



## - I - PRINCIPLES OF THE VOTING POLICY

The voting policy is an extension of the investment policy, the objective of which is to seek regular long-term performance in line with the funds' management guidelines. It incorporates the peculiarities of each country in terms of company law and corporate governance.

As a responsible investor, Crédit Mutuel Asset Management pays particular attention to the corporate governance structures and practices in which it invests on behalf of its clients and the funds it manages. Robust and transparent corporate governance practices generate long-term shareholder value and are elements of risk management. The team responsible for implementing the voting policy is regularly asked to question companies on the resolutions proposed at the General Meeting and to inform them of the main elements of Crédit Mutuel Asset Management's voting policy.

The principles of Crédit Mutuel AM's voting policy are as follows:

- A- Compliance with minority shareholder rights and fairness between shareholders
- B- Transparency and quality of information provided to shareholders
- C- Clarity and balance of powers between management bodies
- D- Sustainability and integration of long-term corporate strategy
- E- Support of best practices in corporate governance



## **A- Compliance with minority shareholder rights and fairness between shareholders**

The corporate governance structure and practices are designed to protect the fundamental rights of shareholders, such as participation and voting at general meetings, the election of board members and auditors, and the validation of a fair distribution of the company's distributable profits.

Shareholders are also entitled to express their position by voting on proposals regarding fundamental changes to the company such as amendments to the articles of association, in particular capital increases or other changes to the company's share capital structure, extraordinary operations significantly affecting the company's mission and capital structure.

Equal treatment of shareholders is one of the basic principles of good corporate governance. All shareholders of the same class must be treated equally.

In principle, and in accordance with the principle of 'one share - one vote,' all shareholders must have the same voting rights. The processes and procedures of general meetings must ensure equal treatment of all shareholders.

## **B- Transparency and quality of information provided to shareholders**

In addition to the Company's full annual financial statements, the Board of Directors' report to the General Meeting and the Statutory Auditors' reports, it is necessary, for an informed vote, to have the necessary information to assess the resolutions, including those relating to elements of remuneration and remuneration policy, regulated agreements and the appointment of directors.

Disclosure of information about the company's situation, financial results and governance must be carried out in a timely, accurate and transparent manner. An annual audit is to be carried out by an independent auditor for the benefit of shareholders. In the event that this information is not provided within a sufficient time frame, Crédit Mutuel AM may be required to vote against the corresponding resolutions.

### **Related-party agreements**

1) A related-party agreement binds the company with a stakeholder with significant influence (executive, member of the board of directors or supervisory board, significant shareholder). Due to the conflict of interest that exists by nature, related-party agreements are subject to enhanced control, notably through the presentation to the vote of shareholders.



2) Crédit Mutuel AM votes on a case-by-case basis, with regard to the persons concerned, on the content and rationale of the transactions, as well as on the information provided by the board to explain the interest of the agreement.

3) Crédit Mutuel AM wants the agreements to have a limited duration, and to be reviewed periodically by the board and by shareholders. Crédit Mutuel AM recommends that the most important agreements be the subject of separate resolutions, to enable shareholders to decide on a case-by-case basis.

4) Crédit Mutuel AM votes against any resolution where the information provided on the agreements concerned is insufficient.

5) Crédit Mutuel AM only decides on new or renewed agreements.

## **C- Clarity and balance of powers between management bodies**

Crédit Mutuel AM encourages the assessment of the work of the Board of Directors, the Specialised Committees (appointment, audit, compensation, selection, ethics, etc.) and the report of their work to the General Meeting.

Directors' appointments must be assessed on a case-by-case basis and must include the notion of *affectio societatis*. Among the criteria for judgement are their competence, independence, length of service on the Board, absence of conflict of interest, diversity and age. It is essential that directors be elected by a majority. In this context, the practice of cumulative voting cannot be considered.

The number of members on the Board of Directors must be between 4 and 16 members. Crédit Mutuel AM wants the board composition to be gender balanced. The management company reserves the right to vote against a board that would not include any women among its directors.

Directors must have the availability required for the performance of their duties. The number of non-Group directorships for an executive director cannot exceed two over time (a term as Audit Committee Chair is equivalent to a directorship outside the group). The number of non-executive directorships cannot exceed four for a non-executive director and must be restricted according to the size of the companies concerned.

The board, which is composed solely of directors, excluding non-voting directors, must include a significant proportion of directors who are not shareholders.



Directors' remuneration must be in line with standards and, regardless of attendance at meetings, do not provide for any variable remuneration.

Crédit Mutuel AM pays close attention to the composition of specialised committees, their independence and the representation of employees: for a controlled company, at least one third of the members must be free of conflicts of interest, and half for an uncontrolled company. The presence of at least one independent director is required in the case of small caps. The Audit Committee and the Remuneration Committee may not include members of Executive Management and it is desirable that they be separated.

Crédit Mutuel AM supports the separation of the functions of Chairman of the Board and Chief Executive Officer. In the event of a combination of functions, it is desirable for a Lead Director to be appointed, who is not a shareholder, whose role is specified in the articles of incorporation or the board's internal rules.

## **D - Sustainability and integration of long-term corporate strategy**

1) Strategy elements: Crédit Mutuel AM assesses the quality of management, and the way in which the company takes into account the environmental, social and governance challenges related to its activities. Crédit Mutuel AM considers that poor performance in the areas of ESG or poor practices highlighted notably by repeated and important controversies have an impact on the company's current or future results and could, as a result, lead to a failure to approve the company's accounts.

2) Approval of the financial statements and appropriation of income: Crédit Mutuel AM may not approve accounts if they have serious reservations on the part of one of the Statutory Auditors.

The statutory auditors must provide all guarantees of objectivity and independence.

Under no circumstances must they risk being in a situation of a conflict of interest. The remuneration received in respect of advisory assignments with a company must be minor in proportion to that received in respect of their control duties.

3) In terms of debt authorizations, the Company's outlook and performance are taken into account in the context of the debt standards of the sector.



4) Significant acquisitions or disposals must be consistent with the strategy and reasonable risk-taking.

5) The dividend policy must be justified: The justification for the distribution of the company's profits must strike a balance between shareholders' expectations for dividends - in cash only - and the company's financial needs with respect to medium- and long-term sustainable development.

6) Authorisation to buy back shares at a price higher than the stock market price: Crédit Mutuel AM generally does not approve such resolutions.

7) Finally, Crédit Mutuel AM does not accept donations to political or lobbying organisations.

8) Executive compensation policy: remuneration is an important corporate governance issue because its structure defines, among other things, the values of a company in the context of reputational risk.

An adequate level of remuneration must be put in place to avoid unnecessary risk-taking. The criteria for short-term and long-term fixed compensation and variable compensation must be transparent and consistent with the practices of the company, the sector and the country and promote the balance of the company's strategy between the short term and the long term.

The application of these criteria is subject to a vote, as is the remuneration policy planned for the coming years, incorporating ancillary elements such as defined contribution pensions (avoiding defined benefit plans). The termination benefit is based on the compensation, the length of service with the company and the contribution made to the company during the term of office. In order to promote their social acceptability, the accumulation of benefits at the time of departure from the company is not desirable. A non-competition clause, at the discretion of the Board, is to be put to the vote.

Allocation of shares or options to employees, excluding free shares: It is important for the board of directors to give a precise indication regarding the award criteria. The holding is 'at risk' (i.e. without hedging) and the price used must not incorporate a discount, without the possibility of a change in the initial contract.



Corporate mutual fund and employee share ownership plan: Crédit Mutuel AM is in favour of the grant, with a discount, of shares to members of a corporate mutual fund (FCPE), to the extent that the dilution is reasonable.

## **E- Support of best practices in corporate governance**

Although the principle of Crédit Mutuel AM is to support the management of the companies in which the UCIs are invested, the vote must be informed and attention must be paid to the short- and long-term consequences of the resolutions on the value of the securities in the interests of the unitholders.

Among the resolutions deemed to be blank powers of attorney are requests for authorisation to increase the share capital in cash for amounts disproportionate to the current share capital (in excess of 20%, except in specific circumstances).

### **1) Capital control, anti-takeover measures, equity between shareholders**

Authorisation to increase the share capital and issue warrants during a public offering: Crédit Mutuel AM does not approve such resolutions. It is important that the deal is not likely to derail the offer and that the capital increase is justified by a very precise project in the interests of the company.

Authorisation to buy back shares or capital reduction during the period of a public offer: similarly, Crédit Mutuel AM does not approve such resolutions. These programs should not be used as an anti-takeover device.

Double voting rights and non-voting shares: Crédit Mutuel AM does not wish to give any shareholder or group of shareholders rights disproportionate to their capital commitment and is in favour of respecting the 'one share, one vote' principle. For the same reasons, requirements for qualified majority voting to block any change are not admissible.

Statutory thresholds: Crédit Mutuel AM does not support the establishment of such reporting thresholds.

Amendments to the articles of incorporation: Crédit Mutuel AM does not support changing age limits to be part of the board.





Capital increase with waiver of pre-emptive subscription rights: insofar as this is not a private placement (choice not supported by Crédit Mutuel AM), the interest of an international placement, the corporate project and its financial situation must be taken into account, as well as the dilution that must be reasonable.

Gifts to shareholders held in registered form do not maintain equity between shareholders.

## 2) Social, environmental and societal resolutions

Crédit Mutuel AM supports good corporate social responsibility (CSR) practices in line with its own socially responsible investment choices. In contrast, it is opposed to policies that could have a negative impact on the company from a medium-/long-term perspective and/or present a reputational risk.

Support for requests for specific reports: as well as contributing to transparency, the reports contribute to limiting risk.



## - II - EXERCISE OF VOTING RIGHTS

### ■ Scope

The voting policy and the exercise of voting rights described below concern all funds for which Crédit Mutuel AM is responsible for financial management, including index funds and structured funds, mutual funds whose voting rights have been delegated by the Supervisory Board to Crédit Mutuel AM and mutual funds whose management delegation agreement provides for the exercise of voting rights by the delegated management company. They also include funds delegated by Crédit Mutuel AM to Crédit Mutuel group structures.

It may not be considered to disclose the number of securities held, except to the issuer (excluding any advice), outside the financial transaction period.

### ■ Voting Universe

The voting universe covers all the companies in the portfolio, without exception for those held at the time of the announcement of the General Meeting or at the record date (according to local law).

### ■ Filing of resolutions

If applicable, Crédit Mutuel AM may be required to support the filing by minority shareholders of resolutions in accordance with the principles of this document 'The voting policy'.

It should be noted that Crédit Mutuel AM is not in favour of related resolutions (blocked vote); these are subject to a negative vote if one of the terms is not in line with Crédit Mutuel AM's voting policy.





In general, the resolutions cover a limited period of effect, ranging from eighteen months to two years, of up to three or four years for the appointment of directors and six years for the Statutory Auditors.

## ■ Temporary sales of securities

As the voting right must be strictly exercised in the interests of the unitholders, the securities are not, unless duly justified, the subject of lending during a General Meeting.

## ■ Organisation of the exercise of voting rights

Resolutions are analysed by the Responsible and Sustainable Finance Department, which can refer to studies carried out by a specialised service provider.

The voting decision is taken by the Responsible and Sustainable Finance team in coordination with its head and in the head's absence by the Head of Equity Management. In the event that respect for the interests of unitholders may require a departure from the voting policy of Crédit Mutuel AM, the decision would be taken by the Crédit Mutuel AM Governance Committee composed of the Chief Investment Officer, the Head of Equity Management, the Head of Compliance and Internal Control (*Responsable de la conformité et du contrôle interne, RCCI*) and the Head of the Responsible and Sustainable Finance Division. The same would be true if a subject not provided for in the voting policy appeared. This Governance Committee meets as necessary.

## ■ How voting rights are exercised

In France, Crédit Mutuel AM votes electronically or by correspondence. There may also be physical participation in the vote by an employee (usually part of the Responsible Finance team) duly mandated on the meaning of the vote for each resolution. Crédit Mutuel AM does not give a power of attorney or power to the Chairman of the company concerned.

Abroad, the way voting rights are exercised depends on the country and its practices. Voting is transmitted via an electronic voting platform, or sometimes by correspondence. In certain countries (local constraints), Crédit Mutuel AM gives a proxy to an employee, the Chairman or a third party (specialised provider) to vote, with precise instructions on the direction of the vote, without possible derogation.



## ■ Prevention and management of conflicts of interest

Crédit Mutuel AM has a fiduciary responsibility to act strictly in the best interests of its unitholders. The provisions of the Code of Ethics of Crédit Mutuel AM are as follows:

- Prevention of conflicts of interest: the principle is the independence of the team responsible for implementing the voting policy. The strict 'Chinese wall' for relations with the other entities of the Crédit Mutuel Group is applied. The establishment of procedures guaranteed by the Head of Compliance and Internal Control aims to avoid conflicts of interest.
- Management of conflicts of interest: this is the responsibility of the Head of Compliance and Internal Control of Crédit Mutuel AM. Any employee who is aware of a conflict of interest situation must report it to them.

Crédit Mutuel AM is a member of the AFG, some of its employees are members of the SFAF, certified as Chartered Financial Analysts. Crédit Mutuel AM recognises the codes of ethics of these professional associations.



## - III - ENGAGEMENT POLICY

### ■ The principles of the engagement policy

Best practices in terms of social, societal, human rights, the environment and corporate governance can only help to strengthen the relevance of the Company's issues, its financial situation, its ability to create value over the long term and its valuation.

As a result, Crédit Mutuel Asset Management has adopted a holistic approach covering all criteria concerning the quality of governance, social aspects, and environmental aspects, including climate. Since these criteria are interdependent, this choice allows us to take a global view of the challenges, risks and opportunities and to integrate them into a long-term strategy.

These criteria are specified in the Article 173 report of the French Energy Transition for Green Growth Act and based on texts with universal scope, such as:

- The United Nations Global Compact
- The Rio Declaration on the Environment and the Paris COP21 Agreement
- The OECD Guidelines on Corporate Governance.

Good governance is fundamental. It is the *sine qua non* for achieving and maintaining good results in other areas, including social, societal and environmental areas. In this way, the engagement policy is directly linked to the voting policy.

Engagement is one of the foundations of:

- the ESG integration policy: approach focused on materiality upstream of greater responsibility
- Socially Responsible Investment: approach focused on responsibility upstream of greater materiality.



## ■ The process

### • Individual engagement

Crédit Mutuel AM conducts two types of dialogues:

- Ad hoc engagement, through direct dialogue and follow-up by the Responsible Finance team, mainly with large European companies
- Structured engagement based on a common questionnaire sent to European companies.

As an active investor, Crédit Mutuel AM aims to invite, through constructive questions, best practices in governance, social and environmental matters. This requires greater transparency, the provision of quality data and the integration of CSR into the long-term strategy of companies.

All ESG themes and controversies can be addressed. The resources allocated are proportional to the materiality of the stake for funds managed by Crédit Mutuel AM.

The list of funds concerned, ISR Best in class, shareholder engagement and ESG integration, is available on the Crédit Mutuel Asset Management website, [www.creditmutuel-am.eu](http://www.creditmutuel-am.eu).

### • Engaging in collaborative work

Crédit Mutuel AM supports the following international initiatives:

#### Key initiatives supported

	Governance	Environment	Social	Societal	Commitment to the approach of social responsibility
PRI	x	x	x	x	<b>X</b>
CDP (formerly Carbon Disclosure Project) Water, CO <sub>2</sub> , Forestry	x	<b>X</b>	x	x	x
Paris Call	x	<b>X</b>	x	x	x
Global Investors Statement to Governments on Climate Change	x	<b>X</b>	x	x	x
Green Bond Principles		<b>X</b>			
ICGN (International Corporate Governance Network)	<b>X</b>	x	x	x	x
Generalisation of non-financial ratings	<b>X</b>				
Access to Medicine	x	x	<b>X</b>	<b>X</b>	x

main area of the initiative

other areas of the initiative

### • Steps taken and results

A summary is published in the Article 173 report, available on Crédit Mutuel Asset Management's website, [www.creditmutuel-am.eu](http://www.creditmutuel-am.eu).