



ASSET
MANAGEMENT



Tocqueville Finance, a wholly-owned subsidiary of LBP AM, adheres to the principles of its parent company's commitment policy, details of which are given in the following document.

Engagement Policy

May 2021

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"Citizen and committed

At La Banque Postale Asset Management (LBPAM), we are convinced that the financial markets can be a lever for sustainable development:

- On the one hand, through the orientation of investments towards companies that offer solutions to long-term challenges and that implement responsible practices with regard to its employees, suppliers, customers and all of its stakeholders - this is the *raison d'être* of our SRI fund offering;
- On the other hand, through dialogue with company management and the encouragement to adopt best practices in non-financial matters - this is the notion of commitment, intrinsic to all our investments.

The purpose of this policy is to present our engagement activity, to explain why and how LBPAM dialogues with companies. Through this dialogue, we wish to assume the role of active investors, involved with the companies that we decide to support financially through our investment decisions.

Engagement has strong links with financial and non-financial analysis. It makes the analysis more relevant and strengthens our investment decisions. This document therefore also describes how we monitor the financial and non-financial strategy and performance of our portfolio companies.

The commitment also aims to "accompany" companies constructively on their path towards sustainable development. We are convinced that, alongside other stakeholders (employees themselves, trade unions, civil society, NGOs, etc.), responsible investors can contribute to changing corporate practices to better address environmental, societal and governance issues. Our SRI philosophy, called GREAT, is based on four pillars - Responsible Governance, Sustainable Management of Human and Natural Resources, Energy and Economic Transition, and Territorial Development - and allows us to focus our engagement with companies on issues on which we believe we have the legitimacy to dialogue and act.

Finally, we are committed to reporting annually to our clients on our engagement activities in a dedicated report.

[Emmanuelle Mourey](#)

Chairman of the Executive Board of La Banque Postale Asset Management

1 Monitoring of strategy, financial and non-financial performance, risks, capital structure, social and environmental impact and corporate governance

At LBPAM, we combine fundamental financial and extra-financial analysis to build responsible portfolios. LBPAM's Research Department coordinates the work of specialists: strategists, manager-analysts, financial & extra-financial analysts and quantitative analysts.

We invite you to refer to the section "**1.3 Integration of extra-financial issues in the analysis**" of the report in application of the Energy Transition Law, published by LBPAM on its [website](#).

2 Dialogue with investee companies

With 235 billion euros under management as of December 31, 2019, LBPAM is a significant investor in the financial markets. LBPAM is regularly solicited by companies, or their representatives, to participate in meetings with the management or the teams in charge of investor relations. LBPAM's management teams are also at the initiative of these meetings with companies, and this approach is increasingly systematic for companies held in the portfolio.

The principles of dialogue

LBPAM's main objective in this dialogue is to **better understand the strategy of companies** and to **strengthen the financial and extra-financial analyses conducted by LBPAM's teams**.

The aim of the dialogue may also be to **encourage companies to take better account of non-financial risks and to develop practices that are part of a long-term strategy** - this is the notion of **commitment**.

The goal is not to interfere in corporate strategy or to seek a seat on the board of directors, but rather, as an external stakeholder, to encourage companies to continually improve their practices so that they are on a sustainable path.

Each interaction with a company must lead to operational conclusions, i.e. useful to managers in the management and monitoring of portfolios.

LBPAM's commitment is a long-term approach. LBPAM wishes to evaluate over time the changes in companies' practices, being aware of the fact that the progress observed may have different motivations (regulatory pressure, internal demand, mobilization of civil society, investors' commitment, etc.). This monitoring is carried out more particularly for targeted dialogue actions, following controversies or on priority themes for LBPAM.

LBPAM can join other investors and stakeholders to carry out **collective commitment actions**. The objective is then to advance a theme with companies or regulators, at the national or European level.

When the dialogue does not bear fruit and the changes expected from the companies are not forthcoming, **LBPAM can use additional tools, in a gradual form:**

- Downgrading of the SRI rating,
- Sending letters, the written format often having more impact than an oral exchange,
- Opposition to important resolutions at the general meeting, such as the approval of the accounts or the election of the chairman of the board,
- Tabling of resolutions at a general meeting,
- Putting the company under surveillance, corresponding to a ban on new investments,
- Disinvestment, when the commitment results in a finding of failure: absence of satisfactory corrective actions, little openness to dialogue, etc.

The exclusion process

LBPAM's Exclusion Committee is responsible for managing the reputational risk of all LBPAM portfolios. This body is a forum for debate in which

members of the management, research and risk management departments, develops LBPAM's exclusion policies. The Exclusion Committee defines the list of securities and validates their exclusion from the portfolios. Exclusions are proposed on a case by case basis according to 4 categories:

- Regulatory exclusions: Exclusion of companies involved in the production and/or marketing of controversial weapons, according to the policy defined by LBPAM: anti-personnel mines, cluster bombs, biological, chemical, nuclear, depleted uranium, blinding and incendiary weapons
- Sectoral exclusions: Coal, tobacco, gambling
- Normative exclusions: Exclusion of companies that severely and repeatedly violate the Global Compact Principles without corrective measures, according to LBPAM's analysis
- Specific exclusions: Identification of serious breaches of one of the 4 pillars of the GREaT philosophy, according to LBPAM's analysis

Exclusion Committee Decision Process



Innovative coal exclusion policy

LBPAM's investments are limited to companies in the mining and power generation sectors that have announced a managed exit from coal and are aligned with the Paris Agreement. Our coal policy is innovative in the sense that it takes into account the relevance of the companies' strategy, particularly with regard to the challenges of a "just transition", such as taking into account the social impacts or the consequences on a global scale. Already recognized by the NGO Banktrack in 2019, this year, it is the organization Friends of the Earth as well as the NGO Reclaim Finance that have hailed LBPAM's coal policy as a good market practice.

They believe that "only five institutions have adopted a meaningful coal exit policy," including LBPAM.

Policy against deforestation

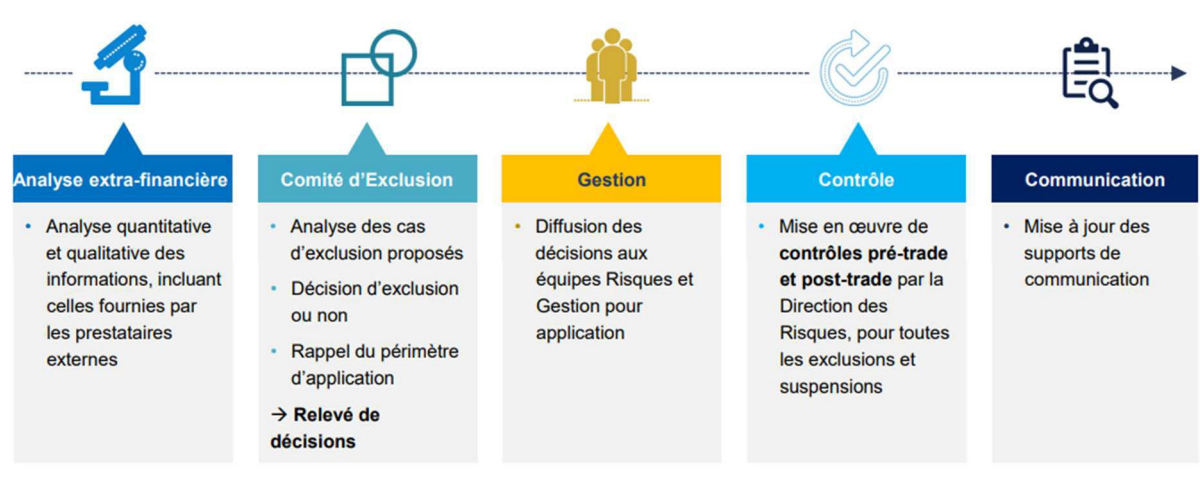
The protection of biodiversity is a theme that is fully integrated into LBPAM's approach as a GREAT investor and responsible company. To go further, we have decided to implement a policy of commitment and exclusion on the theme of deforestation. The objective is to identify companies, operators and/or traders, which are directly involved in deforestation, and which have not implemented a solid risk prevention policy. These risks are environmental but also social. The food industry, forestry and mining/petroleum industries are the main sectors that have a direct responsibility in the reduction of surfaces. We are also setting up commitment procedures with industrialists and processors. This policy meets the demand of a growing number of investors.

Implementation of the decisions of the exclusion committee

Each manager is then responsible for monitoring these commitments as part of his or her fund's management policy, using monitoring tools developed internally (climate indicators included in management tools). The Risk Management Department has implemented first-level controls in the management tools, using "pre-trade" blocking rules on securities excluded by our climate policy.

The Risk Management Department is responsible for the level two¹ control of these commitments through the daily monitoring of the post-trade constraints set in its tools and through its participation in the exclusion committees.

The Compliance & Internal Control Department monitors the follow-up of climate commitments as part of its second-level permanent control function.



When a company is excluded or suspended by the Exclusion Committee, a letter is sent to the company concerned within 30 days to inform it of the decision taken by LBPAM. The letter specifies the expected corrective measures. The company's response, or lack of response, is studied and assessed by the Committee in order to decide whether it should be reintegrated into the eligible universe or remain under exclusion/suspension.

Excluding a company does not prevent dialogue with it, but it does deprive investors of certain levers of engagement, such as the right to vote at general meetings.

LBPAM's commitment actions are structured around the four pillars of our GREaT methodology.

2.1 governance

The objective is to improve corporate governance practices. Two main levers are used by LBPAM in this objective.

- **Exercising voting rights and dialogue around general meetings**
 - Participation in the life of companies as a shareholder by actively exercising voting rights at general meetings and dialogue with management on governance issues.

The exercise of voting rights is an opportunity for LBPAM to engage in a dialogue with companies on governance issues, prior to general meetings. These exchanges can be initiated by companies wishing to present the resolutions on the agenda, or by LBPAM which has identified specific questions on the resolutions. Each year, LBPAM dialogues with 25 to 40 companies within this framework.

The objectives of this dialogue are to improve our analysis of the resolutions, by allowing companies to provide additional information, and to encourage companies to align themselves with best governance practices, by explaining the reasons for our objections.

LBPAM's voting principles guide the discussions (see section below3). These discussions are mainly centered on the following subjects

- Organization of the board of directors or supervisory board: we are interested in the diversity of the profiles present on the board, the complementarity of their expertise, and the balance of power in place;
- Executive compensation: we encourage their alignment with the company's performance, their moderation, their orientation towards the long term, and the taking into account of short- and long-term non-financial criteria.
- Dividends: we want to ensure that the amounts proposed are consistent with the financial structure of the companies, their investment needs and the remuneration of other stakeholders (employees, suppliers, governments).

- **Commitment to the financial sector, through our intermediaries and counterparties**
 - Dialogue with financial players to continue to improve practices in our sector of activity.

2.2 Resource Management

The objective is to contribute to a better consideration of human and natural resources by companies. The protection of human rights is a key axis of our approach.

- **Partnership with the FIDH (International Federation for Human Rights) in favor of human rights**
 - LBPAM works with the NGO, expert in human rights, to engage in a dialogue with companies facing controversies on the subject.

The partnership established since then with 2001 the FIDH is also a lever of commitment for LBPAM. The methodology used in the LBPAM SRI Human Rights fund (formerly named Libertés & Solidarité) was revamped in 2019. This has led to the revision of the analysis for all business sectors represented in the fund's investment universe, its expansion and a more granular analysis of companies.

FIDH works for the respect of human rights by States and by companies. Its expertise enables it to identify good practices, but also controversies, which may justify contacting the companies concerned to exchange views and request the implementation of corrective measures. Several controversies were identified in 2019, concerning, among other things, violations of trade union freedoms, situations of discrimination or land grabbing of indigenous populations. LBPAM is committed to relaying FIDH's actions directly to companies, in order to have a greater impact.

In addition, in 2020, FIDH obtained funding within the framework of the "Moving the market" project, which will enable it to develop a methodology to analyze the risks of forced labor in companies in several sectors. This enhanced analysis will initially concern companies in the LBPAM SRI Human Rights investment universe, and then other companies selected from LBPAM funds, which will most certainly lead to a new wave of commitments.

2.3 and economic transition

Our engagement approach for the Energy and Economic Transition pillar aims to encourage companies to align their strategy and activities with the economy's decarbonization trajectory. The main levers used to this end fall into three categories:

- a dialogue with coal mining and operating companies,
- meetings with green bond issuers,
- site visits to identify companies that meet the sustainable themes.

- **Coal policy: dialogue with companies to clarify their exit schedule**

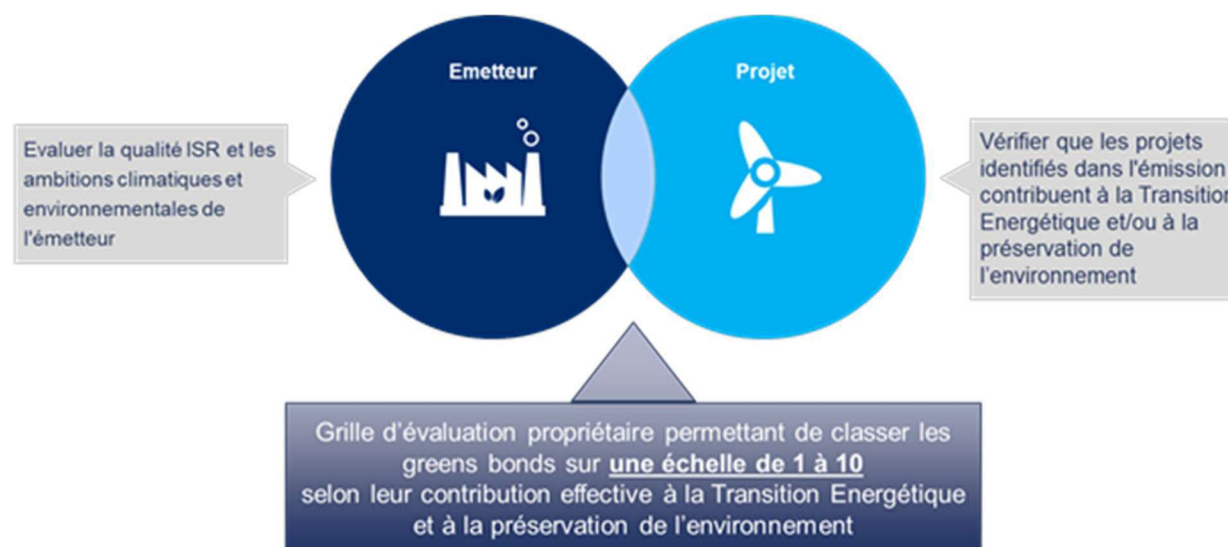
LBPAM released its thermal coal exclusion policy in June 2019. This policy is innovative in that companies are discriminated against based on their commitment to eliminate thermal coal from their operations in accordance with scientific recommendations, rather than on the share of revenue generated from this resource. Our analysis is thus based on the IPCC recommendations, which indicate that power generators and mining groups must eliminate thermal coal from their operations by the end of the year in 2030 OECD countries, and by the end of the year in 2040 other countries. These are then classified into three categories:

- **Maintain:** the company has formalized a commitment to exit coal in line with scientific recommendations
- **To be committed:** the company has formalized a commitment to exit coal but it is not aligned with scientific recommendations
- **Divestment:** the company has not formalized a commitment to exit coal

By engaging companies, our goal is to encourage them to align their coal phase-out commitment with scientific recommendations. During an initial contact, we seek to identify possible obstacles to shortening their exit time and the levers that can be used to deactivate them. Then, within six months after the first contact, we draw up an assessment of our commitment. If the company seems able to align its timetable with that of the IPCC, we maintain our positions. If not, divestment is considered.

- **Meetings with green bond issuers**

LBPAM actively contributes to the green bond markets through its investments. At the end of 2019, we had nearly EUR 4.5 billion of assets under management invested in green bonds through our mandates and open-ended funds. In order to select the instruments that have the greatest impact on the energy and ecological transition, we have developed our own methodology for evaluating these instruments. This analysis methodology covers both the issuer's overall climate/environmental strategy and the structuring of the instrument, particularly in terms of the clarity of the use of funds (selection process for green projects and transparency of allocation), the materiality of the projects financed and the quality of reporting and impact measurement methodologies.



This methodology serves as a basis for our engagement with issuers to promote best market practices. In 2019, we met with issuers⁷⁰ as part of our green bond investment decisions. When we feel that certain practices are not good enough, we report this to the issuer. For example, we have asked issuers to review the definition of certain "eligible project categories" that we felt were not strict enough. We have also approached investors to ask for more transparency in their reporting in terms of fund allocation and impact. More generally, these meetings are an opportunity for us to "Challenge issuers on their ambitions in terms of energy and ecological transition, in order to be consistent with the decision to issue a green bond.

- **Identification of "solution companies": site visits**

Through these visits, we seek to better understand the challenges facing companies in order to enrich their investment choices and have a more relevant dialogue with them. The visits are primarily made to companies that provide solutions to the challenges of energy and economic transition, according to our analysis.

During 2019, we visited various sites in the presence of executives (investor relations team, general management, financial management) but above all of the managers and operators of the sites visited. These meetings allow us to better understand the strategy and the operational, economic and extra-financial challenges of the companies and sectors concerned.

For example, on the theme of the circular economy, we visited a waste disposal center operated by Veolia Environnement in Saint-Ouen l'Aumône, which specializes in the sorting, recycling and recovery of various types of waste. We also visited a site operated by Veolia Environnement in Méry-sur-Oise, dedicated to the treatment and distribution of drinking water in the Ile de France region.

On the theme of sustainable transport, we visited the PSA plant in Poissy and its new assembly line which will produce both internal combustion and electric vehicles, including the new DS3 Crossback E-tense, 100% electric. PSA's management took the opportunity to present their ambition for low-emission vehicles and their view of developments in the sector, regulations and the supply and demand for electric and hybrid vehicles. We also visited a Faurecia site with a focus on Symbio, their hydrogen joint venture with Michelin. This joint venture is responsible for developing, producing and marketing hydrogen fuel cell systems for light, commercial and heavy vehicles as well as for other areas of electromobility.

In the field of renewable energies, we visited a biofuel refinery owned by Neste Oyj in Rotterdam. This visit was an opportunity to discuss in situ the issues surrounding renewable resources (waste and residual oils) in production, those of reliability or control of the supply chain or other environmental issues or health and safety.

Finally, we visited the Soitec factory in Bernin, near Grenoble. Soitec designs and produces semiconductor materials on which the circuits of electronic components are etched and then cut with a clear focus on energy efficiency.

2.4 Development

Our approach on this pillar aims at promoting a more homogeneous development of the territories. For this, LBPAM encourages companies to contribute to local communities and to adapt their offer to fragile or vulnerable populations, which are still sometimes outside the traditional economic circuits.

Access to health care is a key element of territorial opening up. LBPAM has joined external initiatives to pool efforts with other investors and with networks of experts.

- **Access-to-Medicine**

Every two years, the Access-to-Medicine 2008, Foundation publishes a ranking of the major pharmaceutical companies, based on their policies in favor of access to medicines for people in low- and middle-income countries. In order to produce this ranking, the foundation asks for precise information from the companies to complete the public data.

- Since then, the Access-to-Medicine approach has 2008 led to the implementation of access to care programs dedicated to poor countries: adapted pricing, cooperation with generic manufacturers, etc.
- The foundation published the ranking in the fall. This 2018. ranking is taken into account in the GREaT rating methodology, and therefore influences the SRI rating of pharmaceutical companies.
- LBPAM will use the findings of the study in its dealings with companies such as Sanofi.

3 Exercise of voting rights and other rights attached to shares

The holding of shares gives the right to participate in the general meetings (GM) organized by the companies issuing the shares. LBPAM considers that the exercise of these voting rights is an essential act of management. LBPAM has formalized a voting policy that sets out the scope and procedure for voting at General Meetings as well as the criteria on which proposed resolutions are analyzed.

The policy is applied for LBPAM and for its subsidiary Tocqueville Finance. It is implemented by LBPAM, and applied in the same way for all UCIs (FCP and SICAV) open to the public, as well as for dedicated funds and mandates for which the client has requested it.

This policy is based on the GREaT philosophy. It promotes the implementation of best practices in terms of corporate governance and business ethics and encourages the consideration of environmental and social issues within companies.

The voting criteria also take into account the recommendations on corporate governance issued by the Association Française de la Gestion Financière (AFG) and the corporate governance code drafted jointly by AFEP-MEDEF.

3.1 principles

LBPAM considers that transparent communication to shareholders is the foundation of good corporate governance. Therefore, in order to encourage this practice, LBPAM votes against any resolution for which the information provided does not allow a fair and precise idea of the decision to be taken according to the principles of its voting policy.

LBPAM is not in favor of resolutions with multiple options: resolutions should ask only one question requiring a single answer. However, if within a multiple resolution, LBPAM was in favor of all the questions asked, then the final vote is favorable.

LBPAM has defined voting principles applicable to all the companies for which it exercises its voting rights. However, LBPAM takes into consideration the characteristics of each company before voting. Certain voting criteria have therefore been adapted for small and mid-cap companies.

Including by participating in their submission to the agenda, LBPAM can support resolutions not approved by the board in place when these resolutions are in line with the principles defended in its SRI philosophy, i.e. an improvement of ESG practices (Environmental, Social or Governance) within the company.

Voting allows us to engage in a dialogue with the companies in which LBPAM invests on behalf of the UCIs under management, without nevertheless exerting a significant influence on the management of these companies. Thus, LBPAM may have to disclose its voting intentions prior to the holding of general meetings, and only once its initial voting intentions have been traced in an IT tool. Depending on the content of the exchanges with the company, the initial voting intentions may be modified. These modifications, as well as the reasons for them, are listed in an internal document.

3.2 Approval of the accounts and allocation of the result

The annual accounts allow stakeholders to follow the evolution of the financial statements and to know the strategic orientations of the companies.

LBPAM encourages companies to provide quality, exhaustive and transparent information in order to gain the confidence of investors.

3.2.1 Approval of the financial statements and dividend distribution

LBPAM votes for resolutions in this area unless:

- A member of the executive team sits on the Audit Committee,
- The company's auditors have expressed reservations, or their report has not been made public.

The distribution of profits - and the remuneration of shareholders - must not be to the detriment of the company's financial solidity, the investment needs for its long-term development and the remuneration of all stakeholders.

LBPAM votes for the payment of the dividend in shares, as long as the discount is less than 10% and the shareholders have the possibility to opt for a cash payment.

3.2.2 Release of liability (or discharge)

LBPAM approves in principle the requests for release from liability for board members and executive officers.

LBPAM may, however, object to these requests when it wishes to express a disagreement with the company's management or its governance practices.

The existence of significant environmental or social controversies for which the company has not provided a convincing answer may also lead to a refusal of discharge. In these cases, the reason for opposition is specified to the companies. LBPAM also gives itself the possibility of rejecting the appointment of one or more members of the board if their responsibility in the controversies is identified.

3.3 transactions

The greatest transparency is expected on the conditions and motivations of the resolutions presented to increase the capital, in particular when they provide for the suppression of the preferential subscription right (DPS).

3.3.1 increase

LBPAM accepts capital increases under certain conditions:

- They do not run for too long (5 years maximum);
- They are not made through the issuance of preferred shares;
- They cannot take place during a public offering period;
- They are limited to 50% of the existing capital, and in addition respect the thresholds indicated below:

FOR an increase of up to 50% of the existing capital, with the possibility of raising this ceiling in countries applying different market standards or for small and medium-sized companies

Precautions are necessary insofar as the shareholders are forced to undergo a dilution of their participation.

FOR an increase of up to 10% of the share capital, with the possibility of raising this ceiling for small and mid-cap companies

FOR an increase of up to 20% of the capital when the interest of existing shareholders is preserved through the respect of a priority period of a minimum of days.⁵

AGAINST private placements, a method of capital increase that seems particularly unfavorable to the interests of shareholders

Exceptions

- LBPAM may support operations that are not in line with the above principles, when the company justifies particular situations and when their future implementation is specified and reasonable.
- Capital increases during a takeover bid may in some cases be considered as a means of negotiating a valuation of the bid, in the interest of the shareholders. LBPAM can approve this type of operation only if the shareholders are aware of the conditions of the offer, and with regard to the intentions of the company that initiated it.

3.3.2 Repurchase of securities

Share buybacks can be used to improve liquidity on the market or to implement incentive plans without diluting existing shareholders. LBPAM would like share buybacks to respect certain conditions:

- The authorization must be capped at 10% of the capital, unless an exception is justified.
- The company may not hold more than 10% of its own shares.
- The duration of the authorization is limited to 18 months, except in countries where a longer duration is commonly accepted.
- Buyback programs cannot be used as an anti-takeover device.

Furthermore, the purpose of the buyback should not be to cancel the shares if the company's financial situation does not allow it (e.g. limited cash flow, significant indebtedness), or if this operation risks altering its capacity to create value in the long term.

3.3.3 Mergers & Acquisitions

LBPAM will vote on mergers and acquisitions on a case-by-case basis, depending on their strategic and financial interest and the consequences of the operation on environmental, social and governance issues.

In order to strengthen shareholders' rights, LBPAM wishes that acquisitions or disposals of assets of a significant and/or strategic nature be submitted to a prior vote of the shareholders.

3.4 Election to the Board of Directors or Supervisory Board

The balance of powers is one of the fundamental principles of good governance.

LBPAM encourages companies to set up competent and independent checks and balances in order to ensure effective management control and to create the conditions for long-term performance.

3.4.1 Separation of powers

There are two main governance models: a dual structure (with a supervisory board and a management board) in which the management and supervisory functions are necessarily separate, and a monistic structure (with a board of directors) in which the functions of the chairman of the board and the chief executive officer may or may not be separate.

LBPAM does not favor one model of governance over another, but rather ensures a balance of power. In the case where management and supervisory functions are combined, LBPAM is particularly vigilant about the guarantees provided to shareholders to prevent the solitary exercise of power and to ensure that the Board is an effective place for debate and control: level of independence aligned with our expectations (at least 33% or 50% depending on the company), committees in line with our expectations in terms of independence (at least 50% or 66% depending on the committee), appointment of a lead director or vice-chairman who is independent, organization of "executive sessions" (meetings without the presence of executives), etc.

In the banking sector, given the particularities of the sector, LBPAM systematically votes against the election of a CEO.

In the event of a separation of functions, it is recommended that the non-executive chairman not be the former executive of the company, or else for a transition period limited to two years.

3.4.2 Directors and Supervisory Boards

Accountable to the shareholders, the board must be an active, independent and competent body.

Reasonable board size

In order to ensure good conditions for debate, LBPAM votes against resolutions proposing to reduce the size of the Board to less than 5 seats or to increase it above 15 seats. When the Board is already large (above 16 members), LBPAM is likely to vote against new appointments if a commitment to reduce the size has not been made.

Appointment of Board Members

- Quality of information

It is important that shareholders have information to assess the candidacy of each member (experience, main activity, independence, reasons for candidacy).

Shareholders must be able to vote on nominations and re-nominations on an individual basis. However, LBPAM will vote in favor of a collective application when it considers that each proposed candidate meets the criteria set forth elsewhere in the policy.

- Term of office

LBPAM is in favor of terms of office of a maximum of four years, to allow shareholders to regularly express their opinion on the composition of the Board.

LBPAM recommends the same practices as for large caps, but will only vote against mandates in small and medium-sized companies when they exceed 5 years.

- Availability

LBPAM wishes to ensure that Board members are sufficiently available to prepare the work and participate in the meetings of the Board and its committees. LBPAM is therefore not in favor of appointing candidates with too many other current mandates in listed companies of different groups. The ceilings are as follows:

- 4 mandates for "ordinary" functions
- 3 mandates where the candidate chairs a board or an audit committee because of the significant involvement required by these functions
- 2 mandates when the candidate has a management role in a listed company.

Limiting the number of mandates to a reasonable number also allows the boards to be open to a greater diversity of profiles and individuals.

Furthermore, LBPAM takes into account the attendance of board members during their re-election, and may object if their attendance rate at meetings has been less than 75% during the previous term.

LBPAM encourages boards to include, in their assessment of the availability of potential candidates, the mandates of censor and mandates held in non-listed companies.

- Ethics

LBPAM may oppose the election of candidates who have demonstrated a lack of compliance with their duties on the boards or committees of which they are members.

In the event of rejection of a resolution, or of a significant challenge, LBPAM expects an appropriate response from the Board. If the opinion of the shareholders seems to be disregarded, LBPAM could vote against the re-election of certain members of the board

Independence of the boards of directors and supervisory boards

LBPAM favors the appointment of independent members.

- Independence criteria

To qualify as independent, a director or supervisory board member must not be in a potential conflict of interest. Thus, he or she must not :

- Be an employee or executive officer of the company or of a company in its group, or have been one in the last five years;
- Be an employee or executive officer of a significant shareholder of the company or of a company in its group;
- Have a personal link (family, business relationship) with one of the company's managers or significant shareholders;
- Be an employee or a corporate officer of a significant and usual commercial, banking or financial partner of the company or of a company in its group (for example: customer, supplier, banker, creditor);
- Have been an auditor of the company for the previous five years;
- Be a member of the company's board of directors or supervisory board for more than twelve years;
- Be designated as a state representative;
- Hold or have held political office within the last five years.

A board member should not receive compensation for services from the company or its subsidiaries in order to avoid conflicts of interest.

- Proportion of independent members

LBPAM wants at least 33% of the board members to be considered independent for controlled companies, and at least 50% for non-controlled companies. (A company is considered to be controlled when a shareholder or a group of shareholders owns at least 50% of the capital or voting rights).

The calculation of the independence rate is based on the members of the Board elected by the shareholders, without taking into account the representatives of employee shareholders.

As an exception, LBPAM would like at least 33% of the board members to be considered independent in the case of small and mid-cap companies.

- Particularity for the list voting system (specific case in Italy)

The "voto di lista" system implies that at least two lists of candidates for the Board are submitted to the vote, one presented by the majority shareholders and the other by the minority shareholders. In order to promote independence and insofar as all the proposed candidates meet the criteria set out elsewhere (ethics, availability, etc.), LBPAM votes in favor of the minority shareholders' list.

- Cross-holdings

LBPAM is in favor of the absence of reciprocal members on the board of two companies (except for justified strategic exceptions), because of the obvious conflict of interest.

Diversity on the boards of directors and supervisory boards

In order to enrich the quality of exchanges and allow the expression of different opinions, LBPAM encourages diversity in the composition of the boards (experience, nationalities, gender balance, representation of employees and civil society, etc.). Thus, LBPAM votes against the election or re-election of a candidate if he is a man and the rate of feminization of the board is less than 40%, or vice versa.

Furthermore, LBPAM opposes the election or re-election of a candidate who is 70 years of age or older, if one-third or more of the board members are over the age of 70.

Members representing the employees

LBPAM is in favor of the presence of employee representatives or employee shareholders on the Board. If several candidates are proposed for a single seat, LBPAM favors the person who best represents the company's employees, insofar as detailed information makes this possible. Otherwise, LBPAM will vote for all candidates.

Censors

Censors sit on the Board in the same way as ordinary members, but without being able to take part in decisions. For LBPAM, the appointment of censors risks creating confusion and disrupting the functioning of the Board. Their presence should therefore remain exceptional or temporary.

Taking into account the specificities

LBPAM takes into account the specificities of companies (size, shareholder composition, family or non-family character) to apply the voting principles on elections. For example, the nomination of a candidate may be supported if he/she has a particular legitimacy to sit on the Board (e.g.: manager, member of the founding family, reference shareholder, etc.) within acceptable limits with regard to the Board's need for independence.

3.4.3 committees

LBPAM recommends that companies set up audit, remuneration and nomination committees, whose missions must be defined in the internal regulations.

These committees must be chaired by an independent member and be composed of at least 50% independent members for the remuneration and nomination committees, and 66% for the audit committee. LBPAM votes against the appointment of a non-independent candidate if these levels of independence are not reached, and is not in favor of the presence of executives in these committees.

Furthermore, LBPAM votes against the chairman of the Compensation Committee if the remuneration policy of the executives does not comply with the principles set by LBPAM.

As CSR (Corporate Social Responsibility) issues are becoming strategic, LBPAM is in favor of them being dealt with at the highest level by the Boards via the presence of ad hoc expertise, the holding of specific meetings or the setting up of a dedicated CSR committee.

3.5 Remuneration of officers and directors

Executive compensation policy must be transparent, balanced, linked to the creation of value - financial and non-financial - over the long term and respectful of social cohesion.

LBPAM examines on a case-by-case basis the proposals made by the Board of Directors or the Supervisory Board concerning the approval of the remuneration report. In general, LBPAM votes against if the remuneration deviates from the principles defined below.

3.5.1 Transparency

The remuneration policy provides ex ante transparency on the structure of remuneration (fixed, short-term/long-term variable), the performance criteria chosen (which must be enforceable), their respective weights and scales and the peer group identified. The compensation report provides ex-post information on the link between the performance achieved, the creation of value for all stakeholders and the compensation received.

Where applicable, exceptional compensation items must be explained in detail.

Small and mid caps do not necessarily have the same means as large caps to formalize their compensation policy. For these companies, LBPAM considers that it is nevertheless essential to know :

- Ex ante, the ceiling for the annual bonus as well as the criteria for short and long-term variable compensation,
- Ex post, the figures on the various components of the remuneration.

3.5.2 Balance

LBPAM recommends that the remuneration structure be balanced between the fixed and the variable part, and between the short term and the long term (at least years3).

LBPAM recommends the implementation of a fixed portion in line with the practices of the country and the company's sector. Decisions to increase the fixed part must be motivated and take into account the mechanical upward repercussions on the other remuneration elements.

The variable component should not represent too large a percentage of total compensation, given the complexity of measuring performance in the broadest sense (choice of metrics, setting targets, rigor of measurement, etc.).

The short-term bonus should not be able to represent a greater compensation opportunity than that linked to the long-term variable elements.

3.5.3 cohesion

The remuneration structure must make it possible to attract competent managers, but also be respectful of social cohesion. To this end, LBPAM encourages companies to publish an equity ratio (or "pay ratio"), which compares the evolution of the executive's remuneration with that of the employees.

LBPAM pays particular attention to the total amount of remuneration. LBPAM may object when this amount exceeds :

- For large caps, times 240 the median salary of the country where the company is domiciled (this cap is intended to prevent an executive from earning in one day what an employee earns in one year, given that there are approximately one 240 working day per year)
- For small and mid caps, times 50 the median salary of the country where the company is domiciled (this cap is intended to prevent an executive from earning in one week what an employee earns in one year).

3.5.4 Link to long-term financial and non-financial value creation

The performance criteria must be linked to the company's long-term strategy, and the objectives must reflect real progress in relation to the company's situation and its peers. The scales must be sufficiently demanding to avoid any possibility of compensation for underperformance.

LBPAM encourages companies to adopt various criteria: financial, operational and extra-financial.

LBPAM recommends the use of extra-financial criteria to evaluate the performance of executives and to determine their variable remuneration, in the short and long term. These criteria can be specific to each company, depending on its specificities and its sector of activity. For example, the presence of indicators linked to the energy transition is necessary in sectors that are highly intensive in greenhouse gas emissions. LBPAM wants the extra-financial criteria used to be transparent and relevant to the ESG issues of companies.

LBPAM refuses a significant increase in the remuneration of executives in the event of a major restructuring in progress or completed during the past year. Efforts must be shared by all stakeholders, and the Board must avoid sending contradictory messages that could harm the social climate and employee motivation.

3.5.5 Other commitments made by the companies to their executives

Severance pay

The departure of a corporate officer on his or her own initiative may not result in a payment.

LBPAM would like the amount of severance pay to take into account the length of time the executives have been with the company and the contribution they have made to the company during their term of office.

No indemnity should be provided if the remuneration of the executive during his mandate exceeds the socially acceptable ceiling set by LBPAM (240 or 50 times the national median salary). In this case, it can be considered that the remuneration already includes the risk of interruption of the mandate at any time.

Non-competition indemnities

LBPAM wants the non-competition clause to be precise (duration of application, functions and entities concerned, etc.). The company must explain the interest of this clause for its activity.

The amount of potential compensation should be consistent with its duration.

The payment of a non-competition indemnity is excluded if the executive retires or is over the age of 50.65

Common rules for severance pay and non-competition pay

In all cases, the indemnities must not exceed two times the annual remuneration (fixed and variable).

Supplementary pension

The implementation of a supplementary pension plan seems understandable in order to attract and retain managers, when it corresponds to a common practice in a sector of activity and provided that it is strictly regulated.

LBPAM examines this type of agreement in particular according to the following criteria: seniority of the executive, presence in the company at the time of retirement, reasonable progression of potential rights, capping of the annuity paid to beneficiaries, the need for a group of potential beneficiaries that is significantly larger than the executives alone, setting of a multi-year reference period that is representative of the average remuneration received by beneficiaries throughout their term of office.

LBPAM assesses the relevance of the estimated annual income by comparing it with the average remuneration (fixed and variable) of the last three years. LBPAM has not defined a strict limit, but refers for internal discussion to the recommendations of Proxinvest (or equivalent approach for non-European countries).

3.5.6 Remuneration of non-executive members

The remuneration of board members should be consistent with current practices in the country and in the sector of activity. It should take into account the tasks performed by each member, as well as their attendance at meetings. Significant changes should be explained.

LBPAM would like the attendance rate at board meetings to be indicated individually in the annual report.

LBPAM considers that the remuneration of the non-executive members should not depend on the performance of the companies, because this could affect the independence of judgment that is expected from them.

3.6 compensation plans (free shares, stock options)

Companies submit resolutions that are distinct from the classic capital increases when it comes to plans for employees and/or corporate officers. LBPAM analyzes this type of resolutions with regard to the principles indicated below.

3.6.1 provisions

The total number of outstanding plans may not exceed 10% of the capital.

LBPAM would like the resolution to clearly indicate who will be the beneficiaries of the plans submitted to the vote, as well as the maximum part of the envelope that can be allocated to executive directors. Ideally, LBPAM is in favor of separating the resolutions concerning the corporate officers from those concerning the employees.

LBPAM recommends that companies indicate the potential number of beneficiaries of the plan. LBPAM's attention to the quality of the plan is reinforced when its eligibility is restricted; in other words, when the plan concerns only a small percentage of the workforce, LBPAM expects companies to respect best practices in terms of transparency and performance conditions.

LBPAM wishes that, independently of the respect of the performance conditions, the awards can be cancelled in case of serious breaches of ethics or damage to the company's reputation.

3.6.2 Allocation of free shares, stock options or share purchase options

LBPAM votes in favor of granting shares or stock options to employees and managers if :

- These awards depend on objective, demanding and relevant performance criteria evaluated over at least 3 years;
- The initial conditions cannot be changed after the fact, unless explained in detail;
- Allocation is not overly concentrated for certain recipients;
- Awards that have not vested are cancelled in the event of departure from the company, unless the departure is forced and subject to compliance with the performance conditions (in this case, a pro rata reduction in the number of instruments is required);
- The discount is zero in the case of options.

In order to encourage a better consideration of long-term issues, LBPAM welcomes plans for executives that are designed for at least 5 years, including both the period of evaluation of the performance conditions and the period of unavailability.

The above criteria are not applied in the case of awards that benefit all employees.

3.6.3 Stock Ownership Plan

LBPAM supports the development of employee shareholding.

LBPAM recommends that companies do not intervene in the governance of FCPEs (Fonds Commun de Placement d'Entreprise). Employee shareholder representatives on the supervisory board of FCPEs must be able to decide autonomously on their voting decisions for the GM.

3.7 Modification of the statutes

LBPAM is in favor of long-term shareholding, which is a source of stability and a development factor for companies. LBPAM therefore supports the creation of additional rights for long-term shareholders, through the payment of an increased dividend or double voting rights. It should be possible to ensure identical treatment of bearer and registered shareholders.

LBPAM is opposed to the tightening of the conditions for decision-making by the General Assembly (e.g. change to a qualified majority to modify the statutes, approve a merger or remove a director from office, etc.).

LBPAM may oppose the reduction of the capital holding thresholds from which the shareholders must inform the company, if the latter does not offer transparency on these crossings.

LBPAM opposes the relocation of a company's registered office to a State where the requirements in terms of governance and taxation are less strict, without the company having provided a valid justification.

LBPAM is opposed to the modification of age limits for membership of the Board, when this modification is visibly tailor-made for a person, thus raising questions about the functioning of the Board (management of succession, sustainability of the statutory principles, etc.).

3.8 agreements

A regulated agreement binds the company to a stakeholder with significant influence (executive, member of the Board of Directors or Supervisory Board, significant shareholder). Because of the inherent conflict of interest, regulated agreements are subject to stricter control, in particular by being submitted to a vote of the shareholders.

LBPAM votes on a case-by-case basis, taking into account the persons concerned, the content and the reason for the transactions, as well as the elements provided by the board to explain the interest of the agreement.

LBPAM votes against any resolution when the information provided on the agreements concerned is insufficient.

LBPAM also votes against any resolution when one of the agreements in question goes against the voting principles defined elsewhere (for example, on the severance pay of executives).

LBPAM would like the agreements to have a limited duration and to be reviewed periodically by the Board and by the shareholders. LBPAM recommends that the most important agreements be the subject of separate resolutions, to enable shareholders to decide on a case-by-case basis.

LBPAM only votes on new or renewed agreements. Old agreements already approved in the past should be voted on again when they have had an impact on the year covered by the General Meeting. LBPAM does not vote on agreements already approved by the shareholders, when they have not had an impact, but it can express its reservations to the companies in the framework of the dialogue prior to the GM.

3.9 Auditors

The statutory auditors are responsible for verifying the fairness and accuracy of the annual financial statements in the interest of the shareholders.

LBPAM encourages companies to prevent any conflict of interest in the selection of statutory auditors, by organizing a regular rotation and by refraining from assigning them non-audit assignments.

Resolutions in this area are generally accepted, unless there is a reasoned exception.

LBPAM votes against if the statutory auditors have also performed non-audit services for the company in question, and if the fees they have received for these services exceed 25% of the fees received for each of the last two financial years. If so, the company should provide detailed information on the nature of the services.

LBPAM is in favor of a regular rotation of auditors. LBPAM is opposed to their election if the same firm has certified the accounts for more than eighteen years (corresponding to three six-year terms for French companies).

LBPAM votes against the appointment or renewal of alternate auditors when they are associated with the incumbent CAC.

3.10 Various

3.10.1 Donations

LBPAM votes in favor of donations of a charitable nature (associations or foundations). In order to avoid the risk of conflicts of interest, LBPAM is opposed to authorizations to make donations of a political, religious or ideological nature.

3.10.2 Resolutions related to environmental and social issues

Regarding shareholder proposals of a social or environmental nature, LBPAM votes on a case-by-case basis, relying on the "SRI Philosophy" and taking into account :

- the importance and relevance of the issues raised in relation to the sector of activity in which the company operates;
- the impact of the proposal on the company's financial position and its ability to create long-term value;
- the measures already put in place by the company to address the issue raised.

4 Cooperation with other investors

As a Management Company wishing to promote SRI among investors, LBPAM has been involved for more than 20 years with the entire financial community on SRI and the Energy Transition. We wish to be an actor in the advancement of academic research, social improvement and climate.

Tocqueville Finance, for its part, has not signed these commitments directly, apart from the PRI, but fully supports the initiatives signed by LBP AM.

Commitments	Nature of the commitment	Objective	LBPAM membership date
Carbon Disclosure Project (CDP)	Support for a collective initiative	The CDP encourages increased disclosure of environmental impacts by investors, companies and government. Climetrics award for three LBPAM equity funds in 2019/2020	2003
Participation the creation and financing of the FDIR Chair	Support for academic research	The objective of the FDIR Chair is to promote collaboration between asset management professionals and researchers whose work contributes to the international influence of the Paris financial center on this essential theme. Since LBPAM 2016, assures the Presidency of the Chair.	2008
Principles for Responsible Investment (PRI)	Membership in a place organization	The PRI was launched by the United Nations in 2001. It 2006. is a voluntary commitment to the financial sector that encourages investors to integrate ESG issues into the management of their portfolios, in a broad sense. René Kassis (Director Real Assets at LBPAM) is a member of the PRI Infrastructure Advisory Committee created in 2017 which aims to support and advise infrastructure investors in implementing rigorous responsible investment strategies.	2009
Responsible Investment Forum (RIF)	Membership in a place organization	The FIR was created in order 2001 to promote SRI and to ensure that more investments integrate issues of social cohesion and sustainable development. LBPAM joined the FIR in 2014.	2014 +2019

		<p>In June 2019, Luisa Florez (Director of Sustainable Themes at LBPAM) and Nicholas Vantreesse (Head of CSR at La Banque Postale) were elected to the board of directors of the Responsible Investment Forum.</p> <p>LBPAM members participate in FIR working groups (Impact, Poverty and Engagement)</p>	
PRI Montreal Carbon Pledge	Support for a collective initiative	Investors and management companies, including LBPAM, are committed to measuring and publishing the carbon footprint of their portfolios every year, notably in the LTE Report.	2015
Institutional Investors Group on Climate Change (IIGCC)	Membership in a place organization	IIGCC is an investor network on climate change; the group works with businesses and policy makers, as well as investors to help mobilize capital for the transition to a more sustainable economy. LBPAM members participate in consultations and working groups.	2015
University of Cambridge Institute for Sustainability Leadership (CISL)	Support for academic research	<p>Investor group dedicated to advancing practices and fostering investments in the field of responsible investment.</p> <p>This is a voluntary initiative, led by its members, coordinated by the Investor Leaders Group teams and with the support of researchers from the University of Cambridge.</p>	2018
Tobacco-Free Finance Pledge	Support for a collective initiative	An initiative launched in 2018, this is the first international treaty to reduce the impact of tobacco on the global economy by reducing the links between the financial sector and the tobacco industry. Signatories to this initiative commit to a strict tobacco exclusion policy in their investments.	2018
TCFD Investor Statement (Taskforce on Climate-related Financial Disclosure)	Support for a collective initiative	The TCFD makes recommendations on what climate-related information companies should share to help investors make the right financial decisions. LBPAM is committed to communicating and reporting on climate risks in line with TCFD standards by 2020.	2018
Finance for Tomorrow	Membership in a place organization	Finance for Tomorrow is an initiative of Paris Europlace to promote sustainable finance in France and internationally. The objective is to redirect financial flows towards a low-carbon and inclusive economy, in line with the Paris Agreement and the Sustainable Development Goals. LBPAM has notably joined the "Climate Risk" working group in order to move forward in collaboration with market players.	2018

		<p>LBPAM is a member of the Policy Commission.</p> <p>René Kassis (Director of Real Assets at LBPAM) has been elected to 2020 the new board of Finance for Tomorrow for the 2020-2022 term.</p>	
Farm Animal Investment Risk & Return (FAIRR)	Support for a collective initiative	The FAIRR international investor network encourages food manufacturers to improve their animal welfare and nutrition practices. The network has several targeted engagement actions, for example to encourage the reduction of antibiotics in livestock production or to fight against deforestation caused by agriculture. LBPAM members participate in FAIRR consultations and engagements.	2018
Access-to-Medicine Foundation	Support for a collective initiative	Created in 2004 and based in the Netherlands, the Access-to-Medicine Foundation is an international network of investors whose objective is to encourage the pharmaceutical industry to develop access to medicines for populations in low-income countries. Every two years, it publishes a ranking of the 20 largest pharmaceutical companies on this subject.	2018
The Green Bond Principles (GBP)	Support for a collective initiative	The objective of the Green Bond Marketplace is to strengthen the critical role of the bond markets in financing projects that contribute to sustainable development. By setting guidelines for transparency, disclosure and reporting, the GBP contributes to the integrity of the green bond market. LBPAM participates in GBP consultations on the evolution of market standards.	2019
The Social Bond Principles (SBP)	Support for a collective initiative	The objective of the social bond market is to strengthen the essential role of bond markets in financing projects that address global social challenges. SBPs contribute to the integrity of the social bond market by providing guidelines that promote transparency, disclosure, and reporting.	2019
Carbon 4	Participation in a working group	Carbone 4 is the first independent consulting firm specializing in low-carbon strategy and climate change adaptation. Carbone 4 launched in 2018 "2-infra challenge", a new place-based method that will measure the alignment of infrastructures with a two-degree trajectory and the associated climate risks. LBPAM is a sponsor of this reflection.	2019
French Management Association (AFG)	Membership in a place organization	<p>Emmanuelle Mourey (President of the LBPAM Board of Directors) has been a member of the Strategic Committee since December 2019.</p> <p>LBPAM is a member of the Responsible Investment (RI) and Corporate Governance Committees. Other LBPAM employees also participate in other AFG committees.</p> <p>Adrienne Horel-Pagès (Director of Strategic Projects at LBPAM) has been appointed 2020 Vice-Chair of the Responsible Investment Committee.</p>	2019

Eco-Label - European label	Participation in a working group	LBPAM is a member of the group of stakeholders of the Eco-label. 1992, The European Ecolabel is the only official European ecological label that can be used in all member countries of the European Union. In France, the Ministry of the Environment has entrusted ADEME with the support of the French policy on the deployment of the European Ecolabel and AFNOR Certification with its delivery.	2019
Climate Action 100 +	Support for a collective initiative	Launched in December 2017 during the One Planet Summit, the Climate Action 100+ initiative has a five-year mission to encourage and influence the major greenhouse gas emitters in the global economy. By signing this charter, LBPAM is committed to working to encourage the energy transition through the investments of its funds.	2020
PRI- CERES Sustainable Forest Initiative	Support for a collective initiative	Coordinated in partnership by the PRI and the American organization Ceres, this 2018 initiative brings together international investors who wish to contribute to the fight against deforestation, mainly linked to livestock and soy cultivation in the Amazon.	2020

5 Communication with relevant stakeholders

Corporate Social Responsibility - CSR, is at the heart of LBPAM's identity. Our membership of the La Banque Postale group makes us a responsible company, attentive to sound governance, concerned about its employees and involved in our territories.

For more information, we invite you to refer to the section "**3.4. Internal commitment: our CSR policy**" of the report in application of the Energy Transition Law, published by LBPAM on its [website](#).

6 Prevention and management of actual or potential conflicts of interest in relation to their involvement

LBPAM makes available on its website a document called "[Conflicts of interest management policy](#)", which describes the system put in place in order to identify, prevent and manage conflicts of interest that may arise between, on the one hand, LBPAM, the persons placed under its authority or acting on its behalf or any other person directly or indirectly linked by a control relationship and, on the other hand, its clients, or between two clients, during the provision of any investment service or any related service or combination of these services.

More details are given below, in relation to the voting activity at general meetings.

Managing conflicts of interest in the exercise of voting rights

The potential conflict of interest arising from the exercise of voting rights arises from pressure on LBPAM not to vote in the interest of the holders, as defined in the voting policy.

LBPAM has thus identified two potential situations that could generate pressure:

- Companies with which LBPAM, its shareholders or its employees have special ties such as commercial ties or ties of influence (so-called "sensitive" companies)
- The companies for which LBPAM votes (whether or not they have sensitive links with LBPAM) and requesting our voting intentions before the general meetings are held.

In order to prevent the occurrence of these potential situations of conflicts of interest, LBPAM has put in place the following system, which is part of the more general framework of LBPAM's conflict of interest management policy:

- Compliance with the guidelines and principles defined in this policy during the voting process guarantees the autonomy of LBPAM's decision-making: should LBPAM decide not to vote in accordance with its policy, the DCCI is systematically kept informed of any exceptions. It formulates an opinion for the attention of the Board of Directors, which makes the final decision.
- Voting intentions are not communicated to companies or their representatives until they have been traced and thus crystallized in a computerized tool. No voting intentions are communicated to anyone other than the company or its representative.

In view of the relationships maintained with AEGON [1], CAISSE DES DEPOTS, CNP ASSURANCES [1], MALAKOFF-HUMANIS and OSTRUM ASSET MANAGEMENT, LBPAM has decided to abstain:

- from participating in the general meetings of AEGON and CNP ASSURANCES,
- to vote on the resolutions concerning the acceptance of appointments of corporate officers of AEGON, CAISSE DES DEPOTS, CNP ASSURANCES, MALAKOFF-HUMANIS and OSTRUM ASSET MANAGEMENT and to the management bodies of companies other than AEGON, CAISSE DES DEPOTS, CNP ASSURANCES, MALAKOFF-HUMANIS and OSTRUM

LBPAM also abstains from voting for the election of corporate officers of LA POSTE, LA BANQUE POSTALE and LBPAM within the management bodies of listed companies.

In order to detect the occurrence of potential conflicts of interest, the team in charge of voting must report to the Compliance and Internal Control Department any problematic cases encountered and any exceptions to the voting policy.

As soon as a conflict of interest situation is reported to the Compliance and Internal Control Department, the latter reports to the Executive Board: together, they establish the appropriate measures to manage and limit the risk of conflict of interest to the potential stage.

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