part of a group other than management, Ostrum Asset Management 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 Asset Management will support the proposed plan.

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

Except in unusual 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 management when the group has implemented a restructuring plan that significantly reduces the workforce.

*d. Severance pay*

Ostrum Asset Management 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 Asset Management 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 misconduct), 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 Asset Management 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.

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

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

- if a conflict of interest should arise between Ostrum Asset Management 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 Ostrum Asset Management 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 Asset Management to a significant conflict of interest, the Ostrum Asset Management 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.

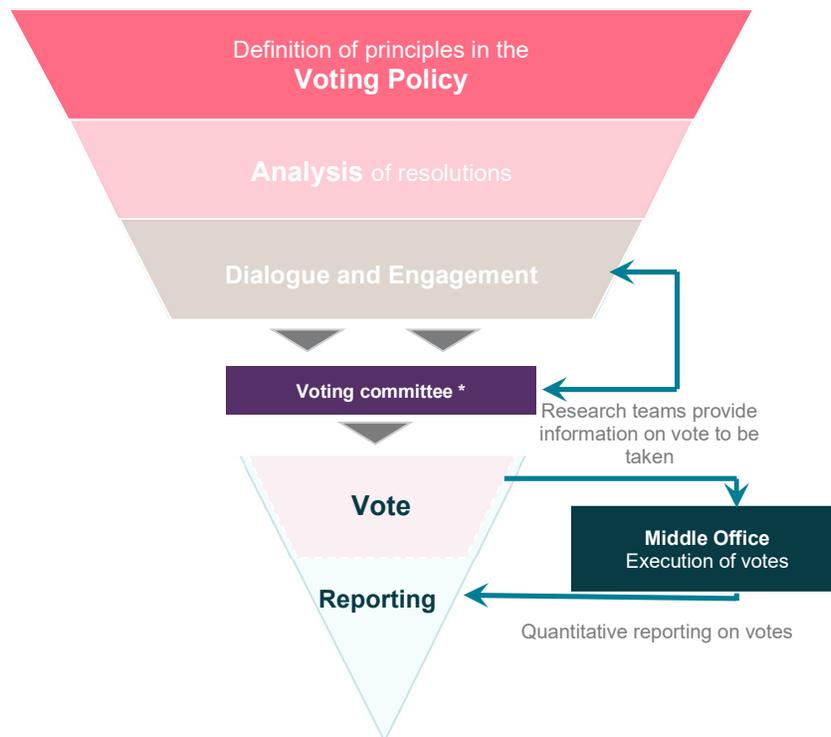
## 2.6. OSTRUM ASSET MANAGEMENT'S ORGANIZATION FOR EXERCISING VOTING RIGHTS

### 1. Exercising voting rights

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

- **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 Asset Management and approved by its executive committee.  
Ostrum Asset Management 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 decisions 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 Asset Management 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 Asset Management has established a voting committee 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 Asset Management'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. Current procedure for exercising voting rights

Ostrum Asset Management employs an independent voting services provider.

The service provider is tasked with:

- informing Ostrum Asset Management of upcoming shareholder meetings related to securities in the Ostrum Asset Management voting universe;
- analyzing resolutions according to the principles defined in Ostrum Asset Management's voting policy;
- providing access to a voting platform for exercising voting rights;
- forwarding voting instructions to the issuer, depending on circumstances.

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

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

### *a. French securities: Ostrum Asset Management votes by post*

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

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

On a case-by-case basis, Ostrum Asset Management can attend shareholder meetings.

### *b. Foreign securities: Ostrum Asset Management votes by proxy*

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

On a case-by-case basis, Ostrum Asset Management can attend shareholder meetings.

## 3. Principles for setting the framework for exercising voting rights

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

Ostrum Asset Management 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.

## 4. Securities lending policy

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

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- **3. APPENDICES**

# 3.1. APPENDIX 1: OSTRUM ASSET MANAGEMENT'S CLASSIFICATION OF DIRECTORS

## 1. Executive Director

- An employee or senior manager 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.

## 2. Non-independent Non-executive Director

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

## 3. Independent non-executive director

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

## 4. Employee Representative

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

# ADDITIONAL NOTES

## **Ostrum Asset Management**

Asset management company regulated by AMF under n° GP-18000014 – Limited company with a share capital of 48 518 602 €. Trade register n°525 192 753 Paris – VAT: FR 93 525 192 753 – Registered Office: 43, avenue Pierre Mendès-France, 75013 Paris – [www.ostrum.com](http://www.ostrum.com)

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Figures mentioned refer to previous years. Past performance does not guarantee future results. Any reference to a ranking, a rating or an award provides no guarantee for future performance and is not constant over time. Reference to a ranking and/or an award does not indicate the future performance of the UCITS/AIF or the fund manager.

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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