

## 2018 VOTING POLICY

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### Introduction

Promepar AM has been the asset management company of Bred Banque Populaire Group since 1974.

Our job is to add value and grow the capital entrusted by our clients, while seeking to optimally manage the associated risks.

Our Equity or Diversified mutual funds give voting rights to our portfolio managers.

Just like ongoing dialogue between investors and issuers, voting rights contribute to the development of Corporate Social Responsibility (CSR) and the application of Environmental, Social and Governance (ESG) criteria in their activities and for all their stakeholders.

As shareholders, we therefore consider it not just a right but also a duty to concern ourselves with the strategic, financial, operational and ESG aspects of the businesses in which we invest. This stance is reflected in our voting policy, in accordance with Articles 314-100 to 314-104 and 319-21 to 319-25 of the AMF General Regulations.

This document describes the conditions in which PROMEPAR AM intends to exercise its voting rights. It contains:

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## **A - Voting procedure**

### **1 - Organisation of voting rights at Promepar AM**

Portfolio management company Promepar AM has established two committees:

- A “Voting Policy” committee in charge of defining the basic principles of its voting policy. It meets once a year, at the start of the year, to validate or make the necessary changes to the voting policy.
- A “Voting Report” committee in charge of reporting on the company’s voting record. It meets at the end of each GM season to review Promepar AM’s voting record for the year.

These committees comprise the Chief Executive Officer, Deputy Chief Executive Officer, Head of Equities Strategy, Head of Compliance and Internal Control, portfolio managers, Head of SRI Development (also the Committee secretary) and a Middle Office representative.

### **2- Scope of Promepar AM’s voting rights**

- Promepar AM predominantly exercises its voting rights at GMs held by French companies on the SBF 120 index.

As the company does not, barring exceptional cases, carry out temporary sales of securities, it is not affected by the legal consequences of temporary sales of securities.

### **3- Voting conditions**

- Before voting, the voting teams analyse the resolutions and confer with one another to define their voting decisions, based on the principles of Promepar AM’s voting policy, the AFG’s recommendations on corporate governance, and the surveys, advisory letters and recommendations of Proxinvest, a firm specialising in corporate governance.
- Most votes are cast by correspondence with our custodian. However, if deemed necessary, we may use other methods to submit our votes, such as physically attending General Meetings or voting electronically.
- The Middle Office team saves copies of the voting forms.
- The online tool made available by Proxinvest provides us with detailed statistics on our voting record.

## **B - Promepar AM's voting policy**

### **1. Principles of Promepar AM's voting policy**

The principles of Promepar AM's voting policy aim to:

- Promote the long-term value enhancement of investments
- Encourage
  - Transparency
  - Consistency
  - Integrity
  - Fairness
  - Sustainable development

We firmly believe that there is a close connection between the application of these principles and the company's performance, and also that these principles have positive social and societal impacts.

Furthermore, Promepar AM supports the "one share - one vote" principle.

Promepar AM votes against resolutions proposing to issue shares with double voting rights, shares without voting rights, priority-dividend shares or preference shares, liable to weaken the role of minority shareholders or undermine their interests.

As a general rule, Promepar AM abstains from voting when it deems insufficient information has been provided and when several decisions are combined into a single resolution.

### **2. Adaptation of Promepar AM's voting policy**

Promepar may adapt its voting policy to:

- The size of the company
- The company's business sector
- Companies with diversified share capital vs. companies with controlled share capital (e.g. family-owned businesses)
- Reasoned arguments presented by portfolio managers, on a case-by-case basis

### **3. Voting on resolutions**

#### **3.1. Approval of financial statements, distribution of earnings and discharge of responsibility**

##### 3.1.1. Financial statements

Promepar AM approves financial statements when they are accessible, clear, certified by Statutory Auditors and consistent with the company's guidance.

##### 3.1.2. Dividend distribution

Promepar AM approves the amounts of dividends paid out if they are consistent with:

- the company's financial position
- FCF generation
- the company's normative capex requirements
- the usual distribution rate

##### 3.1.3. Related-party agreements

Promepar AM supports related-party agreements provided that they are clear, strategically warranted and not detrimental to the interests of all shareholders.

##### 3.1.4. Reappointment of Statutory Auditors

To be reappointed, Statutory Auditors should be independent and not serve more than two terms (12 years). To ensure their independence, fees charged on services not related to the certification of financial statements should not account for more than 50% of fees strictly related to certification.

##### 3.1.5. Discharge or request for discharge of responsibility for Board members and Statutory Auditors

Promepar AM does not support this principle, which weakens the powers of the shareholders. However, Promepar AM will vote for resolutions to approve financial statements that are accessible, clear and certified, and happen to include a discharge of responsibility.

For SBF 120 companies subject to national law requiring a discharge of responsibility to be voted on at General Meetings, Promepar will vote on a case-by-case basis.

### **3.2. Board of Directors or Supervisory Board**

Promepar AM believes that the offices of Chairman of the Board of Directors (control and strategy) and Chief Executive Officer (operational management) should be separate, or that a dual structure should be established (Management Board and Supervisory Board).

On a case-by-case basis, the offices of Chairman and CEO may be combined, if:

- The majority of Board members have no vested interest in the company.
- And if there is a Deputy CEO and a Senior Director with the power to convene a meeting of non-executive directors to potentially oppose the decisions of the executive directors.

#### **3.2.1. Appointment or reappointment of Directors**

Promepar AM will take the following into consideration:

- Expertise
- Attendance: participation in at least 75% of Board meetings
- The number and types of other offices held (2 max for executive directors; 5 max for non-executive directors)
- Gender equality on the Board (min 40% of female Board members in accordance with the Copé-Zimmerman Act)
- Independence: Promepar AM wants to see at least 50% independent Board members for non-controlled companies and 33% for controlled companies.
- The top 3 majority shareholders have a legitimate claim to representation on the Board, but with only 1 seat.

Promepar AM considers the following categories to be non-independent:

Shareholders holding at least 3% of the share capital and voting rights; current and former executive managers; relatives and close affiliates of executive managers and principal shareholders; employees; directors in office for more than 11 years; auditors having served for the last 5 years; any contracting parties and any persons appointed by means other than a formal election at a General Shareholders' Meeting.

#### **3.2.2. Remuneration of directors**

Remuneration should be reasonable and at least partially indexed to Board meeting attendance. The amount of directors' fees should be aligned with the amount of fees paid by companies of similar size.

### **3.3. Remuneration of Executive Managers**

Promepar AM is strict about compliance with the "Say on Pay" obligations imposed by the Sapin 2 Act. This Act establishes a binding ex-ante vote on the pay policy for executive managers, and a binding ex-post vote on the amount of pay received in accordance with the policy approved the previous year.

Promepar AM ensures that this remuneration is transparent and consistent with both the company's financial position and market practices in the industry, as well as long-term performance-based criteria, particularly in the case of stock option or free share awards.

Promepar AM is also attentive to the incorporation of social and environmental performances, such as working conditions, energy savings, etc.

### **3.4. Changes in share capital**

#### 3.4.1. Capital increases and Pre-Emptive Subscription Rights

Promepar AM supports capital increases with pre-emptive subscription rights, within the limit of 50% of share capital. Promepar opposes capital increases without pre-emptive subscription rights.

#### 3.4.2. Share buybacks and capital reductions

Promepar AM is not opposed to share buybacks, provided that:

- they are limited to 10% of share capital
- the price is fair
- they take place outside public offering periods
- the free float is at least 40%

#### 3.4.3. Anti-takeover mechanisms

Authorisations to issue or redeem shares should not be used as anti-takeover mechanisms. This principle does not apply to capital increases through the incorporation of reserves.

#### 3.4.4. Bons Breton (share warrants)

Promepar AM does not support the issuance of Bons Breton.

### **3.5. Mergers, acquisitions and restructuring operations**

Promepar AM approves external growth operations submitted to GMs on a case-by-case basis, after a detailed assessment of sector conditions, impacts on the company's by-laws, strategy and governance, jobs and long-term shareholder interests.

### **3.6. Combined by-law amendments**

Promepar AM does not approve combined by-law amendments and opposes any practices that are detrimental to shareholder interests.

### **3.7. External shareholder resolutions**

Promepar AM supports external resolutions if they are clearly motivated and aimed at improving governance, but also the company's social and environmental impacts.

## **4. Conflicts of interest**

Promepar AM votes exclusively in the interests of the unitholders or mandate-holders, while operating completely independently of BRED Banque Populaire Group and its various business divisions or subsidiaries.

## C - Voting record for the year

Promepar AM reports on the votes exercised during the year in a separate report appended to the Management Report for each fund.

### 1. Content of report

The report indicates:

- 1.1. The number of companies in which Promepar AM exercised its voting rights, compared to the total number of companies in which it held voting rights at the time of the GM.
- 1.2. Any cases in which it found it was unable to comply with the principles of its voting policy.
- 1.3. Any conflicts of interest it encountered during the voting process

### 2. Obtaining the report

The report is made available to the AMF and may be consulted at the registered office of Promepar AM or on the website at [www.promepar.fr](http://www.promepar.fr)

### 3. Obligations to provide the report (Articles 314-101 and 314-102 of the AMF General Regulations)

Promepar AM is required to provide the report at the request of the AMF or any unit/mandate-holder.

#### At the AMF's request:

The portfolio management company will provide the AMF, at its request, with the record of its abstentions or votes and the reasons for its decisions on each resolution.

#### At the request of any unit/mandate-holder:

The portfolio management company provides any unit/mandate-holders, at their request, with information on the voting rights exercised by the portfolio management company on each resolution submitted to the General Meeting of an issuer, where the fund's ownership interest meets the threshold set in its voting policy (see § A-2 Cases in which voting rights are exercised).

The information provided by the portfolio management company must be centred on the factors that allow the investor to assess the implementation of the voting policy. To that end, the portfolio management company is required to indicate:

- votes against resolutions put forward by the Management Board or Supervisory Board of the issuing company;

- votes that do not comply with the principles of the “voting policy”;
- cases in which the company abstained or did not take part in the vote.

However, if the portfolio management company voted on a resolution in accordance with the principles of its “voting policy” and in accordance with the proposals of the Management Board or Supervisory Board, it is not required to meet a request for information submitted by an investor on how the portfolio management company voted.

Where the portfolio management company does not meet a request for information concerning how it voted on a resolution, the lack of response after a three-month period should be interpreted as confirmation that it voted in accordance with the principles of its “voting policy” and the proposals of the Management Board or Supervisory Board.

The portfolio management company shall clearly notify investors beforehand of what it means when the company does not meet such a request for information, by whatever means it deems most appropriate, for example in the prospectus.

This information may be consulted at the registered office of PROMEPAR AM and on its corporate website.