Confidence must be earned

Amundi Asset Management

Voting policy

2019

Amundi

VOTING POLICY

2019

This policy is applied by all Amundi group companies (Société Générale Gestion, Etoile Gestion, CPR AM, BFT Investment Managers and Amundi Asset Management). It is implemented, on behalf of all the entities, by Amundi AM, which exercises the votes for all the entities.
The term “Amundi” in this document refers to all these companies.

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GENERAL PRINCIPLES

Amundi's voting policy is in line with its vision as a Responsible Investor. Right from when it was created in 2010, Amundi considered this dimension of responsibility as one of its four founding pillars. Furthermore, it meets the demand of a growing number of our clients who expect us to deliver long-term performance and to ensure the environmental and social quality of their investments.

1 An integrated approach to companies

Issues of social responsibility and sustainable development, such as those of governance, are essential in the assessment of a company. Only a global vision of the company, going beyond the purely financial aspect and integrating all risks and opportunities, in particular for ESG criteria (Environment, Social, Governance), allows an assessment of its intrinsic value and long-term economic performance.

These two dimensions are not mutually contradictory but complement one another. The social acceptance of a company's practices contributes to its image, and therefore indirectly to its development and profitability for its shareholders. A quantitative study published by Amundi in January 2019 shows the positive correlation between the integration of ESG issues and stock market valuation.

Our voting policy is in line with this approach and is therefore directly based on our analysis of a company in all these aspects.

2 Regular dialogue in a rationale of progress

The situation and practices of a company must be assessed over time. Amundi wishes to take into account, in its analysis, the evolution of these practices and the commitments made by the company with a view to their improvement. Amundi bases its assessments on regular exchanges with the company, which contribute to a good appreciation of this momentum.

We exercise our responsibility as an investor in the following three areas:

- Shareholder dialogue with companies, allowing ongoing exchange on their main financial performance and social responsibility issues as well as their related action plans,
- The consideration, in investment decisions, of ESG factors, based in particular on a proprietary rating system, calibrated specifically for each business sector,
- The voting policy, through which we influence corporate policies and aim to ensure consistency with the selected areas for improvement.

Our voting choices are part of this rationale of engagement and ongoing improvement.

3 A transparent approach

The approach of dialogue and progressive improvement that we pursue presupposes a relationship of trust with the companies in which we invest.

This trust is based on twofold transparency: that of companies, through the financial and non-financial information they send us, and that of Amundi, through visibility on our analysis methods and the conclusions we draw from this analysis.

Amundi wants companies to communicate widely on their non-financial performance and on how ESG parameters are taken into account in their strategy and practices. We believe the involvement of the Board and governance bodies in these matters is essential. We therefore strongly encourage the publication of an "integrated report" or, failing that, of a social and environmental report making it possible to assess the consideration of societal issues and the objectives that the company sets itself in this area.

In turn, Amundi is committed to a three-tiered approach to transparency:

- Communication on its "proprietary" methodology for ESG analysis and rating of companies,
- Communication to issuers of their ESG rating, of any changes in their rating and discussions with them, in particular in the event of a divergence, before a decision is made,
- Prior information on voting intentions, in particular in the event of a planned negative vote.

The positions we express in our votes should not take companies unawares. They are the result of our analysis and dialogue, the determinants of which are known.

4 Priority given to two societal issues in 2019

In our analysis of and dialogue with companies, we wish to give particular importance to two themes in 2019:

- Climate, in particular the decarbonisation of our economies,
- The control of wage balance within the framework of compensation policies.

These two themes represent systemic risks for our society. On the one hand, rising temperatures threaten to trigger destructive chain reactions and have a strong impact on our development. On the other hand, growing inequalities, notably in terms of remuneration, create a sense of injustice that jeopardises the economic and political stability of democracies. Companies must take these risks into account in order to be consonant with society's expectations and thus guarantee their own development, and therefore their performance.

Concerning the climate issue, we will pay particular attention to data on greenhouse gas emissions, which will be assessed in the light of practices in the sector and in the countries of operation. We would like to be informed of plans to reduce and offset these emissions and be able to monitor their implementation and momentum.

In terms of compensation policy, we would like companies to communicate on the "pay equity ratio" (average pay to CEO pay ratio) and on the evolution of this ratio. It will be assessed depending on the sector and the location of the company's activities. Other aspects are also the subject of particular analysis, such as the maintenance of a "living wage" throughout the supply chain, the gender pay gap and other value-sharing parameters.

The nature of the commitments made by companies on these two issues as well as the existence of a positive momentum on these issues will gradually be built into our voting decisions. Our positions will thus be expressed either by our vote on resolutions directly related to these priority themes, such as the validation of executive compensation, or by indirect action, such as the vote on the election or renewal of the officers in charge of these issues.

5 A pragmatic approach, taking into account each company's context

The regulatory, cultural or economic environment in which a company operates can be decisive for some of its choices, notably in societal areas.

Amundi has defined a universal common basis for its voting policy and exercises this responsibility as a shareholder on all five continents.

That said, the implementation of this policy is adapted to each of these local contexts. Our decisions are always made with a view to defending the interests of our client-shareholders and with the aim of being as effective as possible vis-à-vis issuers. Acceptability by the societies in which the company operates is an essential element of this effectiveness.

SHAREHOLDERS' RIGHTS

A corporate governance regime must protect and facilitate the exercise of shareholders' rights and ensure fair treatment of all shareholders, including minority and foreign shareholders.

1 General Meeting

The general meeting is the place where voting rights are exercised and therefore a central element of corporate governance. We are therefore opposed to anything that could limit, hinder its operation or reduce the scope of its jurisdiction. Resolutions must not mix in the form of a block vote items that could be presented separately.

Access to high-quality prior information is an essential component of a well-considered exercise of voting rights by shareholders.

Amundi considers it necessary to publish an explanatory document on the proposed resolutions. Indeed, resolutions are only the legal expression of management's proposals to shareholders and do not always make it possible to understand the strategic context of the request, the conditions for its implementation or other elements necessary to inform the voting decision.

This document should not be limited to a mere paraphrase of the text of the resolutions but should allow the best possible understanding of the company's strategic position.

2 Voting rights and shareholder retention

Amundi is in favour of a fair expression of shareholders through their voting rights.

Nevertheless, aware of the importance for companies to retain and stabilise their shareholders with a view to long-term development, we are not opposed to the allocation of double votes to long-term shareholders as long as they are accessible to all and do not lead to disproportionate control to the detriment of minority shareholders.

Any change in voting rights must be the subject of a resolution submitted to the vote of the General Meeting. This must be accompanied by a detailed statement of reasons drawn up by the Board.

Amundi determines its vote based on the structure of the shareholder base, the level of control thus generated for long-term shareholders and the motivation expressed by the Board.

In a logic of developing a long-term shareholder base, we are a priori in favour of the implementation of loyalty tools, such as the bonus dividend or *loyalty shares*, provided that they are open to all shareholders and supervised in their application.

3 Anti-takeover measures

Any public offer must be submitted to the vote of the shareholders. We oppose a priori any permanent or preventive anti-takeover measures, which we often consider to be contrary to the interests of shareholders.

If specific measures are proposed, we will analyse the specific conditions of the company and its stakeholders. Only mechanisms that would make it possible to obtain a better valuation of the offer and/or ensure equal treatment of shareholders (particularly in the event of a creeping takeover) may be accepted.

4 Integrity of financial information

Fair, complete and transparent financial information is essential to the exercise of shareholders' rights. The presence of a predominantly independent audit committee is required.

The quality of the financial information will be taken into account in our decision to vote on the financial statements. Insufficient information may lead to abstention or even a negative vote.

Payment of a dividend

The decision to vote will depend on the company's financial situation over time, in particular the percentage allocated to distribution and its impact on the financial structure.

Discharge to the directors

Refusal is possible in certain cases of serious breaches of corporate governance standards, overall performance (economic, financial, social and environmental) deemed deficient and affecting the valuation of the company, or reservations made by the auditors on the financial statements.

Choice and remuneration of statutory auditors

In order to avoid situations of conflict of interest and to ensure the quality and independence of the audit, certain situations may lead to a negative vote or abstention by Amundi: excessive advisory fees compared to those of the audit, statutory auditor/auditor who has held management positions in the company, etc.

Regulated agreements

In order to ensure that the company is managed with due regard to the interests of all shareholders, the company must disclose transactions with related parties. In countries where these agreements are subject to shareholder approval, we will vote on the basis of their interest for the company and respect for the rights of minority shareholders.

The lack of sufficient information to determine the interest of the agreement may result in a negative vote. In cases where agreements are not subject to a vote, and in the event of a serious deficiency, our opposition may be expressed through the renewal of members of audit committees and/or statutory auditors. The latter principle also applies in the case of previous agreements that are executed during the financial year and that would not be resubmitted to the vote of the shareholders.

BOARDS, COMMITTEES AND GOVERNING BODIES

The Board is a strategic body, its decisions affect the future of the company and the responsibility of its members.

While the Board is accountable to the company and its shareholders, it must also take due account of other stakeholders and respect their interests, in particular those of employees, creditors, clients and suppliers. Compliance with social and environmental standards is also its responsibility.

1 Quality of corporate governance information

The quality of information on the company's governance, its changes, its positioning in relation to good market practices and its relations with stakeholders are essential elements for shareholders. They are therefore fully integrated into voting decisions. Insufficient quality of information may lead to abstention or even a negative vote on resolutions relating to appointments.

Quality of *Comply* or *Explain* on governance

In many countries, the "*comply or explain*"[1] principle is an essential element of corporate governance regulation. Companies that refer to a governance code but deviate from certain recommendations will have to explain the reasons for this choice.

In the event of non-application of one or more provisions of the governance code, companies must explicitly publish all recommendations not followed, explain in detail the specific reasons for this deviation and justify in detail the consistency of the alternative solutions adopted. These will be analysed in relation to the proper functioning of governance as a whole and the interests of shareholders, in particular minority shareholders.

2 Composition and balance of the Board

Amundi considers that the Board must be composed in such a way as to bring together:

- directors with the skills and experience necessary to develop the company's strategy and oversee its implementation,
- a sufficient number of independent directors, at least 50% for non-controlled companies, and at least one third in the case of controlled companies,

Amundi recommends that:

- the corporate officers do not hold more than two other directorships outside their group,
- non-executive directors, including the Chairs of the Board of Directors, hold a maximum of four directorships.

1. Apply or Explain

We will be vigilant about the necessary availability of the Chairman of the Board, the Chairs of the various committees and the Lead Director because of the growing importance of these functions and the workload they entail. We may therefore recommend that the number of mandates acceptable for a director holding more than one of these functions be further reduced.

With regard to the term of mandates, we consider it preferable to be able to vote annually on a significant proportion of directors and to limit the term of office to four years. Over twelve years[2] of mandates in the same company, a director can no longer be considered as "independent" or "free of interest".

With regard to directors' profiles, we consider it essential to have detailed information on each candidate director before the vote at the meeting (curriculum vitae, skills brought to the Board of Directors that would justify the choice of this candidate, current mandates).

In addition, it is important to be able to decide individually on each director when electing the Board of Directors. We oppose any so-called "block vote" for several directors.

The Board must set up specialised committees to prepare its work, including an audit committee, a nominations committee and a remunerations committee. They must be composed in majority of independent directors.

Audit Committee: The task of this committee is to monitor:

- the process of preparing accounting and financial information,
- the effectiveness of internal control and risk management systems,
- the independence and objectivity of the statutory auditors.

Nominations Committee: The main responsibility of the Nominations Committee is to seek and propose competent and available candidates for the Board and general management. It must ensure succession planning for corporate officers as part of normal operations or in the event of a sudden crisis or incapacity. The committee must define a "target Board", its optimal size and the standard profiles of directors in accordance with the size of the company, the diversity of skills required in relation to its business sectors, its geographical areas of intervention and its strategic objectives. The committee will aim to explain the criteria it used to recommend this "target" structure and to highlight talent gaps so as to improve the functioning of the Board.

Remunerations Committee: The remunerations Committee approves the remuneration policy and seeks to align the compensation of key executives and directors with the long-term interests of the company and its shareholders.

2. Calculated including the term of the mandate being renewed in order to favour companies that have set up short mandates

3 A clear distribution of powers in order to limit conflicts of interest

Amundi prefers the functions of Chairman and Chief Executive Officer to be separate. In cases where this separation of powers does not exist, Amundi considers it necessary to have explanations on the reasons justifying this dual function for the same officer. In this case, the creation of a position of Lead independent Director with specific and distinct functions, is recommended.

4 Functioning of the Board

We consider it necessary to have access to complete information on the proper functioning of the Board: attendance of directors, report on Board assessment and on the general functioning of the Board.

5 Attendance fees/Remuneration of non-executive directors

We believe it is necessary to have precise information on the terms and conditions and criteria for distributing the envelope of directors' fees among the directors. In general, we are in favour of a significant portion of directors' fees being proportional to the actual presence of each director.

We consider it is essential to have an explanation in the event of an increase in this envelope.

Particular attention is also paid to the structure of the remuneration (in particular in the case of variable remuneration) of the non-executive Chairman and to the criteria for allocating this remuneration in order to avoid possible conflicts of interest with management.

FINANCIAL TRANSACTIONS

With regard to shareholders' rights, **Amundi considers that, unless there is a reasoned and solid project, cumulative capital increases should not represent more than 50% of the capital.**

1 Share issues without preferential subscription rights

Amundi considers that authorisations for routine capital increases without preferential subscription rights (PSR) should not represent more than 10% of the capital, except in special situations where local practices recommend a higher threshold. If better local practices recommend a threshold below 10 % , we will align ourselves with this limit. Issues of convertible bonds or any instrument giving access to the capital are treated in the same way.

2 Share issues with preferential subscription rights

Authorisations for capital increases with preferential subscription rights may in principle not represent more than 50% of the share capital.

Beyond this limit, Amundi will decide on the basis of its analysis of the dossier, in particular the impact of the capital increase on a change in the company's strategy and/or corporate object.

3 Mergers, acquisitions, demergers and other restructuring projects

Each project will be examined on a case-by-case basis, in order to examine the medium and long-term strategy, the potential creation of shareholder value and the social and environmental impacts.

4 Repurchase of own shares

Amundi is not in principle in favour of buying back shares but tolerates share buybacks when they do not penalise the company's investments, up to a maximum of 10% of the capital. However, when the company specifies its intention to use the authorisation during a takeover bid, we believe that the share buyback becomes an anti-takeover measure and the vote will be negative.

Amundi is also vigilant to ensure that the share buyback does not negatively affect the company's investments over the long term.

5 Employee share distribution programme

Amundi is in favour of the development of employee share ownership because it aligns the interests of shareholders and employees in the long term. The proposed discounts, which are generally governed by national legislation, must allow for the programmes to have an incentive nature and reflect the period during which securities are blocked for beneficiaries.

COMPENSATION POLICY

1 General principles on executive compensation

Amundi analyses executive compensation **in its entirety** and expresses its vote on the basis of two main criteria: the chief executive's compensation must be **"reasonable" and economically justified.**

A "reasonable" compensation must:

- be **attractive** and enable the company to attract the talent necessary for its management and development. This attractiveness is analysed mainly by **comparison with companies in the same sector** and/or in the same environment.
- ensure **the alignment of the interests** of the managers with those of the shareholders and those of the company's other stakeholders, within the scope of social and environmental responsibility (notably the employees). The evolution of compensation over time must therefore be consistent with the trends observed in the company's financial and non-financial performance.
- be **"acceptable" from a societal point of view**. The level and evolution of compensation should not be susceptible of forming the basis for hostile reactions harmful to the company, its image and therefore its development. The analysis of the pay equity ratio contributes to the assessment of this acceptability.

2 Balance of remuneration and value sharing

Amundi is vigilant to ensure that the Compensation Policy, and more broadly, the company's value-sharing policy, do not generate unacceptable situations of social inequality.

As mentioned above, the publication of the "pay equity ratio" (the ratio between the chief executive's salary on the one hand and the average salary of employees on the other) seems essential in our view. The level of this ratio is assessed with regard to the business sector and the location of activities. Changes in this ratio must be consistent with the company's performance. Any significant increase in this ratio must be explained.

Similarly, Amundi is attentive to the absence of discrimination in remuneration policy and practices, notably the absence of an unjustified gap between men and women in equivalent positions.

Amundi considers that companies must ensure that all employees, directly or indirectly employed in the supply chain, should have a minimum "living wage", consistent with living conditions in the regions where they are employed.

Generally speaking, Amundi is in favour of measures to involve a large number of employees in the company's growth, through profit-sharing agreements or performance-based bonus schemes.

All these elements will be taken into account in our analysis of the company, considering both the current situation and the momentum. As part of the dialogue established with companies, these elements may have an influence on our voting decisions, in particular resolutions relating to executive compensation and the mandates of officers in charge of these matters.

3 Transparency and remuneration Report

Amundi considers it necessary to be very transparent about remuneration policies and their implementation.

The philosophy and principles for implementing these policies must be explicit, inter alia, on the links between remuneration, performance and performance objectives.

Amundi is in favour of the existence of variable (at risk) compensation, exclusively rewarding success, including a zero payment assumption in the event of significant underperformance. These mechanisms must include minimum and maximum limits for variable compensation levels and be based on clearly defined performance criteria.

Similarly, Amundi is in favour of a deferred payment of part of executives' compensation. The payment of this deferred portion should be conditional on maintaining a minimum level of company performance in subsequent years, in accordance with the priority given to medium- to long-term performance.

Amundi is in favour of the introduction of remuneration reports, including a description of these elements and submitted to the shareholders' vote. In countries where this vote is only optional, we will be very vigilant as to companies' decision whether or not to put it to a vote.

4 Stock option and performance share plans

Amundi believes that long-term incentive plans in the form of stock options or performance shares can be an effective tool to align the interests of managers and shareholders.

However, these plans must comply with certain principles to achieve this objective, in particular in the terms of allocation (for stock options, the subscription price must be in line with market conditions at the time of allocation) and in the conditions of final acquisition and/or minimum holding period.

Our vote will therefore depend, in particular, on the following elements:

- Quality of information on the scope of distribution and the split among groups of beneficiaries, with a clear distinction between corporate officers.
- Subscription price and no discount for stock option plans and no repricing mechanism.
- Length of the plans, and deferred and conditional nature (performance conditions) for the beneficiaries.
- Nature (quantifiable objectives that are consistent with the company's strategy) and level of requirement of the performance criteria that determine the final allocation.
- Total value of the plans awarded (this must remain below 10% of the share capital, except for exceptional and duly justified reasons).

5 Severance pay

In addition to the performance conditions required by law, Amundi requests that the amount of any severance payments of any kind made to executive corporate officers be in line with their length of service, their compensation and changes in the company's intrinsic value during their term of office. Except in exceptional circumstances, severance pay should not exceed two years of total compensation.

As with employees, it is desirable that the departure of an executive corporate officer on his/her own initiative should not result in the payment of compensation.

6 Pension plans

Amundi considers it desirable that supplementary pension plans, if they exist, should be considered as an element of compensation.

Amundi will pay attention to the terms of these plans and, in particular, to the following aspects:

- Publication of the scope of beneficiaries,
- Minimum presence criteria in the company (Recommendation: 5 years minimum),
- Basis for calculating rights.

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