

# 2020 REPORT ON EXERCISE OF VOTING RIGHTS

February 2021

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1. CHANGE IN VOTING SCOPE IN 2020

Natixis and La Banque Postale combined their respective fixed-income and insurance investment management operations within Ostrum Asset Management (Ostrum AM or Ostrum) on October 31, 2020.

Portfolios covering LBPAM's (La Banque Postale AM) equity insurance universe joined those at Ostrum AM.

Meanwhile, Ostrum AM's investment portfolios excluding equity insurance joined those at a Natixis affiliate.

During this transition year, Ostrum will thus issue a report on the exercise of voting rights covering two scopes i.e. one for voting rights under Ostrum AM's voting policy and one for voting rights applied under LBPAM's voting policy.

2. EXERCISE OF VOTING RIGHTS BY OSTRUM

## 2.1. OVERALL FRAMEWORK

As an asset management company, Ostrum Asset Management believes that it has a fiduciary responsibility and duty of stewardship towards its unit-holders to monitor changes in the value of their investments and exercise 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.

#### a) Voting policy

Ostrum set out a voting policy in 1998 stipulating its guiding principles when exercising voting rights at shareholder meetings. These principles set out in the voting policy aim to define the framework for independently analyzing proposed 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.

#### Link to voting policy:

https://www.ostrum.com/en/statutory-documents#commitments-with-regard-to-voting-policy-

#### b) Ostrum's voting process set-up

Ostrum's voting process involves two 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, 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 detailed 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.

#### c) Breakdown of votes at shareholder meetings

A voting summary platform is accessible directly from the Ostrum website and provides detailed 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. Link to voting platform:

https://vds.issgovernance.com/vds/#/MTEyODk=/

## 2.2. OVERVIEW OF VOTES

#### a) Voting scope in 2020

Ostrum exercised its voting rights as shareholder of securities in the UCITS and AIF 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 2020 covered 87 securities held in 3 UCITS and AIF managed by Ostrum.

101 shareholder meetings were held on this scope in 2020 and Ostrum exercised its voting rights during 101 of them, i.e. 100% of meetings.

# Participation in shareholder meetings:

100%

| Country        |       | No. | %     |
|----------------|-------|-----|-------|
| Belgium        |       | 4   | 4.0%  |
| Finland        |       | 1   | 1.0%  |
| France         |       | 40  | 39.6% |
| Germany        |       | 18  | 17.8% |
| Ireland        |       | 3   | 3.0%  |
| Italy          |       | 7   | 6.9%  |
| Luxembourg     |       | 4   | 4.0%  |
| Netherlands    |       | 15  | 14.9% |
| Spain          |       | 5   | 5.0%  |
| Sweden         |       | 2   | 2.0%  |
| Switzerland    |       | 1   | 1.0%  |
| United Kingdom |       | 1   | 1.0%  |
|                | TOTAL | 101 | 100%  |

#### b) Overall statistics

Of the 101 confirmed shareholder meetings where we voted, Ostrum expressed its opinion on 1,865 resolutions.

| Country        | No.     | %     |
|----------------|---------|-------|
| Belgium        | 84      | 4.5%  |
| Finland        | 19      | 1.0%  |
| France         | 941     | 50.5% |
| Germany        | 226     | 12.1% |
| Ireland        | 56      | 3.0%  |
| Italy          | 71      | 3.8%  |
| Luxembourg     | 29      | 1.6%  |
| Netherlands    | 253     | 13.6% |
| Spain          | 102     | 5.5%  |
| Sweden         | 35      | 1.9%  |
| Switzerland    | 28      | 1.5%  |
| United Kingdom | 21      | 1.1%  |
| тот            | AL 1865 | 100%  |



Out of the 1,865 resolutions:

- Ostrum voted for 1,679 resolutions or 91%;
- Ostrum voted against 162 resolutions or 9%;
- Ostrum abstained from voting on 9 resolutions or 0%.
- Ostrum voted for 14 of the 54 resolutions put forward by shareholders, or:

41%

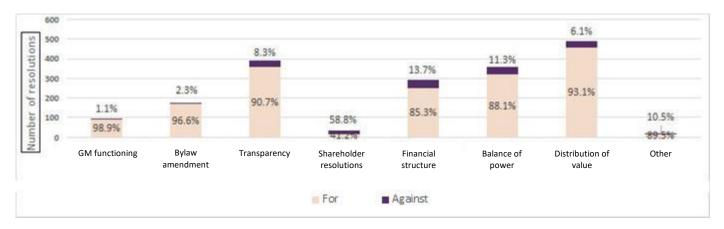
 Ostrum cast at least one against vote per meeting during 62 shareholder meetings, or:

61 %

of shareholder meetings where it voted

| Country        |      | For  | % For | Against | % Against | Abstention | Abstention | Resolutions |
|----------------|------|------|-------|---------|-----------|------------|------------|-------------|
| Belgium        |      | 70   | 83%   | 14      | 17%       | 0          | 0.0%       | 84          |
| Finland        |      | 16   | 84%   | 3       | 16%       | 0          | 0.0%       | 19          |
| France         |      | 848  | 90%   | 93      | 10%       | 0          | 0.0%       | 941         |
| Germany        |      | 209  | 92%   | 11      | 5%        | 6          | 66.7%      | 226         |
| Ireland        |      | 53   | 95%   | 3       | 5%        | 0          | 0.0%       | 56          |
| Italy          |      | 54   | 76%   | 17      | 24%       | 0          | 0.0%       | 71          |
| Luxembourg     |      | 22   | 76%   | 7       | 24%       | 0          | 0.0%       | 29          |
| Netherlands    |      | 228  | 96%   | 8       | 3%        | 2          | 22.2%      | 238         |
| Spain          |      | 100  | 98%   | 2       | 2%        | 0          | 0.0%       | 102         |
| Sweden         |      | 34   | 97%   | 1       | 3%        | 0          | 0.0%       | 35          |
| Switzerland    |      | 25   | 89%   | 2       | 7%        | 1          | 11.1%      | 28          |
| United Kingdom |      | 20   | 95%   | 1       | 5%        | 0          | 0.0%       | 21          |
| To             | otal | 1679 | 91%   | 162     | 9%        | 9          | 100%       | 1850        |

Across all geographies and themes, the average rate of against and abstention votes came to 9%.

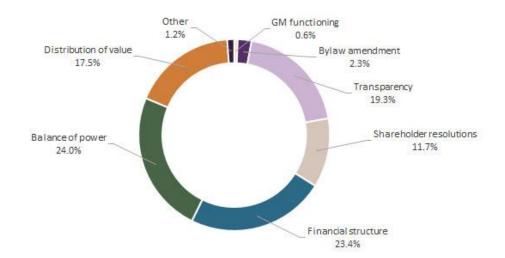


Resolutions on financial structure met with the highest levels of opposition at 17%, in line with the requirements set out in Ostrum's voting policy.

Issues of balance of powers saw lower levels of opposition, reflecting European companies' greater efforts to take on board governance best practices, and tougher regulation.

#### c) Analysis of factors of against/abstention votes

# The breakdown of opposition on all resolutions put to shareholder vote was as follows:



#### Transparency of financial and non-financial disclosure

Issues of transparency of disclosure accounted for 19% of our against votes and abstentions.



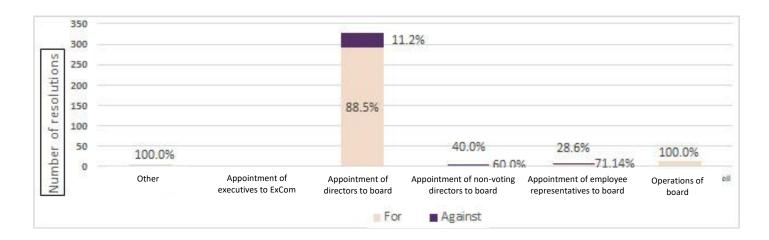
Within the Transparency theme, Ostrum paid particular attention to financial discharge and the presence of regulated agreements. Our against votes on final discharge can mostly be attributed to our opposition to supporting this resolution in countries where this type of move prevents shareholders from filing legal proceedings: this practice continues in several European countries, despite the fact that investors have challenged it.

Our against votes and abstentions on regulated agreements mostly involved situations where transparency of information prevented an assessment of the regularity of these contracts i.e. transactions, service provision, additional compensation for corporate officers.

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.

#### Balance of powers

Resolutions on the balance of power accounted for 24% of against votes and abstentions.

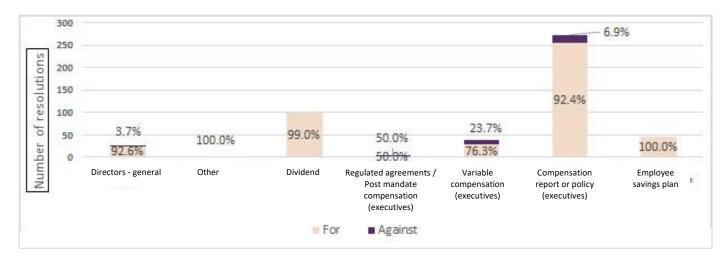


Resolutions on director appointments accounted for almost all the resolutions in this category. However, we voted against or abstained on a relatively low number of total resolutions at 11%, despite a high number in absolute terms, as practices tend to align with good governance standards in Europe.

The main reasons for against or abstention votes were related to independence, diversity, attendance or the number of corporate offices held, which Ostrum deemed to be excessive.

#### Distribution of value

Compensation accounted for close to 17% of our against votes and abstentions overall.



In the compensation category, we focused particularly on resolutions on approving managers' 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.

We voted against/abstained on 24% of variable compensation resolutions put to separate vote. Variable compensation is increasingly being put to vote in separate resolutions.

Looking to directors' compensation, Ostrum systematically opposed the use of variable financial instruments indexed to the company's share performance, as the alignment of directors' interests on company share price creates a potential risk of conflict of interest in exercising their role. Our goal on votes on compensation 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.

#### Financial structure

Resolutions on companies' financial structure made up 23% of our against votes and abstentions overall.



We voted against a significant number of financial authorizations (88%) 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.

Resolutions relative to greenshoe options during capital increases were refused in connection to the type of capital increase involved i.e. dilution, removal of preferential subscription rights, anti-takeover measures, etc.

#### Shareholder resolutions

Shareholder resolutions accounted for 12% of our total against votes and abstentions, and primarily involved matters of governance and environmental questions.

Governance-related resolutions involved a number of Italian stocks, where directors are selected using a "voting by list" (voto di lista) system. Other resolutions were aimed at replacing directors during activist campaigns (Unibail-Rodamco-Westfield).

Two resolutions with major environmental repercussions were put forward at Shell and Total to incite the two oil majors to intensify their greenhouse gas emission reduction targets.

#### d) Conflict of interest situations

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. Some other stocks may also be excluded after analysis by the Compliance department.

3. EXERCISE OF VOTING RIGHTS BY LBPAM

# 4.1. VOTING SCOPE FOR LBPAM

In its 2020 voting policy document, LBPAM pledged to exercise its voting rights for companies, across all geographies if one of the following two criteria is met:

- Depending on the absolute amount invested in companies, such that at least 90% of total assets in the equity department are voted on;
- As well as for companies where LBPAM and Tocqueville Finance mutual funds together hold at least 0.25% of capital.

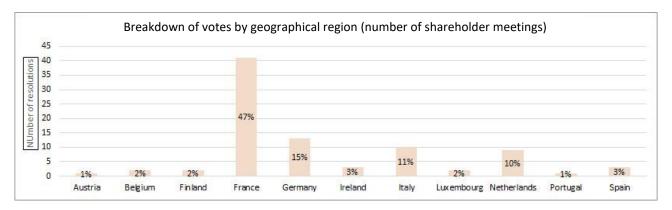
Link to voting policy:

https://www.labanquepostale-am.fr/nos-expertises/investissement-socialement-responsable/id/1048

# 4.2. OVERVIEW OF VOTES

#### a) Overall statistics

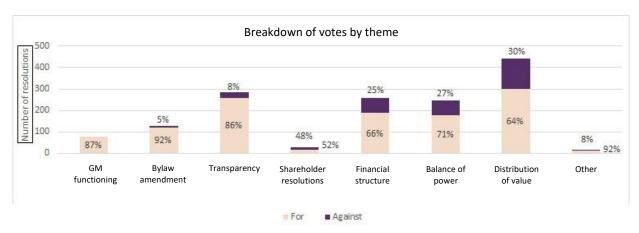
| From January 1 to December 31, 2020   |    |  |  |  |
|---|----|--|--|--|
| Number of companies in our portfolios that organized at least one shareholder meeting | 79 |  |  |  |
| Number of shareholder meetings organized by companies in our portfolios               | 87 |  |  |  |
| Number of companies where voting rights were exercised by LBPAM                       | 77 |  |  |  |
| Number of shareholder meetings where voting rights were exercised by LBPAM            | 78 |  |  |  |



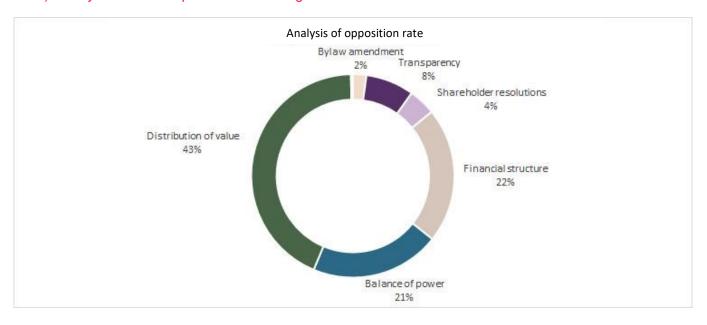
LBPAM exercised its voting rights for its mutual funds in 11 different countries.

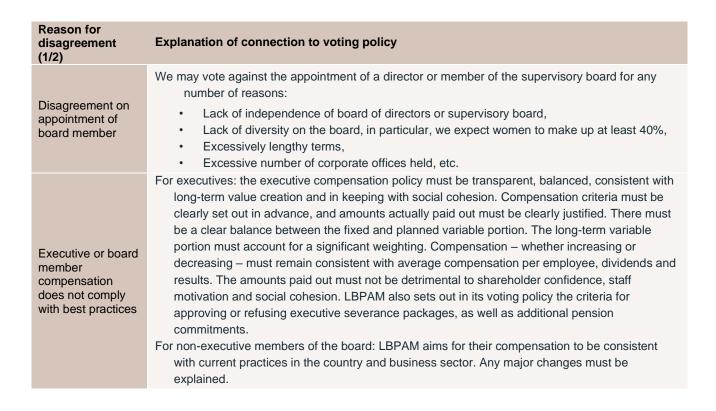
During 87 shareholder meetings, 1,570 resolutions were put to shareholder vote i.e. an average of 18 resolutions per meeting.

LBPAM voted 325 times in opposition to the company (against vote or abstention) i.e. 22.0% of total votes.



#### b) Analysis of most frequent areas for disagreement





| Reason for disagreement (2/2)  | Explanation of connection to voting policy  |
|--|---|
| Capital increase potentially damaging to shareholders' interests (dilution, anti-takeover measure, etc.) | <ul> <li>As a result of dilution imposed on shareholders, LBPAM accepts capital increases with maintenance of preferential subscription rights up to 50% of capital, and without maintenance of these rights up to only 10% of capital.</li> <li>LBPAM is not in favor of capital increases via private placement, bar justification of specific situations explained by the issuing company. These operations are not usually intended for asset managers, which have no say in the matter.</li> <li>LBPAM may also oppose any transactions on a company's capital that could act as protective measures for current management in the event of a takeover bid, thereby depriving shareholders of their right to decide.</li> <li>Share buybacks during takeover bid period: bar justified exceptions, LBPAM accepts resolutions proposing share buybacks in capital. It opposes buyback programs that can extend during takeover bid periods.</li> <li>Share issues during takeover bid period: LBPAM refuses any capital increase in the event of a takeover bid i.e. standard capital increase, issue of warrants, etc.</li> <li>LBPAM may approve this type of program only if shareholders are informed of the conditions of the bid, and depending on the intentions of the company that launched it i.e. economic and social project, financial conditions, etc.</li> </ul> |
| Potential conflict of interests for statutory auditors   | LBPAM opposes the re-appointment of statutory auditors if they have also conducted other activities unrelated to audits, and if fees received for these services exceed 25% of fees received overall for each of the past two financial years. In the absence of detailed justification, we will consider this to be a potentially damaging conflict of interests.  For the same reason, LBPAM is in favor or regularly changing statutory auditors. LBPAM therefore opposes their appointment even if the same company has certified their accounts for more than 18 years i.e. three terms in France.   |

#### c) Focus on external resolutions

External resolutions are those that were not presented by corporate governance bodies i.e. board of directors or management board.

- They may be filed by minority shareholders under certain conditions, or even works committees in French companies.
- The board of directors or management board generally state their position for or against these resolutions.

These resolutions are still rare, particularly in Europe, but they are increasing and reflect increasing shareholder engagement in companies' governance.

- During the 2020 voting season, 29 external resolutions were presented in 10 shareholder meetings, out of the 78 that LBPAM took part in for VALOREA and AFP mandates, accounting for around 1.8% of total resolutions.
- These resolutions primarily involved the election of board members, as outlined below:

| Country | Theme of resolution                                       | Total number of resolutions | O/w FOR votes | O/w<br>AGAINST<br>votes |
|---------|---|-----------------------------|---------------|-------------------------|
| Austria | Appointment of a director                                 | 1                           | 1             | 0                       |
| Finland | Director compensation                                     | 1                           | 1             | 0                       |
|         | Share buybacks  | 1                           | 0             | 1                       |
|         | Compensation criteria                                     | 1                           | 0             | 1                       |
| France  | Limitation of number of director mandates                 | 1                           | 0             | 1                       |
| Fiance  | Employee share ownership plan                             | 1                           | 1             | 0                       |
|         | Climate strategy  | 1                           | 1             | 0                       |
|         | Appointment of director                                   | 7                           | 1             | 6                       |
| Italy   | Appointment of directors (specific voting by list system) | 15                          | 10            | 5                       |
| Total   |   | 29                          | 15            | 14                      |

#### d) Social and environmental resolutions

Resolutions on environmental and social aspects are still very rare, particularly in Europe.

In 2020, LBPAM notes 6 resolutions of this type for shareholder meetings where it participated as part of it VALOREA and LBP PREVOYANCE mandates:

- TOTAL: A group of eleven shareholders including LBPAM filed a resolution to change the company's bylaws to include greenhouse gas reduction targets aligned with the Paris Agreement in the management report, as well as information on achievement of these goals. LBPAM supported this resolution;
- ORANGE: an employee shareholder company mutual fund filed a resolution on non-financial criteria used for executive variable compensation. Two criteria are currently used i.e. changes in the CO2 rate per client usage and the proportion of renewable electricity. The company mutual fund proposed maintaining the first criterion and replacing the second by the reduction in the gender wage gap. We welcome Orange incorporating social criteria, but the company achieved a very good score on the gender equality index and rolled out a program in this area over the past more than 15 years. Inequalities remain in the company, but the renewable energy criterion seems more consistent with the company's strategic goals. LBPAM opposed this resolution;
- Spanish companies: in accordance with recent regulatory changes in the country, IBERDROLA, INDITEX and REPSOL each submitted their ESR report for shareholder vote, separately to the annual financial report. This resolution gives shareholders the opportunity to express their support or reserve on the ESR strategy. We have a broadly positive view on non-financial aspects. LBPAM therefore supported these resolutions;
- IBERDROLA included a resolution on the agenda for the shareholder meeting to enhance the ESG dimensions of its bylaws. Article 6 recognizes the importance of the ethics code in defining the corporate interest. Meanwhile, articles 7 and 17 introduce the idea of social dividend, or the wealth that Iberdrola wishes to create for society in the broadest sense. The idea of social dividend was set out in 2020 in explicit reference to the United Nations Sustainable Development Goals. LBPAM supported this resolution.

LBPAM also voted for the appointment of employee directors or those representing employee shareholders, in accordance with its voting policy that encourages greater employee involvement in corporate governance. These resolutions were not classified as environmental or social.

# 4.3. ISSUER DIALOGUE

The exercise of voting rights is an opportunity for LBPAM to engage in dialogue on issues of governance with companies in which it invests on behalf of the mutual funds it manages.

#### Aims:

- Explain the reasons behind our against votes and encourage companies to align on better governance practices;
- Improve resolution analysis and offer companies the option of providing additional information.

#### Our initiatives in 2020:

- LBPAM engaged with 25 companies either physically or via phone meetings to discuss resolutions for the shareholder meeting ahead of the event;
- Voting intentions were sent to companies, when preliminary discussions had taken place with them –
  either on their initiative to better understand their shareholders' views, or on LBPAM's initiative to
  discuss a point on the agenda. In accordance with the Voting policy, this message is only sent once
  initial intentions are set out in the IT system.

#### ADDITIONAL NOTES

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

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