



2018

VOTING POLICY

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Responsible investment for sustainable performance

Groupama AM has been engaged in Responsible Investment (RI) since 2001. This approach is in line with the company's fiduciary responsibility to its clients and is intended to promote the development of long-term savings for more responsible and sustainable financing of the economy. Groupama AM fully recognises the importance of focusing its investments on quality businesses that acknowledge their responsibilities to all their stakeholders, not just their shareholders. Therefore, Groupama AM's investment decisions combine extra-financial analysis, i.e. analysis of environmental, social and governance (ESG) criteria, with financial analysis, adopting a pragmatic approach based on the features of each of its investment processes and the needs of its clients. The solid foundations laid with this approach have been more appropriate than ever in terms of meeting the requirements of the investment world since the financial crisis.

Groupama AM est engagé dans l'Investissement Responsable (IR) depuis 2001.

Stringent voting policy

The annual general meeting (AGM) offers a unique opportunity for companies to communicate with and be held to account by their shareholders, which implies and requires a high level of transparency.

Voting at shareholder AGMs is an integral part of the management process and a key component in Groupama AM's RI strategy, particularly with regard to corporate dialogue and engagement on matters of governance.

Compliance with good standards of governance is essential for management bodies to operate effectively, supporting long-term investment growth. In Groupama AM's view, the quality of governance is often an early indicator of risk: companies with "bad governance" are more likely to present a risk of bad management of their operational, reputational and financial risks. If these risks materialise, this may have a significant impact on the valuation of the company's assets.

It is important that all the directors or supervisory board members attend the AGM and that the board explains the resolutions so that shareholders can analyse their implications and the issues at stake before voting.

Groupama AM's voting policy is reviewed every year to take into consideration any legal and regulatory developments, changes in codes of governance and best practices, as well as recommendations from internal audits. Groupama AM takes a pragmatic approach, which means that the application of the voting policy can be adapted in line with the specific circumstances of each company.

GUIDING PRINCIPLES

1. Fair treatment of all shareholders

Respecting the interests of all shareholders, both majority and minority, is one of the key principles of the company's governance policy.

2. Balance of power

Good governance requires a balance of power between management bodies and supervisory bodies in order to ensure a suitable framework for exchanges and contrasting perspectives. The two most commonly used governance systems are the two-tier structure (management board / supervisory board) and the single-tier structure (CEO / board of directors). Groupama AM does not express any preference for either system. With regard to the balance of power in particular, it must be acknowledged that while a single-tier structure can offer a real balance of power, the two-tier structure imposes this balance of power through a separation of the management and supervisory functions, as well as the fact that there are no executive directors on the board.

In Groupama AM's view, the make-up of the supervisory bodies must ensure a skillful blend of independence, diverse areas of expertise, experience and availability.

3. Transparent and fair executive remuneration

The remuneration policy for executive director must be transparent and communicated before the general meeting. It must be subject to relevant criteria and quantified performance targets.

In 2013, the AFEP-Medef code introduced an advisory vote on the remuneration of executive directors. This system was strengthened at the end of 2016 by a stricter legislative framework: the Sapin 2 law provides for a mandatory vote of the shareholders on the remuneration policy as of the 2017 AGM.

4. Integrity of the financial information disclosed by the company

The financial information must be accessible, accurate and coherent and accessible within the regulatory deadlines. The strategy presented must be legible and stable through all of the documents made available to shareholders (annual report, reference document, press releases, etc.).

5. Prudent management of capital

The distribution offered to shareholders must be justified and in line with the company's strategy and outlook. It must also be consistent with distribution levels for the business sector.

6. Acknowledgment by the company that it has corporate social and environmental responsibilities to its stakeholders

The company's strategy must be part of sustainable development.

The Board must ensure that information on the consideration of significant extra-financial issues for the Company and its long-term prospects is clearly communicated to shareholders and investors.

IMPLEMENTATIONS OF THE VOTING POLICY

1. Criteria for the exercising of votes

Groupama AM currently exercises voting rights for UCITS positions held in shares listed in all countries of the euro area, and in Switzerland and the UK, held by its French custodians and representing a combined total of over 2 million euros in shares, provided that it receives documentation relating to the vote in good time from the custodians. Groupama AM therefore limits its voting scope to its principal positions due to the administrative costs associated with voting.

2. Conditions for exercising voting rights

For reasons of efficiency, Groupama AM primarily exercises its votes by correspondence thanks to the specialized voting platform. However, the company does not exclude the possibility of voting at general meetings when it considers this to be preferable.

Groupama AM will assess any resolutions whose subject is not mentioned in its voting policy on a case-by-case basis.

Groupama AM reserves the right to alter its voting policy according to the individual circumstances of each company. These may justify a special dispensation.

1. Fair treatment of all shareholders

1.1. Principle of equality for shareholders: capital structure and voting rights

Groupama AM's preference is to have a capital structure with a single class of shares, in accordance with the "one share, one vote" principle. In this respect, measures to cap voting rights beyond a certain level of capital held must, as a rule, be subject to express reservations ;

1.2. Capital protection / anti-takeover measures

Groupama AM is opposed to any capital protection arrangements being put in place: limiting capital ownership or voting rights, golden shares, *Bon Bréton* warrants that may only be exercisable in a hostile takeover situation, use of "Dutch stichting" vehicles, transformation of a limited company into a partnership limited by shares, statutory clause in the articles of association penalizing the company in the event of a public offering or change of control such as keeping authorizations to increase capital or buy back shares in the event of a takeover, etc

1.3. Capital increase

A capital increase will be supported in particular if justified by a specific project (financing for an acquisition, financial restructuring, etc.) which makes sense for Groupama AM.

Groupama AM will support authorizations for capital increases that are consistent with the principle of "fair treatment of all shareholders".

Respect for shareholders' preferential rights (Droits Préférentiels de Souscription or DPS) is seen as very important during capital increase operations in order to allow the shareholders to maintain their levels of interest in the company's capital.

Groupama AM applies the following principles to assess resolutions relating to capital authorization requests:

- **Capital increase with preferential subscription rights:** resolution rejected if greater than 50% of the capital.
- **Capital increase without preferential subscription rights and without reason:** resolution rejected if greater than 10% of the capital per two-year period.
- **Capital increase without preferential subscription rights, but with a guaranteed priority period:** resolution rejected if greater than 33% of the capital so as to not excessively penalise those shareholders that are unable to take part.
- **Capital increase for the payment of contributions in kind:** resolution rejected if greater than 10% of the capital per two-year period.
- **Capital increase by means of private placement:** resolution rejected if greater than 10% of the capital, unless specific justification is given.
- **Capital increase in the event of a public takeover bid:** resolution systematically rejected.

These authorizations will be refused if liable to be used in the event of a takeover.

For convertible bond issues, Groupama AM will review the potential impacts of these issues for shareholders, particularly in terms of dilution, as well as the impacts on levels of debt.

In connection with an over-allocation option ("green shoe"), Groupama AM will support an extension of the capital increase authorization for up to 15% of the initial issue if the maximum potential dilution resulting from the over-allocation option being exercised does not exceed the maximum limits indicated above. This extension must be offered at the same price as that used for the initial issue and within a period of 30 days from the end of the subscription period.

2. Balance of power

Groupama AM asks the board to:

- Publish detailed curriculum vitae for each director, indicating their professional background, their current offices and any offices they have held during the past five years.
- Justify the selection of each director when they are appointed or reappointed. This may take place within a more general framework if the board has carried out, either itself or through a third party, an assessment of its operations.
- specify the tasks and the effective role of the chairman as well as the assessment of his activity for the year in case of renewal

In addition, it is recommended to terminate the employment contracts of employees who become executive directors.

2.1. Majority of independent directors

(a) Definition of the "independent director" principle

The qualification of members who are free from any interests notably excludes the following due to potential conflicts of interest or limited availability:

- Current and former executives and employees,
- Executives' relatives and related parties,
- Shareholders and their representatives with more than 3% of voting rights,
- The company's clients, suppliers and service providers, including investment bankers who could have, or could have recently had, a business relationship with the company,
- Directors appointed as a result of cross-shareholding interests,
- Directors whose office within the company exceeds 12 years
- People who have been statutory auditors at any point in the last five years.

(b) Number of independent directors

In Groupama AM's view, if there is a majority of independent directors on the board, this is likely to limit conflicts of interest, helping ensure fair treatment for all shareholders and objective control by the company's executives.

For companies in which one or more majority shareholders hold more than 50% of the capital, it is understandable that the number of independent directors required should be consistent with the percentage of floating capital, within the limit for two thirds of the seats to be controlled by such shareholders. Indeed, as a minimum, at least one third of the directors should be independent.

Groupama AM also applies this limit for one third of the directors to be independent for companies which are legally required to have 50% of directors representing employees on the board.

If the law requires the renewal of the board of directors using lists (as in Italy for instance), then Groupama AM will select the list that best meets the criteria set out above.

Among the non-independent directors, Groupama AM accepts the presence of two executive directors.

If all the reappointments / appointments of directors proposed by the company cannot be accepted due to the overrepresentation of directors who are not free from any interests, Groupama AM will make its choice based on the criteria indicated below (availability, diversity, etc.).

Employee directors: Although they cannot be considered as independent directors, Groupama AM recognizes that salaried directors bring a close knowledge of the operational teams as well as the climate and social relations. Ultimately, they bring a broader approach to the business than strategy and financial performance. Employee directors are not subject to election to the GA.

The position of Groupama AM is therefore not to include the salaried directors in the calculation of the rate of independent directors so as not to 'penalize' the rate of independence of the CA taken into account.

Shareholder employees: Directors representing employee shareholders are subject to election to the General Meeting of Shareholders in companies where the employees collectively hold more than 3% of the share capital. Groupama AM's approach is similar to that of employee directors in that employee shareholders are not accounted for to determine the proportion of independent directors.

c. Separation of the functions of Chairman of the board of directors and Chief Executive Officer

Considering the significant powers awarded to the Chairman of the board of directors, Groupama AM favours the separation of the functions of Chairman of the board of directors and Chief Executive Officer with a view to ensuring a balance of powers. This separation of functions can be obtained by:

- adopting a two-tier governance structure, i.e. management board / supervisory board
- separating the functions of CEO and chairman of the board of directors.

In this way, **Groupama Asset Management will vote against the appointment of a Chairman-CEO to the board if the company has declared in advance that both functions will be combined, unless the company:**

- **explains why it wishes to combine the roles**
- **and has put in place measures to provide effective opposition to the Chairman-CEO.** Such challenges may be obtained in various ways, in particular by:
 - a board of directors and specialized committees (audit, appointments and remuneration) comprising a majority of directors who are independent, competent and available.
 - the appointment of a senior independent director with higher powers than those of the other directors, and notably to manage the conflicts of interest, the power to work with the Chairman to draw up the agenda for board meetings by adding, if necessary, additional points or to convene the board under exceptional circumstances; this director also ensures that good governance is respected within the board and the specialized committees, and reports on any actions taken at the Annual General Meeting. These powers must be clearly formalized in the articles of association or the internal regulations.

- the organization of executive sessions prior to or after each Board meetings in order to ensure regular meetings for solely non-executive board members.
- Case of the renewal of the founding CEOs: Groupama AM wishes to recognize their specific role in the further development and creation of the value of the company. A positive recommendation will be issued provided that :
 - The majority of directors on the Board is independent
 - The founding director does not benefit to the detriment of other shareholders (double voting rights, excessive remuneration, significant regulated agreements)

Groupama Asset Management will also review the quality of the executive remuneration policy

2.2. Diverse areas of expertise and experience

The diversity of directors' profiles helps ensure constructive and contradictory exchanges. In this way, it helps ensure that the board is able to operate effectively. This diversity must be consistent with the company's business and the geographical areas where it operates. Groupama AM's understanding of diverse profiles is as follows: gender diversity, diversity in terms of nationalities, diversity in terms of areas of expertise, diversity in terms of professional backgrounds, rejuvenation of directors for boards with a high average age, etc. With regard to this last point, Groupama AM favours a very limited presence of directors over the age of 70.

Groupama AM reserves the right to vote against the appointment of a director when the latter proposes a strategic project that Groupama AM does not support (mergers, acquisitions, sales, etc.) or when the person proposed embodies any practices that Groupama AM does not approve of.

While the diversity of directors is important, Groupama AM considers that a board must have a minimum of seven members and a maximum of 16 with a view to optimising its efficiency and effectiveness.

For this last reason in particular, Groupama AM does not support the presence and involvement of auditors, (directors without voting rights who assist the board and are paid to be part of the boards).

2.3. Availability

The directors' involvement in the board's work is an important factor for it to operate effectively. An essential condition for this involvement is linked to the directors' availability, i.e. the number of positions held by each director.

Groupama AM estimates that one day per week is required to effectively perform a non-executive director position. In this way, the appointment of directors holding a large number of offices in France and abroad will be rejected, particularly when they hold more than four other non-executive offices in listed companies outside the Group, or two other offices in listed companies outside the Group if one of these offices is an executive position.

Groupama AM will vote against the reappointment of any members whose attendance at meetings of the board of directors and/or specialised committees is lower than 75%.

In cases when an executive director holds more than two other offices, Groupama AM will not oppose the renewal of the executive office, but will oppose the renewal of the non-executive offices.

2.4. Creation of specialised committees

The existence of specialised committees helps ensure that the board is able to operate effectively. These committees carry out in-depth preparations for the handling of complex matters or matters that involve a risk of a conflict of interests, without replacing the board's responsibility on a collegial basis. Indeed, the final decision is still the board's collective responsibility.

These committees must be chaired by an independent director and the majority of their members must also be independent directors. These committees must have independent resources allowing them to perform their duties. A minimum of three separate committees (audit, remuneration and appointments) is required.

These committees cannot include executive directors.

a) Appointments committee

This committee is responsible for the process to appoint board members and executives. More specifically, it must be able to establish succession plans for executives corporate officers and review them annually to rapidly propose succession solutions to the board if any positions become vacant unexpectedly. Its role is essential in order to ensure the balanced make-up of the board (diversity, expertise, independence and availability of directors).

Meaningful representation of women on the nominating committee is desirable, in order to replicate the diversity of the Board in specific committees.

Groupama AM may vote against the reappointment of the Chairman of the appointments committee if the board's proposals for appointing and reappointing directors are not compliant with the criteria mentioned previously.

b) Remuneration committee

This committee submits proposals to the board concerning the overall remuneration policy elements for executives (fixed pay, variable pay, benefits in kind, pension plans, stock option and/or bonus share plans, severance benefits) and evaluates the executives' performance with a view to determining their remuneration. It may also have the option to make recommendations concerning the structural level of remuneration for the executive leadership team, as well as remuneration for employees whose activities are likely to have a significant impact on the company's risk exposure.

For companies with a single-tier structure, Groupama AM will monitor remuneration practices particularly closely in companies where the board has decided to combine the functions of CEO and Chairman of the board of directors.

Groupama AM may vote against the reappointment of the Chairman of the remuneration committee if the company's remuneration policy is not consistent with the main principles from our voting policy for remuneration matters.

In addition, at the time of the renewal of the Chairman of the Committee, an analysis of the voting process related to the remuneration policy will be carried out. In the absence of a reaction by the committee to the significant challenge (approval score <80%) of compensation items by the general meeting, Groupama Asset Management will vote against the renewal of the Chairman of the remuneration committee.

c) Audit committee

In particular, the audit committee has a duty to perform the following roles:

- Auditing of the accounting and financial information,
- Risk analysis and supervision of internal control,
- Monitoring of the statutory audit of the accounts, reviewing external audit work,
- Selection of the statutory auditors, checking their independence.

Lastly, the board should ideally arrange for the audit committee's existence and work to be communicated on as widely as possible through the report on internal control or the annual report presented during the general meeting.

Considering the requirements for the audit committee's expertise and independence, this committee should be made up of a minimum of two people with strong levels of finance / audit / accounting expertise. In addition, two thirds of the directors should be independent.

Groupama AM may vote against the reappointment of the Chairman of the audit committee in the event of any failure to perform its missions.

3. Transparent and fair remuneration

3.1. Transparency of remuneration

Each year, the board must provide the shareholders with explanations concerning all the elements of individual remuneration for executives. This information must cover the fixed, variable, exceptional, immediate and deferred elements, as well as all the elements relating to bonus shares and options awarded or paid by the company or its subsidiaries, in France and abroad. The information provided on stock warrant plans must make it possible to analyze the consequences of these plans in terms of the costs involved and the future capital dilution, as well as the number of beneficiaries indicated for options awarded under these plans.

The conditions associated with severance benefits in the event of forced departure and the conditions for supplementary pensions must also be provided.

Groupama AM is in favour of the publication of a summary table indicating all the items of remuneration due and paid in the current year and the previous year to each executive director in order to make it easier to understand the company's remuneration practices.

This presentation must be followed by a mandatory vote of the shareholders, introduced by law known as Sapin 2*. In the event of a negative opinion of the meeting, the board must meet to consider the reasons for the vote and the expectations expressed. The board then decides on the changes to be made according to the recommendations of the remuneration committee, and then issues a press release on the website immediately afterwards.

Groupama AM is in favor of individualizing the resolutions for each of the corporate officers, including the Chairman of the Board or the Chairman of the Supervisory Board.

** Law known as Sapin 2: France*

First Part: Approval of the GA is required for any change in the remuneration policy and for each renewal of the mandate of the executive directors as of the 2017 season for all companies referring to the Afep-Medef governance code..

Second Part: The approval of the GA is required before any payment or allocation of the elements of variable and exceptional remuneration for the previous fiscal year as of the season 2018.

This second part applies to companies having the status of limited company only and therefore does not concern joint-stock companies.

3.2. Principles for executive remuneration

Groupama AM considers that an appropriate remuneration policy must comply with the following principles:

- The remuneration of executive directors must always be justified and justifiable in relation to relevant and objective criteria. The remuneration must reflect the company's performance with regard to the actual risks incurred.
- The performance objectives and criteria must be consistent with the strategic objectives announced to investors.
- The performance objectives and criteria must be assessed in relation to the company's absolute performance, as well as, and above all, in relation to its relative performance compared with other companies in the same business sector, to avoid any windfall effects and reward the performance of the executives concerned. This is particularly true for stock market criteria.
- Publication of a performance grid specifying the weights of each criterion and the achievement rate by objective should be encouraged.
- Quantifiable criteria, which are not necessarily financial, must be paramount. The sub-total applicable to the qualitative criteria must therefore be strictly less than 50%
- Taking into consideration non-financial criteria (e.g. accident frequency rate, client and/or employee satisfaction rate, etc.), in addition to exclusively financial criteria, is likely to help align the interests of executives with those of the shareholders, whilst still respecting all the company's stakeholders.
- The amounts awarded must be consistent with the company's results. Although common practices in the country and sector concerned, and for similar-sized companies, must be taken into consideration when determining the amounts to be awarded, such analyses do not alone justify the marked increase seen in salaries in recent years.
- Regarding financial institutions, the implementation of deferred variable remuneration, with the introduction of a claw back mechanism, should be encouraged in order to discourage excessive risk taking.

3.3. Long-term incentive plans

a) Minimum shareholdings for board members

Groupama AM is in favour of board members and executives holding shares in order to align their interests with the company's long-term performance, which also corresponds to the shareholders' interests.

b) Awarding of stock options and bonus shares

Stock option and/or bonus share programs are a key element in long-term incentive plans for executives. They must be dependent on several criteria, and more specifically:

- Disclosure of the performance conditions, which must be always based on quantifiable and non editable criteria during the period except exceptional circumstances. Those conditions must be demanding and cover a long timeframe (at least three years) for awards to executives.
- A lock-in period, considering that a significant percentage of the shares awarded to executives should ideally be held through to the end of their offices.
- No discount on the exercise price for stock options.

- A limited percentage of the capital in order to limit the dilution effect for shareholders. The total amount of all current plans including stock options and bonus shares must not exceed 10% of the capital.
- The level of concentration for awards to executive directors should ideally not be too high.

Bonus shares should ideally be awarded to all employees in connection with an employee shareholding scheme.

- A discount of 20% is acceptable when the volume of the capital increase reserved for employee shareholding does not exceed 5% of the capital.
- The combined total for all employee shareholding must represent less than 10% of capital.

Groupama AM is in favour of a separation of resolutions concerning their allocations for executives and employees. The conditions for awarding stock options and/or bonus shares must be clearly indicated in the resolutions.

3.4. Severance and other benefits

- **Severance benefits**

Any severance benefits awarded to executive directors may only be granted in the event of the director being forced to leave the company due to a change of control or strategy. These benefits must be dependent on various performance conditions being met.

In Groupama AM's view, all benefits (severance, no-compete benefits, etc.) must be in proportion to the length of the executive's service, their remuneration and the company's performance during the beneficiary's term of office. The amount of such benefits must not exceed an amount equivalent to two years of remuneration (fixed + variable).

In the event of degraded performances (losses) over two consecutive years as well as repeated warnings profits, the threshold of the accumulation of indemnities is reduced to one year of remuneration. The conditions associated with the severance benefits for each corporate officer must be subject to a separate resolution and must be exhaustively detailed.

- **Supplementary pension plans**

It is preferable for executives to be covered by a set supplementary plan if and only if they are present in the company at the time of their retirement and they have at least two years' seniority. In Groupama AM's view, supplementary pension plans must not exceed 3% of the beneficiary's remuneration during the last three years for each year of service, and must be capped at 45% of the annual fixed and variable amount paid during the past three years.

3.5 Director remuneration

Groupama AM is in favour of an approach where payment of directors' fees is indexed against their effective participation in the board's meetings and specialized committees. The amounts awarded must be consistent with the practices in the business sector and country where the company operates and any changes will need to be explained and detailed. The awarding of variable compensation, stock options or performance shares is undesirable because it would compromise directors' **independence**.

4. Integrity of information disclosed by the company

4.1. Approval of the financial statements

The use of various reference documents in the presentation of the financial statements requires the publication of explanations for any discrepancies in relation to the standards.

The presentation of risks, off-balance sheet commitments and current litigation cases must be exhaustive and given in real time.

Groupama AM votes against the approval of financial statements for which the company's auditors have any reservations concerning their accuracy.

4.2. Related resolutions

The practice of "related" resolutions, which involves grouping together several decisions under the same resolution, even if they are of a similar nature, is not acceptable. Indeed, shareholders must be able to clearly express themselves and therefore vote on each matter.

These decisions must be submitted separately for voting on by the general meeting.

When Groupama AM is opposed to one of the decisions put to the vote in a "related" resolution, Groupama AM may vote against the entire resolution.

4.3. Related party agreements

All related party agreements must be signed in the interests of all shareholders, calling for specific care to be taken for the approval of such agreements, which must be strategically justified and based on fair conditions.

Any related party agreements that are poorly explained, have little strategic justification or are unfair must result in the approval of the auditor's special report being rejected.

Even if not formally required by the legal regulations in force, Groupama AM is in favour of each significant related party agreement being subject to a separate resolution (French law requires a specific resolution for related party agreements concerning remuneration). If the special report includes several related party agreements, Groupama AM reserves the right to abstain or vote against if any one of the agreements fails to comply with the principles of the voting policy.

Although not legally binding, Groupama AM asks companies to take into consideration the results of shareholders' votes on related party agreements.

4.4. Appointment and independence of the statutory auditors' work

The statutory auditors perform independent, external checks to ensure the quality of the financial statements. It is important to ensure their independence and vigilance:

- Independence:
 - The fees for advisory services must never exceed the auditing fees.
 - The statutory auditors must not certify any listed affiliates.
 - The appointment of two joint statutory auditors is likely to encourage the independence of their assessments. In cases when the company is required to work with two joint statutory auditors, it is recommended that the breakdown of work between the two joint-auditors should be balanced.

- Contract length
 - Rotating statutory auditors is likely to encourage a more rigorous auditing process. Groupama AM is in favour of limiting auditors to a maximum contract of 15 years.

4.5. Discharge for directors

Groupama AM considers that all corporate officers must accept their past responsibilities and should generally not require any discharge for their management. Groupama AM will generally vote in favour of the discharge if it represents a vote of confidence, but would not prevent any claims for liability against the corporate officers if any instances of gross misconduct become apparent.

If the resolution relating to the discharge is associated with the approval of the financial statements, Groupama AM votes in favour, except in cases when the statutory auditors have announced any reservations.

4.6. Strategic and/or significant disposal of assets

Groupama AM recommends that disposals of significant and/or strategic assets be put to prior vote by the shareholders at an EGM.

5. Prudent management of capital

5.1. Distribution of dividends

The distribution offered to shareholders must be justified and in line with the company's strategy and outlook. It must also be consistent with distribution levels for the business sector.

Groupama AM considers that:

- Fairness between shareholders is not called into question by a share-based dividend payment because they are offered a choice.
- Developing shareholder loyalty is desirable. The dividend system, increased by the French legal limit of 10%, is reserved for registered shareholders that have held less than 0.5% of the capital for at least two years and represents an acceptable means of developing loyalty. However, it would be preferable if it was based not on shares being held on a registered basis for two years, but shareholders' effective participation in votes over the past two years.
- The distribution of dividends must be covered by a specific resolution.

5.2. Share buybacks

Share buyback policies will be assessed as part of a clear strategy.

Groupama AM is opposed to any resolution concerning a share buyback:

- Authorizing the pursuit of a policy to buy back shares during a public offering period.
- Authorizing the use of derivatives in connection with share buyback programs, unless for hedging employee stock option plans.
- For companies whose shares are not liquid enough.

In the event of opposition to a share buyback, Groupama AM will also oppose the reduction of the capital, in order to ensure consistency

5.3. Indebtedness

Indebtedness policies will be assessed as part of a clear strategy.

In general, Groupama AM considers that companies (excluding banks and financial institutions for which this is not relevant or other sectoral exceptions justified in advance) should limit their potential net financial debt to one and a half times the amount of their shareholders' equity, and consequently votes to approve resolutions to this effect.

6. Acknowledgement by the company that it has corporate social and environmental responsibilities

Groupama AM fully recognizes the importance of focusing its investments on quality businesses that acknowledge their responsibilities to all their stakeholders, not just their shareholders.

The social and environmental information elements should be audited and published in the same way as financial information.

Groupama AM supports the publication by companies of integrated reports that report on the management - in the long term - of all the company's capital (tangible and intangible) and not just financial capital.

Groupama AM encourages the creation of a specific committee in charge of CSR issues as well as the certification of CSR information throughout the company's scope of activity.

In Groupama AM's view, it is important for the company to facilitate dialogue with its stakeholders, including requests from minority shareholders to add points to the agenda for AGMs.

Groupama AM will consider, case by case, all the resolutions submitted by the company's minority shareholders and especially their relevance and adequacy with the company's strategy.

PREVENTION OF CONFLICTS OF INTEREST

Two fundamental principles guide the conflict of interest approach to the exercise of voting rights:

- The duty of information and transparency with regard to clients is a basis for preventing conflicts of interest.
 - The principles and criteria of the voting policy of Groupama AM are public and published on the website, available to clients.
 - The voting policy is validated by the governing bodies each year
- Equal treatment of customers and companies of which Groupama AM is a shareholder
 - Groupama AM will apply the voting policy indiscriminately of any business, capital or relations link that could exist between the company and the companies of the GROUPAMA Group.

In the event of a conflict of interest between Groupama AM or a member of the team responsible for the exercise of voting rights and one of its clients, the RCCI in consultation with the other stakeholders (management and research) will decide the attitude to adopt.

ORGANISATION OF THE MANAGEMENT COMPANY FOR THE EXERCISING OF VOTING RIGHTS

- **The exercising of voting rights involves two Groupama AM departments:**

Asset Management Department :

- *Research Department:* has drawn up and updated annually a document called "Groupama AM Voting Policy", which presents the management company's positions in relation to standard resolutions. The annual update takes into account the opinions of many sources, including: Proxinvest, ISS, the French Association of Financial Management (AFG) and AFEP-MEDEF. This document is published on the Groupama AM website.
- *Equity Management Department:* has subscribed to voting platforms and the services of external providers (Proxinvest, ECGS, ISS), which analyze the resolutions put to vote by shareholders and provide comments.
 - Each portfolio manager is allocated a stock exchange sector on which he is in charge of voting for all relevant UCIs.
 - The managers consider the advice provided and using the Groupama AM Voting Policy to give their own assessment of the resolutions. Then they proceed to the execution of the votes via the ISS platform
 - At the end of the voting campaign, the portfolio managers carry out the statistics and gather the elements necessary for legal information using the ISS platform.

Activities Department Support:

The Middle Office manages the administrative follow-up of the voting files in assembly with the help of the voting platforms. This follow-up consists of:

- The sending of AG holding alerts containing the distribution of shares and the voting deadline
- The blocking of securities upstream of GAs according to the constraints specific to each country, then release of securities after the GA
- Verification of the proper conduct of voting and relations with the depositaries
- A procedure called "Voting Rights" has been drafted. It details how voting is conducted, including the use of voting platforms, how votes are tracked, and the development of voting statistics.

An annual report on the voting policy implemented is drawn up and published on the Groupama AM website.

A voting policy summary is included with the annual report for the UCITS.

The Internal Control and Compliance Manager (ICCM) monitors the correct application of the policy for exercising voting rights by the company.