

Confidence
must be earned

Amundi
ASSET MANAGEMENT

A photograph of two men in business attire shaking hands in a modern office. They are standing in front of a large window that offers a view of a city skyline. The lighting is warm, suggesting a sunset or sunrise. The men are smiling and appear to be in a positive, professional interaction. The background shows various buildings and a clear sky.

Voting Policy 2018



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The Amundi companies (Société Générale Gestion, Etoile Gestion, CPR AM, BFT Investment Managers, and Amundi Asset Management) encourage best governance practices by adopting the same voting policy criteria. Implementation of this commitment by the exercise of their funds' voting rights is centralised at Amundi Asset Management.

So, whenever the name Amundi is used in this document, the principle also applies to all the management companies listed above.

Introduction

Amundi strives to fully exercise its responsibility as a shareholder.

We wish to be long-term partners for the businesses in which we invest. We want to contribute to their success so that they can grow their business in a way that is profitable for their people and territories, so that they create lasting value while respecting their natural and human environment. To this end, we must be attentive to the overall performance quality of the businesses we support: not only their economic and financial performance, but their social and environmental performance as well. We ensure that the various aspects of performance are aligned, and that some aspects are not developed at the expense of others. That is the condition for sustainable growth.

The relationship of confidence that we seek to maintain with the businesses we support is based on the transparency and quality of the information they give us: information on governance quality; strategic documentation that imparts the relevance of the resolutions submitted to the General Meeting; and social and environmental reports that convey senior management's consideration for the impact their business has on society.

Our responsibility as shareholder comes into focus at the General Meeting, when we vote on the resolutions submitted to us. Our approval depends essentially on a) the smooth running of the General Meeting, which must allow shareholders to fully exercise their rights and duties (§1), b) the quality of the information provided on board operation and compensation policy, a strong sign of sustainable performance (§2 and §4), c) maintenance of a financial structure that respects all shareholders (§3), and d) the quality of information provided about how social and environmental considerations are handled over the long term (§5).

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Our voting policy framework: A sustainable approach to performance

Amundi is focused on the financial performance of the companies in which it chooses to invest. Yet performance can only be sustainable within the ‘long view’, commingled with a company’s exemplary governance and strong corporate social responsibility. And this is why Amundi fully plays its shareholder role when exercising its voting rights.

Our vision of long-term financial performance.

Delivering performance is the *raison d’être* for a company like Amundi, and it is the promise we’ve made to all our clients through all our investment approaches. Since we want to provide our clients with long-term performance, we look for long-term financial performance in the companies in which we invest. And this type of performance can only be obtained through good management of extra-financial issues.

Our vision of good governance is expressed through our voting policy and our shareholder dialogue process. The shareholder’s power to ensure this good governance depends on participation in the company’s core guidelines, specifically in the General Meetings. It means that we must be able to vote at least proportionally to our economic interest without encountering any entrenchment or protection mechanisms that would allow the company to circumvent the will of its shareholders. We must also be certain that the company’s administrative and supervisory bodies control the guidelines of the business and ensure their proper application. This involves taking a stand as to the Board’s balance and the individuality and involvement of each of its members. We will also be especially attentive to whether the Boards align management and shareholder interests, specifically in terms of compensation. These voting principles, and the shareholder dialogue we are having with these companies, help to improve governance practices.

Our vision of corporate social responsibility

is founded on the perception that long-term financial performance can only be achieved by including social responsibility and sustainable development considerations. As such, we find that only by seeing the ‘big picture’ on the companies in which we invest, pairing the financial aspect and all of the risks and opportunities, can we assess their intrinsic value and their long-term economic performance. And so Amundi has created a formalised, transparent, and traceable process for analysing ESG criteria¹, by ranking issuers on a scale of A to G and combining the extra-financial approach with traditional financial analysis for an optimised risk/return profile. These extra-financial criteria are also integrated into the voting policy and the shareholder dialogue.

¹ *Environmental, Social, and Governance*

01 Shareholder rights

A corporate governance system must protect the rights of shareholders, facilitate the exercise of those rights, and provide fair treatment of all shareholders, including minority and foreign shareholders.

1. General Meeting

The General Meeting is the place for exercising voting rights and therefore a core component of corporate governance. That is why we are against anything that could limit or interfere with its running or reduce the scope of its authority. Resolutions must not mix issues in a block vote that could be presented separately.

Access to quality information in advance is a key component of the shareholders' informed use of their voting rights.

Amundi believes that an explanatory document on the proposed resolutions is a necessity. In fact, resolutions are simply the legal expression of the management's proposals to shareholders, and do not always spell out the strategic context of the request, the conditions for its implementation, or other factors required to clarify the voting decision. This document must not be limited to a mere paraphrasing of the text of the resolutions but must make it possible to best ascertain the company's strategic position.

2. Voting rights and shareholder retention

Amundi is for the fair expression of shareholders through their voting rights.

Nonetheless, aware of the importance for companies of retaining and stabilising their shareholding with a view to the long term, we are not opposed to awarding double voting rights to long-term shareholders, provided they are accessible to all and do not result in disproportionate control to the detriment of minority shareholders. Therefore, these resolutions will be analysed on a case-by-case basis according to the shareholding base and the degree of control for existing shareholders.

Submitting such a change to the General Meeting is crucial, as is a detailed argument from the Board of these planned changes.

In the interest of long-term shareholder development, we are favourably disposed toward the use of retention tools, such as dividend premiums or loyalty shares, as long as they are open to all shareholders, with guidance in their application.

3. Anti-takeover measures

Any public offer must be put to a vote of the shareholders. **We are opposed to permanent anti-takeover measures and poison pills, which usually go against shareholders' interests.**

Where appropriate, such measures will be analysed for conditions specific to the company and its stakeholders. Mechanisms that would be used solely to obtain a higher valuation of the offer and/or ensure fair treatment of the shareholders (specifically against a hostile takeover) may be accepted.

4. Integrity of financial information

True, complete, and transparent financial information is essential to the exercise of shareholders' rights. **Inadequate information quality results in abstention or even a negative vote.**

Payment of a dividend

The voting decision will depend on the company's financial position over time, specifically the dividend coverage ratio and the percentage that goes to distribution.

Approval of the financial statements

Amundi is watchful of transparency and the quality of information provided. It sees

the need for a majority independent Audit Committee.

Final grant of discharge to Directors

Refusal is possible in certain cases, when there is a serious breach of the company's governance standards, when overall performance (economic, financial, social, and environmental) is deemed deficient and seen to be affecting the company's valuation, or when qualified opinions are issued by the statutory auditors.

Choice and compensation of Statutory Auditors

To avoid conflicts of interest and ensure the quality and independence of audits, certain situations may result in a negative vote or abstention on Amundi's part: consulting fees in excess of audit fees, auditors who have held management positions in the company, or a lack of control of independence after long tenure in the company¹.

Related-party agreements

To ensure that the company is managed in due consideration of the interests of all shareholders, the company must publish transactions carried out with related parties. In countries where these agreements are subject to shareholder votes, we will vote according to their interest for the company and for minority shareholders. If there is not enough information to determine the agreement's interest, it may result in a negative vote. Whenever agreements are not subject to a vote, we will express our opposition through the term renewals of Audit Committee members and/or Statutory Auditors. This latter principle also applies for prior agreements that were executed during the financial year and would not be resubmitted to a shareholder vote.

5. Quality of corporate governance information

The quality of information on the company's governance, trends, positioning on current best practices, or its relations with stakeholders

are key components of the shareholder right and the informed exercise of voting rights. **Inadequate information quality results in abstention or even a negative vote.**

Quality of Comply or Explain on governance

In many countries, the "comply or explain" principle is the key component in regulating corporate governance. Companies that refer to a governance code while rejecting certain recommendations must explain the reasons for their choice.

If one or more of the provisions of the code is not applied companies must explicitly publish all the recommendations they did not follow, provide a detailed explanation for this rejection, and show detailed evidence of how the alternative solutions they have chosen are consistent with the general principles of the code, the smooth operation of the company's governance, and the interest of minority shareholders.

Recognition of a majority vote on consultative resolutions

Amundi considers that the Board must explain its recognition of shareholder opinions in the context of consultative resolutions or resolutions with similar effect. This includes resolutions collecting less than 2/3 of votes cast on consultative Say on Pay², elections of directors, or related-party agreements.

This explanation must also be given to shareholders in the case of shareholder resolutions with greater than 1/3 approval despite a negative recommendation from the Board.

Then the Board must inform shareholders of its analysis of the issue at hand, the engagement initiatives with stakeholders, the establishment of partial and/or gradual solutions, and any other reasons behind the non-recognition of opinions expressed at the General Meeting.

¹ See paragraph on the Audit Committee on p.13

² Vote on management compensation

02 Boards, committees, and management bodies

The Board is a strategic body. Its decisions involve the company's future as well as its members' responsibility. Transparency, responsibility, effectiveness, and availability must govern its actions.

The Board is responsible toward the company and its shareholders, but it is also obligated to best serve their interests. On top of this, the Board is supposed to give the other stakeholders due consideration and faithfully serve their interests, specifically employees, creditors, clients, suppliers, and local authorities. Respect for social and environmental standards is also within its remit.

1. Composition and balance of the Board

Amundi considers that a minimum of five members on the Board is desirable to ensure proper representation of skills and experience with a maximum of 18 members to ensure flexible operation. To this end, Amundi does not favour the presence of non-voting directors in the majority of cases.

It is our responsibility as a shareholder to appraise (within the limits of the information provided) the individuality of the directors. The existing balance of skills must provide the conditions that allow for informed, effective decision-making by the Board in all of the company's strategic decisions.

The Board's composition must also represent a balance among executives, independent members, and non-independent members. **A majority of independent members balances the Board with better recognition of all interests.**

Nonetheless, independence is not the only criterion for this objective. A non-executive or independent chairmanship of the board, a lead independent director or any other form of governance arrangements contributing to a better balance or powers can make us accept levels of independence below 50%. Finally, with controlled companies, we deem that a minimum of one-third independent members is acceptable.

However, we will not apply this rule in cases of election of the CEO or the main representative of the most substantial shareholder. In these cases, we feel that the company's interest could be at risk and prefer to apply the rule of independence at another election. Amundi is not in favour of cross-directorships unless there is a real partnership between the two companies.

Amundi is in favour of diversity in the composition of the Board (by education, nationality, age, gender balance), which promises better operation. Too little diversity without justification may result in a negative vote.

2. A clear distribution of powers to limit conflicts of interest

Amundi wants accurate information on how roles and responsibilities are divided among the various Board members. In particular, the control and management roles must be clearly established, and the resulting responsibilities must be assigned to the various positions defined within the Board. This distribution must be made official in a public document (rules and regulations, by-laws, or other).

Considering the responsibilities of each of these positions and the required workload, it is best if the roles of Chairperson of the Board and Chief Executive Officer are separate, and that the Chairperson be an independent member of the Board.

If there is no such separation of powers, Amundi feels it is necessary to have detailed explanations of the reasons behind this concentration and considers that creating an independent referent Vice-Chairman position with precise and separate duties may enable a greater balance of powers on the Board.

3. How the Board functions

We feel it is necessary to have access to complete information on the Board's proper functioning: director attendance, report on the assessment and overall functioning of the Board.

Significant shortcomings in terms of governance and/or having an impact in terms of overall performance (economic, financial, societal, and environmental) may result in abstention or a negative vote when the term of one or more directors comes up for renewal.

Amundi considers that independent directors must be able to meet alone regularly (at least once a year) in closed-door sessions without management. The independent chairman or independent vice-chairman chairs such meetings.

4. Directors' fees / Non-executive director compensation

We feel it is necessary to have detailed information on the procedures and criteria for distributing the attendance fee allowance among directors (the amount that is dependent on and proportional to attendance at Board Meetings and General Meetings, equality among directors, Board members, etc.).

In our opinion, any increase in this allowance must always be explained.

Special attention is also paid to the compensation structure (for variable compensation) of the

non-executive chairman and its award criteria, to avoid possible conflicts of interest with regard to management.

Every director should have a significant equity investment in the company, in proportion to the directors' fees they are paid.

5. Directors' terms of directorship

Amundi recommends that

- 1) company executives not hold more than two other directorships outside their group**
- 2) individuals with no executive functions hold a maximum of five directorships. Chairing an Audit Committee should be recognised as a supplementary directorship, as should serving as non-executive chairman.**

Indeed, it is Amundi's opinion that the candidate for director should have enough time to dedicate to the company.

We will be closely watching the necessary availability of the Board chairman, the chairmen of the various committees, and the lead director because of the growing importance of these positions and of their workload. **In this way we may have to further reduce the number of acceptable directorships for a director combining several of these positions.**

In regard to terms of office, we find it best to be able to vote annually on a significant proportion of directors and to limit such terms to four years. After twelve years⁵ of holding office in the same company, a director may no longer be considered "independent" or "free of interests."

⁵ Including the term of office being renewed in order to favour companies that enforce shorter terms of office

As to the quality of the directors, it is vital that shareholders have access to the most transparent information possible on each director candidate before the shareholder vote (biography, CV, skills contributed to the Board of Directors that would justify choosing that candidate, current offices held).

In addition, it is important to be able to vote individually on each director when electing the Board of Directors. **We oppose any so-called “block” vote for more than one director, unless that vote significantly improves the Board’s governance.**

It is also essential that the shareholder vote on electing directors decide the final make-up of the Board. **That is why we are against the practice of the pluralist vote when the number of seats to be filled is equal to the number of candidates.**

6. Existence, composition, and independence of committees

Amundi feels the Board should set up special committees:

However, these committees cannot replace the Board for decisions that must be entirely the Board’s responsibility. They must not include company management and must include a majority of independent directors.

Audit Committee: This committee is tasked with monitoring:

- the process of preparing accounting and financial information,
- the effectiveness of internal audit and risk management systems,
- the legal audit of the annual financial statements and, as applicable, the consolidated financial statements by the Statutory Auditors,

- the independence and objectiveness of the Statutory Auditors. After 10 years’ seniority (12 in case of joint auditors), the committee must provide reasons for the Statutory Auditors’ reappointment and maintained independence.

Nominations Committee: The nominations Committee is tasked with finding and proposing competent available candidates for the Board and General Management. Consequently, it must map out the succession of company officers as a part of routine operations but also to contend with a sudden crisis or incapacity. The committee must define a “Target Board,” its optimal size and the typical director profiles appropriate to the scale of the company, the diversity of its business lines, and its strategic objectives. The committee will endeavour to explain the criteria it has used to recommend this “target” structure and highlight the missing talents to improve the Board’s functioning.

Compensation Committee: The mission of the Compensation Committee is to align the compensation of the main officers and directors with the long-term interests of the company and its shareholders. It must pay special attention to the distribution between the fixed and variable portions of compensation, the rules for awarding bonuses or premiums, and the conditions for hiring and departure of management, and their pension plans.

7. Shareholder dialogue: direct Board engagement

Amundi finds it beneficial for both parties if a direct dialogue can be opened on governance issues between a director chosen by the Board and the shareholders who wish to.

The purpose of this dialogue is not to replace the already-existing dialogue with management, but to supplement on issues where the Board is in the best position to explain its choices to investors.

Amundi leaves companies the choice of which people they feel are most suitable to carry on their shareholder dialogue.

03 Financial structure

Minority shareholders must be attentive to any excessive authorised dilution of share capital. **Amundi's opinion is that, unless there is a reasoned plan behind it, total capital increases should not exceed 50% of the share capital.**

1. Share issuances without PSR

Amundi thinks that authorised routine capital increases without preferential subscription rights must not make up more than 10% of the share capital. If best local practices recognise a threshold of less than 10%, we will align with that limit. In markets where local practices recommend a threshold of more than 10% with long-term authorisations (more than three years), we will accept a degree of flexibility on our threshold. Issuances of convertible bonds or of any instrument giving access to the share capital will be treated identically.

Issuance of shares without PSR compromises the shareholder's legitimate interests. That is why Amundi is very restrictive but does reserve the right to authorise an issuance of shares without PSR beyond its acceptance criteria depending on the position of the company in question. Amundi is also very vigilant about the existence of discounts.

2. Share issuances with PSR

Amundi thinks that authorised capital increases with preferential subscription rights must not make up more than 50% of the share capital.

Beyond that limit, Amundi will decide according to its analysis of the case. It is our position that the shareholder has the responsibility and the right to decide, by his or her vote, on a capital increase whose amount may result in a change in the company's strategy and/or corporate purpose. Therefore, the vote must be decided based on knowledge of the plan that is the reason for the requested authorisation.

3. Mergers, acquisitions, spin-offs, and other restructuring plans

Amundi approves any plan that offers capital gains to the shareholders, while integrating social and environmental performance. Mergers/acquisitions do not necessarily create value for shareholders. Thus any project will be reviewed in detail on a case-by-case basis to examine the medium- and long-term strategy as well as its social and environmental impacts.

4. Buyback of own shares

In the majority of cases, Amundi agrees to buy back shares up to a limit of 10% of the share capital. However, if the company specifies its intent to use the authorisation during a public offer, we think that the share buyback becomes an anti-takeover measure and will presumably vote against. But in the interest of unit holders, the vote will be cast according to knowledge of the plan that would justify the requested authorisation. Amundi also watches to make sure that the buyback of shares does not penalise the company's investments over time.

5. Employee share distribution programme

Amundi, which is generally favourable to the development of employee shareholding, accepts requests for capital increases reserved for employees as long as they are reasonable (up to a limit of 5% separate from that of other issuances without PRS). Discounts, most often limited by national regulations, should allow the plans to be incentivising and reflect the share lock-up period. For companies where employee shareholding exceeds 10% of the share capital, we will watch the management

of potential conflicts of interest, specifically in case of public offers, so that employee shareholding cannot be used by management as an anti-takeover mechanism or does not become a governance problem.

04 Compensation policy

Amundi considers that aligning management interests with shareholder interests is a key factor in corporate governance. The compensation policy within the company must contribute to this balance.

Amundi thinks that the company's compensation policy with regard to its company officers and management executives must be aligned with the company's results. It must be reasonable, transparent, and in line with documented industry benchmarks. We think it is critical that the components of this policy contribute to a strong correlation both upward and downward between management interests and shareholder interests, while avoiding conflicts of interest. Factoring in the risks to adjust performance criteria is one way to avoid a short-term viewpoint that is harmful to the company's long-term performance.

Because the company's overall performance depends on good relationship management with all stakeholders, social and environmental criteria should also be factored into management compensation.

Principles:

- Alignment of management, shareholder, employee, and stakeholder interests
- Need for an independent Compensation Committee for management (>50% directors with no interest in the company and no one from company or group management)
- Variable compensation related to overall performance (economic, financial, social, and environmental) and relative (vs. competing) performance over time
- Variable risk-based compensation that only rewards success, including a zero-payment scenario and a condition of reversal of benefits paid or awarded in case of non-sustainable performance or contested or disputed practices in terms of the way these performances were realised (clawback/penalty).

1. Compensation report

Amundi feels that great transparency is required on compensation policies. The philosophy and its application through these policies must be explicit on the connections among compensation, performance, and performance targets. All compensation, direct or indirect, for company officers and key management must be published and itemised according to the different compensation categories (fixed, variable, share-based, deferred, exceptional, etc.). Amundi also wants individual ceilings applicable to the different components of variable compensation to be established and published.

Amundi is in favour of introducing compensation reports submitted to a shareholder vote. In

countries where such voting is optional, we will be watchful on companies that decide not to adopt this practice.

Principles and main reasons for rejection

- Lack of transparent compensation policy, performance-based and clearly illustrating that management and shareholder interests are aligned.
- Lack of clear, detailed information over several years.
- Detailed justification when a Compensation Committee uses its discretion to raise the level of compensation that should normally have been awarded for performance criteria.

- **Rejection of reports that do not provide enough justification for fixed wage increases in excess of inflation or the award of exceptional compensation. We do not feel that benchmarking¹ alone is adequate justification.**
- **Rejection of reports in which the factors comprising the various compensation components are not detailed enough to determine their relevance or that allow variable compensation levels that are unrelated to performance.**

2. Stock option plans and performance share allocation

Amundi considers that long-term incentive plans in the form of stock options or performance shares can be an effective tool in aligning management interests with shareholder interests. However, these plans must fit into a certain framework to achieve this goal, specifically in terms of allocation, so as to avoid the knock-on effect for the financial year to ensure they are connected to performance, and in terms of holding, by leaving at least a portion of the shares acquired at risk, to strengthen the long-term approach.

Principles and main reasons for rejection

- Need for detailed information about the distribution scope and the percentage reserved for company officers. Dissociation of resolutions by plan and by target is a desirable target
- **Rejection of stock option plans that allow a discount on the share price**
- **Rejection of repricing practices²**
- **Rejection of plans that do not include sufficiently strict and quantifiable performance criteria**

¹ Comparison with other companies' practices

² Change in the option exercise price

- **Rejection if the total amount of the different plans exceeds 10% of the share capital. This limit may, however, be appraised on a case-by-case basis according to the company's activity.**

3. Severance pay

Management can only be given severance pay in the event of a forced departure due to a change in control or strategy. **This shall not exceed one year's actual fixed wages, bonus included, but we may accept a two-year cap if such payment is subject to performance criteria.** However, these criteria shall be strict, quantifiable, and published. These limits include payment related to a non-competition clause. Accelerating the vesting conditions on option and share plans does not seem to us to be a best practice. Partial acquisition, prorated over the life of the plan and the achievement of performance criteria, is more acceptable to us.

4. Pension plans and other compensation

Amundi finds that supplemental pension plans must benefit a wider group than just Chief Executive Officers including the company's key management executives. Whatever the case, it seems critical to publish the scope of the beneficiaries, and to make these supplemental pensions conditional on a number of criteria: presence in the company at retirement, minimum five years' seniority, calculation basis limited to the fixed portion of compensation, reference period of at least five years, and sufficiently progressive acquisition of rights, in order to prevent rewarding failure. The beneficiaries' option to make significant contributions to their own pension plan also seems advisable. The total pension should never exceed 100% of the fixed compensation.

05 Governance of ESG issues

Amundi feels that issues of social responsibility and sustainable development, like corporate governance issues, may influence corporate performance. Indeed, only by seeing the ‘big picture,’ going beyond the purely financial aspect and analysing all of their risks and opportunities, can we assess their intrinsic value and their long-term economic performance. With this in mind, Amundi signed the Principles for Responsible Investment (PRI) thereby reaffirming its commitment to responsible financing and inclusion of ESG criteria.

Amundi finds it essential that the Boards evaluate the strategic impacts of issues related to their corporate social responsibility in terms of risks, reputation, and competitive positioning or growth opportunities. The results of these analyses, through specific policies and the establishment of appropriate practices, must be published in detail so as to permit dialogue on the subject, both with shareholders and with other stakeholders.

Amundi wants the companies to publish sustainable development reports, any required additional information on the financial report, in order to better ascertain the factors likely to affect corporate valuation. In the case of reports that are voted on, Amundi may abstain or cast a negative vote if it considers the information insufficient or inappropriate.

In the event of failures in ESG risk governance, Amundi may oppose the reappointment of Board members in charge of these topics or reject the discharge of Board members.

With respect to external shareholder resolutions on corporate social responsibility and sustainable development issues, Amundi will analyse the relevance and adequacy of the requests with regard to the companies’ position if:

- approval of the resolution helps improve the company’s practices
- approval of the resolution can improve shareholder value
- the company’s current stance on the topic is likely to have negative effects (reputation, litigation, boycott, etc.) in the short, medium, or long term
- the company has already put appropriate action in place to respond to the issue contained in the resolution
- the company’s reasoning against approving the resolution is relevant and responds to the various points mentioned by the shareholder when the resolution was presented
- the request contained in the resolution does not result in disproportionate costs for the company and does not mean revealing competitive information that would put it at a disadvantage
- the solutions recommended in the resolution are relevant and appropriate, and if the topic of the resolution would not be better addressed in another format

06 Application of the voting policy

The Amundi companies (Société Générale Gestion, Etoile Gestion, CPR AM, BFT Investment Managers, and Amundi Asset Management) encourage best governance practices by adopting the same voting policy criteria. Implementation of this commitment by the exercise of their funds' voting rights is centralised at Amundi Asset Management.

1. Centralisation of the function

Amundi has centralised the exercise of voting rights within a Corporate Governance team composed of four experts in charge of coordinating all voting-related tasks, specifically:

- Monitoring General Meetings in the voting scope
- Managing relations with custodians and proxy voting companies
- Analysing the resolutions proposed by issuers
- Sharing information and soliciting the opinions of financial and extra-financial managers and analysts
- Calling and leading voting committees
- Undertaking shareholder dialogue through alert letters to issuers
- Ensuring reporting with the clients and Boards of the funds
- Being involved with working forums on governance (AFG, ICGN, ACGA, etc.)

Such centralisation makes it possible to control the application of the voting policy and voting coverage, both geographic and quantitative; to intervene in case of a dysfunction in any of the links in the voting chain, and more. Therefore, this team is in contact with every link in this chain (custodians, proxy-voting companies, centralisers, and issuers).

Each year, the Corporate Governance team updates the items and contractual relationships it needs for successful action:

- Analysis and information from external suppliers
- Relationships with custodians and external suppliers

- Establishment of the regulatory documents required for voting in some countries, and
- Statistical and reporting tools.

The team uses the ISS Proxyexchange platform to send its voting instructions.

The team uses analysis from ISS, Glass Lewis, and ECGS to more efficiently identify the problematic resolutions, but does not follow these suppliers' recommendations.

The team reports directly to the Group Chief Investment Officer to ensure ongoing dialogue with all internal governance experts: all types of portfolio managers (active/passive), and financial and extra-financial analysts.

2. SRI Rating and Voting Policy Committee

Chaired by the Senior Advisor of SRI Oversight, and uniting the representatives of the Research, Strategy, and Analysis, SRI, Corporate Governance departments and Equities and Fixed Income lines, it validates the principles and guidelines of Amundi's voting policy presented by the Corporate Governance team or the Voting Committee.

3. Voting Committee

Chaired by the Group Chief Investment Officer, it includes fund managers and analysts from the investment companies of Amundi that share the same voting policy and meets to examine and decide on the issues submitted to it and decides which way to vote.

4. Amundi's commitment to broaden shareholder dialogue

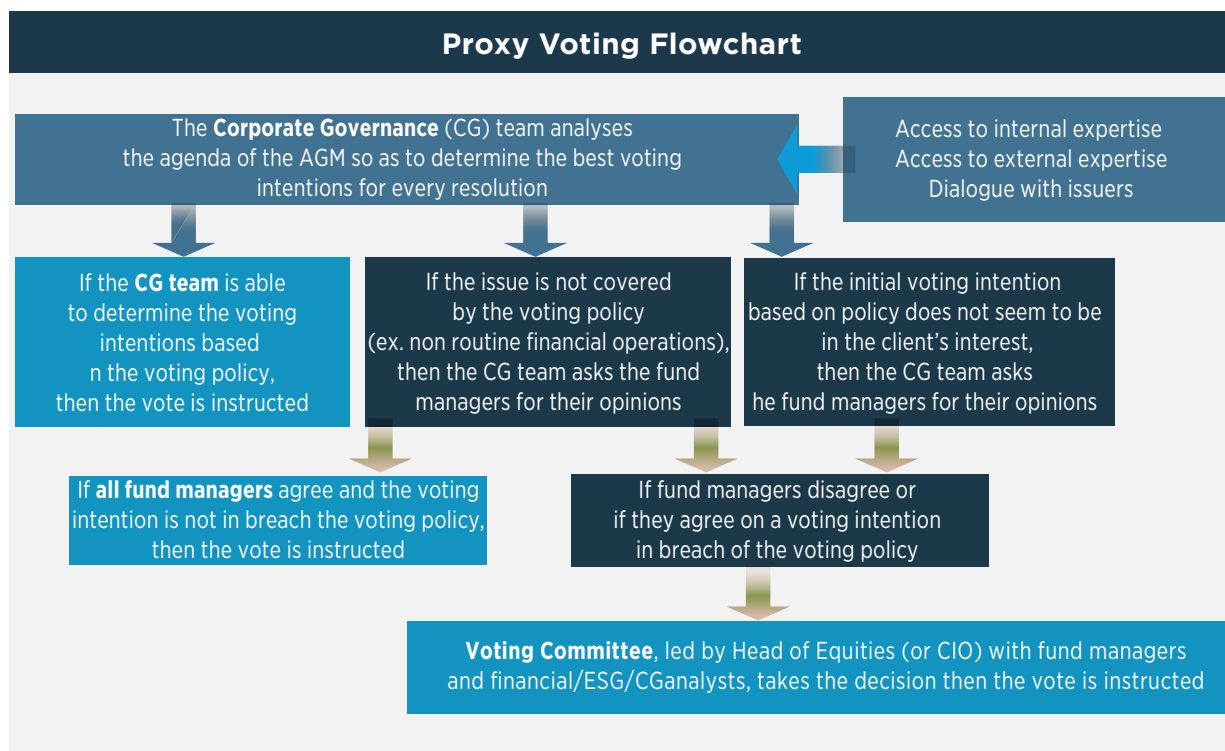
Amundi acknowledges that proxy voting alone may not be sufficient, in its responsible investor commitment, to improve the practices of companies. Thus, for several years, an alert has been sent to certain major issuers before their General Meetings if any of their resolutions contradict the voting policy principles. The scope of companies alerted is determined by the Corporate Governance analysts in their geographic area, primarily according to the weight of our holdings and consequently our ability to wield influence. For individual governance problems or specific ESG issues, the scope of companies alerted can be expanded. Once a constructive dialogue with an issuer has been established, we naturally try to maintain this relationship from one year to the next, regardless of any potential reduction in our holdings. The ensuing dialogue allows both parties to explain

their motivations and sometimes results in a change in the voting decision, if the explanations are satisfactory or if the company makes a formal commitment. As far as practicable, we are willing to answer every request from the companies to discuss the agenda of their upcoming meeting, our voting intentions and, more generally, their governance.

5. Vote execution

After the final decision, voting instructions are entered into the tools that are used to transfer the orders to intermediaries who will be in charge of their successful routing.

The team uses the ISS Proxyexchange platform to send its voting instructions or print out the proxy cards. A gateway has been set up between ISS and Broadridge for funds whose custodian uses the services of Broadridge.



6. Current method for exercising voting rights

In most cases, voting rights are exercised by correspondence/proxy. Attending a General Meeting to directly exercise voting rights may be useful or necessary in certain cases.

7. Voting scope for 2018

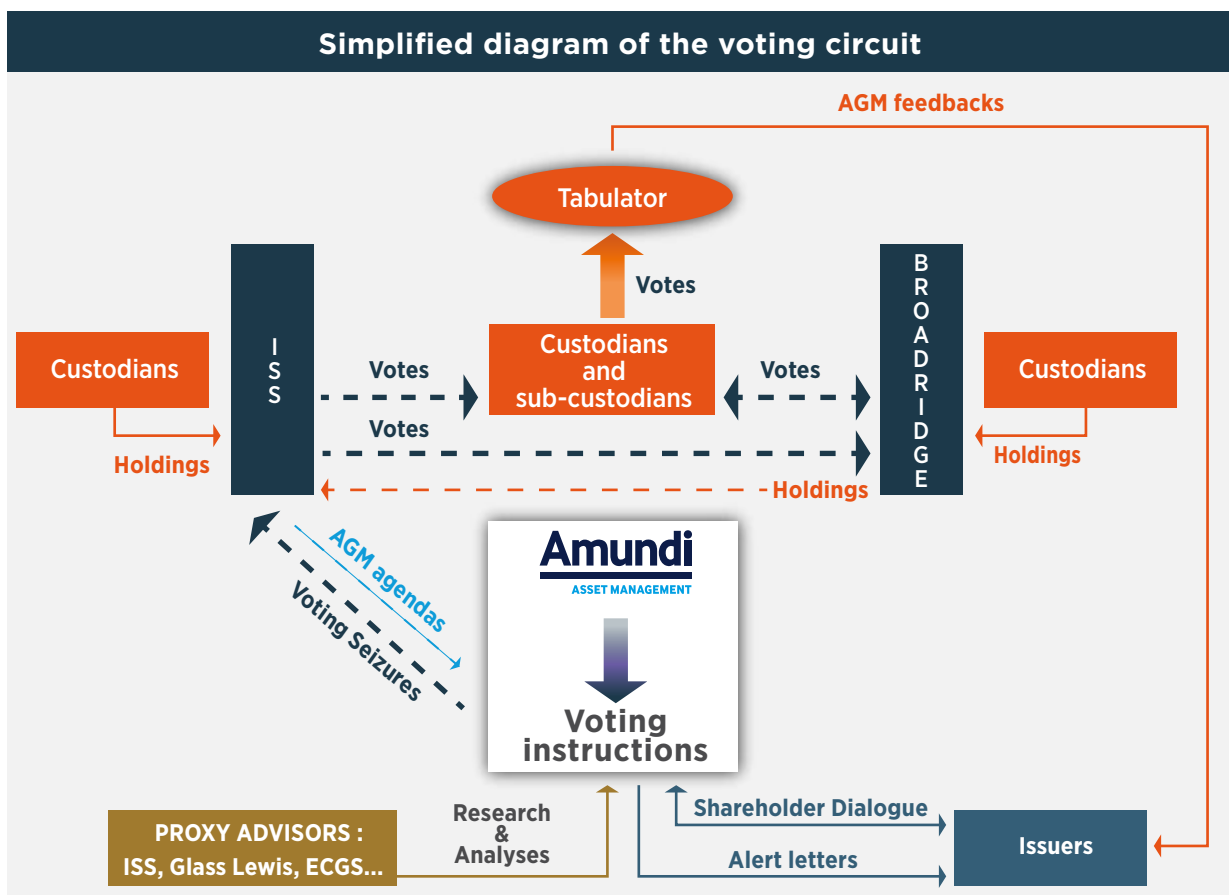
To best fulfil its responsibility as an investment management company in the exclusive interest

of its clients, Amundi decided to exercise the voting rights of a large majority of its managed funds under French and Luxembourg law, regardless of their management strategy¹ and free of any geographical exclusion.

Criteria for selecting Funds

To avoid any adverse impact on unit holders, there are established criteria for avoiding excessive voting costs and improving efficiency. This applies only to funds whose equity assets are €15 million or more. Based on the chosen threshold, funds

¹ With the notable exception of ETFs managed via a “synthetic replication” method, because their aim is to fully replace their benchmark indices, by using a performance swap and, as such, ETF yields are not dependent on the yield of the shares held by these funds, insofar as their dividends as well as their capital gains are the subject of a performance swap with a market counterparty.



whose assets are too low need not be retained, and disproportionate costs can be avoided. Nonetheless, certain special funds below this threshold may be included in the scope.

The voting right is exercised on the entirety of the shares held, unless the required blocking period threatens to have an adverse impact on the bearer by interfering with the leeway the portfolio manager needs. Exceptionally, we may not be able to ensure effective voting for some or all of the shares held.

Criteria for selecting meetings

For French companies, the funds exercise their voting rights at the meetings of the companies in which they have an equity investment. However, again in the interests of cost control and increased efficiency, Amundi has decided to vote at international meetings only where its consolidated vote will represent more than 0.05% of the company's share capital. Nevertheless, this criterion may not be applied for General Meetings that are of particular importance or for funds that specifically require a full vote.

As for voting rights attached to debt securities, these will be exercised on a case-by-case basis, again according to the interest of unit holders and specifically in the event of an issuer's default.

Delegated management

When the management of an equity portfolio is trusted to an outside manager, that manager may have the voting rights, as provided in the delegation contract. The delegated manager is free to exercise the voting rights pursuant to a general voting rights policy defined at the outset and disclosed. Asset management companies are to ensure that the elements included in this voting policy are not in contradiction with its own guidelines, and that the delegated manager can provide a report of the votes cast at the General Meetings.

8. Policy on securities lending

Voting rights are exercised for securities held in the portfolio by the fund at the time of the General Meeting. To fully exercise these rights, the lent securities are recalled in accordance with local laws, technical constraints, and the interest of the meeting. Shares are automatically recalled for all meetings considered sensitive.

9. Conflicts of interest

For the exercise of their funds' voting rights, Asset Managers may be faced with conflicts of interest, especially with entities within their group.

To minimise this possibility, a procedure has been established for resolving these conflicts. In terms of prevention, the first measure is to publish the voting policy criteria; the policy is approved by senior management at each fund management company.

Established procedure:

Access to the resolutions of the General Meetings, for analysis purposes, means that management heads can be alerted if any potential conflicts of interest are identified. If there is a demonstrated conflict of interest, the following procedure is applied:

1. Alert the Chief Investment Officer that (a) certain proposed resolution(s) is/are in conflict with voting policy principles.
2. Compile explanatory records.
3. A meeting is held with the Heads of Fund Management, Compliance, and Legal Affairs.
4. This management "panel" makes the voting decision. If the various parties cannot reach an agreement, the decision goes to the Executive Committee.

LEGAL NOTICES

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French joint stock company (Société Anonyme) with a capital stock of €1,086,262,605
Portfolio management company approved by the French Financial Markets Authority
(Autorité des Marchés Financiers) under no.GP 04000036
