Natixis Asset Management

Proxy voting and Engagement policy

Last update March 2017

Foreword

As an asset management company, Natixis AM considers that it has a fiduciary responsibility and duty of due diligence to shareholders to monitor changes in the value of their investments and to exercise the ownership rights attached to the securities held in the portfolios it manages. Thus, Natixis AM exercises its voting activity in the exclusive interest of the unitholders.

Natixis AM has had a voting policy setting out the principles to which it will refer when exercising voting rights at shareholder meetings since 1998. These principles reflect best corporate governance practice in Europe, and form the basis of our philosophy and vision of a good corporate governance system, defined by the OECD as “a key element in improving economic efficiency and growth and enhancing investor confidence”.

The principles set out in this voting policy document aim to define our framework for independently analysing resolutions submitted and exercising voting rights in an informed manner solely in the interest of unitholders. They are revised annually to take account of changes in the law, regulation and corporate governance practices during the year.

As part of its approach to promoting responsible asset management, Natixis AM decided in 2008 to develop expertise in bondholder voting by exercising voting rights during debt restructurings.

Natixis AM maintains the highest standards of corporate governance. However, if the governance practices within a particular country are more rigorous than the principles of our voting policy, we will align ourselves with the former for the purpose of analysing resolutions and determining our vote.

We are nevertheless aware that some of these standards may present constraints for small and medium-sized companies that do not have the resources to implement a strict corporate governance policy. Natixis AM has decided to adapt some principles in order to take into account the specificities of these companies inherent in their size or shareholding structure. These principles are set out in the chapter headed «Principles for analysing resolutions on small and medium-sized securities».

Lastly, Natixis AM has placed Engagement at the core of its action as a responsible investor, and defined within its voting policy an Engagement policy that is to be developed with the companies whose securities it holds. This Engagement process is established through a constructive dialogue with the companies, in order to encourage them to better integrate the social, environmental and corporate governance issues within corporate strategies. Engagement also enables Natixis AM to exercise its voting rights in an “enlightened and responsible” manner.

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I. Organization of Natixis AM for the exercise of voting rights

The exercise of voting rights is structured around two distinct sets of activities:

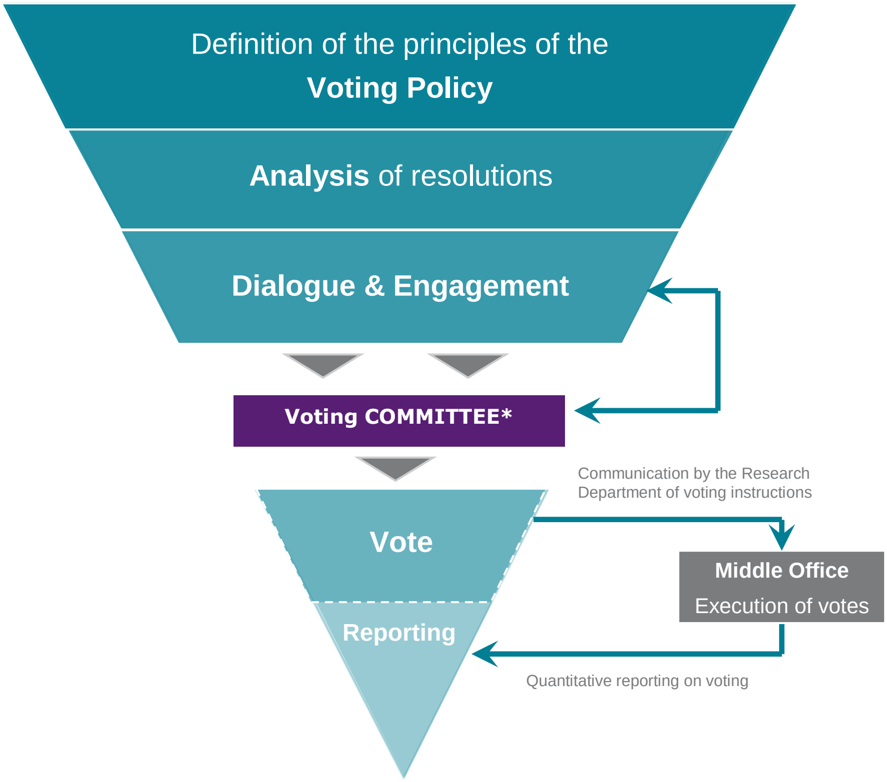
- **The analysis of resolutions**: performed by Mirova, the subsidiary of Natixis Asset Management dedicated to Responsible Investment. The analysis is done by the SRI Research Team of Mirova with the support of a proxy voting agency. Mirova undertakes the analysis of resolutions according to the principles described in the voting policy as determined by Natixis AM and validated by the Executive Committee (Comex) thereof.

  However, Natixis AM has adopted a specific approach for a hundred values that represent its most important holdings and /or for which a thorough engagement activity has been established. The list of this universe called "core" is validated by the Executive Committee at the same time that the voting policy. For these values, the decision to vote will be not only made in the light of the principles defined in the policy but also by taking into account the results of the dialogue established with the company as part of the engagement process initiated by Natixis AM. Thus, Natixis AM will be flexible in applying its principles to vote, without departing from the spirit of its voting policy.

  In order to ensure strict application of the voting policy, Natixis AM has established a **Voting Committee** under the supervision of a comex member, whose responsibility it is to rule on resolutions that present an issue (with regard to the content of the proposal or the outcome of the analysis performed by Mirova), or for which principles have not been defined in the voting policy.

- **The exercise of voting rights:** performed by the Middle Office department of Natixis AM, which is also in charge of relations with service providers and custodians.

- The voting process is organized as follows:



*The Voting Committee is the body in charge of validating the voting instructions presented at a general meeting. It consists of a representative of the Executive Committee, the Director of SRI Research and. The portfolio managers, the financial and extra-financial analysts are invited to participate in the discussions of the committee depending on the topics covered.

II. The current procedure for exercising voting rights

As part of the framework established for delegating voting rights, Mirova employs an independent voting services provider. The service provider is required to:

- inform Mirova of upcoming shareholders' meetings related to securities in the Natixis AM voting universe;
- analyse resolutions according to the principles defined in Natixis AM's voting policy;
- provide access to a voting platform for exercising voting rights;
- forward voting instructions to the issuer.

This proxy has direct contact with the custodian banks from which it receives, on a daily basis, a list of the positions in all the portfolios in the Natixis AM voting universe.

Following the Mirova responsible investment team's analysis of the resolutions put to vote, Natixis AM registers its votes on the voting platform for each of its accounts. The procedure then varies depending on whether the securities are French, in which case Natixis AM votes by post, or foreign, in which case Natixis AM votes by proxy.

- *French securities: Natixis AM votes by post*

Natixis AM completes the postal voting forms on a platform made available by the proxy then faxes and posts it to the various custodians.

Once the voting instructions received, custodians check and adjust the securities positions in each account for which a vote is recorded and send the voting forms to the issuer or its agent.

On a Case-by-Case basis, Natixis AM can physically participate at shareholders' meetings.

- *Foreign securities: Natixis AM votes by proxy*

Natixis AM enters the voting instructions on the voting platform and the proxy passes on the instructions for Natixis AM's accounts to the local sub-custodians. In certain cases, the proxy is required to vote directly on behalf of Natixis AM, in accordance with the principles defined in its voting policy.

III. Principles for selecting the voting universe

Except in certain cases[1], Natixis AM exercises voting rights for all the UCITS (undertakings for collective investments in transferable securities) and AIF (Alternative Investment Funds) under its management and for which it holds voting rights, as well as for employee investment funds the supervisory boards of which have delegated voting rights to Natixis AM.

Natixis AM will exercise its voting rights for all assets eligible as of the end of the year preceding the voting campaign located in portfolios for which it holds voting rights, on the condition that the regulatory and technical constraints imposed by markets and depositories permit that the exercise of voting rights be in the best interests of unitholders.

IV. Securities lending policy

During general meetings, Natixis AM optimizes the repatriation of lent securities in order to exercise its voting rights in the sole interest of unitholders.

V. Principles for analysing resolutions

The principles defined hereafter may not apply, depending on companies' nationality, as shareholders' meetings may exhibit varying prerogatives depending on national legislation.

[1] The only exceptions concern funds with restrictive management processes whereby immobilizing securities in order to exercise voting rights may be detrimental to the value of shareholders' investments.

1 - Principles for analysing resolutions on large cap securities

The principles set out below apply to all large cap securities within the Natixis AM voting universe.

The large-cap securities are the values of the voting universe that do not meet the definition of small and mid-cap values as defined in part 2- Analysis Principles for small and midcaps. These are mainly companies whose market capitalization exceeds EUR 2 billion.

***General rule**: When our review calls for an ABSTENTION and the country's regulations do not permit such a vote, Natixis AM will vote AGAINST.*

Transparency, reliability, and relevance of financial and extra-financial information

We regard the transparency, reliability and relevance of financial and extra-financial information as a key factor in good corporate governance, since these contribute to the integrity of financial markets and reinforce trust among the various actors participating in the value creation process. In this respect, they are the key elements of responsible corporate governance. In our view, companies must respect these principles in drafting financial and extra-financial information for shareholders. Furthermore, such information must be certified in the form of an unqualified audit opinion.

A. Shareholders' meetings

1. Routine agenda items

Depending on national law, shareholders are routinely asked to approve:

- the opening of the Shareholders' meeting,
- that the meeting has been convened under local regulatory requirements,
- the presence of a quorum,
- the agenda for the shareholders' meeting,
- the election of the Chair of the meeting,
- the appointment of shareholders to co-sign the minutes of the meeting,
- regulatory filings,
- the designation of either a scrutineer or shareholder representative(s) to examine the minutes of the meeting,
- the designation of two shareholders to approve and sign the minutes of the meeting,
- the time allocated for questions,
- the publication of the minutes,
- the closing of the shareholder meeting.

We generally vote **For** these and similar routine management proposals.

2. Disclosure of required information

We vote **Against** a resolution if a company fails to provide shareholders, in a timely manner for analysing the resolutions, with detailed information (specific to the company) on which to base an informed vote decision.

B. Transparency and quality of financial and extra-financial information

1. Financial statements, annual report and statutory auditors' report

We generally vote **For** management proposals seeking approval of the financial statements of the annual report, unless:

- there is concern about the past actions of the company's auditors or directors;
- the auditors have refused to certify the accounts or expressed reservations;
- the auditors' report on financial statements is not included in the annual report;
- the audit committee includes an executive among its members.

Natixis AM also recommends that companies integrate information on their environmental and social performance in the management report and that such information be regularly audited and certified (see Ethics Business & Corporate Social Responsibility, A) 1.).

2. Allocation of income and dividends

a. Allocation of income and dividends

We generally vote **For** management proposals concerning allocation of income and the distribution of dividends, unless the amount of the distribution is unusually small or large, in which case we vote on a **Case-by-Case** basis. In doing so, we take into account the company's past distribution levels, its management's arguments and its financial situation. Notably, we do not wish to sanction excessive dividend policies which would be markedly to the detriment of the company's solvency or its ability to invest in the long term.

Specific case: Japan

Natixis AM will vote **Against** any change in status granting the board a discretionary right to determine the allocation of earnings.

b. Stock (scrip) dividend alternatives

Generally, we vote **For** proposals to pay a dividend in shares as long as the shareholder retains the option to have it paid in cash, and as long as the discount does not exceed 10%.

We vote **Against** proposals that do not allow for a cash option, unless management can demonstrate that this would be harmful to the creation of company value or we consider that such a cash distribution would significantly increase the risk of insolvency.

3. Discharge of the board, management and/or statutory auditors

In countries where such a discharge makes it difficult to bring legal action against the directors, officers or auditors for serious or proven breaches of their duties, Natixis AM will vote **Against** the discharge.

Where this is not the case, Natixis AM will vote **For** the discharge unless we have reliable information relating to a serious and proven breach of their duties by the board or the management, or the auditors have refused to certify the accounts or expressed reservations.

C. Supervision of internal control and risks

1. Ratification of statutory auditors

Natixis AM recommends a regular rotation of the company's auditors, unless the rotation period is so short (less than six years) that it would be unduly burdensome to the company, and will vote **Against** if the rotation of auditors is not in line with the most restrictive industry regulations.

We vote **For** proposals to ratify auditors, unless:

- the company has not disclosed their identity;
- an auditor has a financial interest in or association with the company, or is not independent;
- there is a reason to believe that the independent auditor has provided non-financial advice;
- non-audit fees exceed 50% of audit fees;
- there are serious concerns about the accounts presented or the audit procedures used;
- the auditors have been changed without explanation.

Natixis AM will vote **Against** the appointment of auditors if audit fees are not disclosed or if the company does not disclose the breakdown of the auditors' fees into audit fees and non-audit fees.

Specific case: election of an internal auditor in Italy

The election or re-election of internal auditors in Italy is realised through a slate system ("voto di lista"). Normally, at least two slates are presented for shareholders' vote, one proposed by the main shareholders and the other list proposed by minority shareholders. Natixis AM will vote **For** the list presented by minority shareholders provided the situation is not one of the cases mentioned above.

Natixis AM will vote **Against** a resolution asking to elect or re-elect the company's internal auditors if the lists are not available in a timely manner before the vote.

2. Remuneration of statutory auditors

We vote **For** proposals to authorize the board to determine the remuneration of auditors, unless the amounts are excessive compared to the size and nature of the company.

We vote **Against** proposals seeking approval of the remuneration of auditors if:

- non-audit fees exceed 50% of audit fees;
- there are serious concerns about the accounts presented or the audit procedures used;
- the auditors have been changed without explanation.

Natixis AM will vote **Against** any indemnities paid to auditors to cover the risks related to their liability.

Natixis AM will vote **Against** the remuneration of auditors if audit fees are not disclosed or if the company does not disclose the breakdown of auditors' fees into audit fees and non-audit related fees.

3. Statutory auditors' independence

We vote on a **Case-by-Case** basis on shareholder proposals asking companies to prohibit their auditors from engaging in non-audit services (or capping the level of non-audit services), taking into account:

- whether the non-audit fees are excessive (max. 50% of audit fees) ;
- whether the company has policies and procedures in place to limit non-audit services or otherwise prevent conflicts of interest.

4. Independence of the audit committee

Natixis AM recommends that the audit committee be composed of 2/3 of independent directors, including one with particular expertise in financial and accounting matters, and that the committee chairman should be independent.

D. Managing conflicts of interests of directors

Natixis AM does not favour regulated agreements involving company directors.

Natixis AM will assess proposals demanding the approval of the statutory auditors' report on regulated agreements on a **Case-by-Case** basis, examining:

- the individuals concerned by the transactions that are the subject of the agreements,
- the content of the transactions in detail,
- justification from the board on the interest of the related party transactions and attached financial conditions,
- whether they are in keeping with shareholders' interests.

Moreover, Natixis AM will vote **Against** the statutory auditors' report on regulated agreements if:

- the report is not available 21 days before the date of the shareholders' meeting,
- the report contains previous agreements which are not in the interests of shareholders, even if these agreements have been approved by previous general shareholders' meetings,
- if the board has not justified the interest of the related party transactions and the attached financial conditions in the statutory auditors' report.

Natixis AM recommends that any transaction significant for at least one of the parties concerned and involving, directly or indirectly, an executive or a shareholder, as well as all new regulated agreements, should be the subject of separate resolutions.

Natixis AM recommends that any permanent transaction that gives way to remuneration and which has a lasting effect be resubmitted for vote annually (except transactions concerning deferred engagements to the benefit of executives in which the resubmission procedure is governed by law.

If different agreements are put to vote within a single resolution requiring the approval of the auditors' report on regulated agreements, Natixis AM will vote **Against** this resolution if the report contains agreements which are not in the interests of shareholders.

If one of the agreements does not comply with the principles of Natixis AM's voting policy and is submitted in a separate resolution, Natixis AM will vote **Against** the resolution relating to this agreement (but may vote **For** the resolution requiring the approval of the report on regulated agreements).

Control structure and balance of power

The board of directors or supervisory board plays a central role "in guiding the strategy and effective monitoring of a company's management". It acts first of all in the interest of the company, its shareholders and its stakeholders, and looks after its long-term growth.

The board must therefore strike a balance in the distribution of powers between management and supervisory bodies, and be transparent regarding the responsibilities assigned to each body.

Besides, the efficiency of a board depends first and foremost on the quality of its members. The ability of the directors to embrace strategic issues, to enrich the thinking process of the executives, and to control the implementation of the decisions taken by the executives is the condition for efficient corporate governance. This means that the board must choose directors whose contribution brings a real added value to the discussions and the works of the board, and who complete one another in terms of experience, competence and diversity (i.e. education, nationality, gender…).

To make sure that the board keeps on improving, a regular evaluation of its activity should be put in place and the results should be shared with shareholders.

A. Quality of the governance structure

1. Modification of the company's governance structure

Natixis AM does not have a stated preference for a particular governance structure (one-tier board/two-tiered board).

Natixis AM will vote **For** proposals to modify the company's governance structure from a one-tier board to a two-tiered board structure (i.e. management board and supervisory board). When the proposal would involve a change from a two-tiered board to a one-tier board, Natixis AM will vote on a **Case-by-Case** basis.

Specific case: Japan

Natixis AM recommends that Japanese companies change their governance structure from a model with a board of statutory auditors to a model with a unitary board and one or several board committees.

Natixis AM will therefore vote **For** a change in the governance structure provided that the board includes at least two independent external directors and that the audit committee is independent by two thirds. (taking into account the specific independence criteria for Japanese directors[2]).

[2] See appendix p. 49.

2. Separation of the functions of chairman of the board and CEO

Natixis AM favours the separation of management and supervisory functions. The board will therefore have to ensure that checks and balances are in place and sufficiently independent to exercise effective control over the executive directors.

With the exception of the banking sector, where the separation of functions is a necessary condition for sound and prudent management, Natixis AM will evaluate requests to combine the functions of chairman and CEO on a **Case-by-Case** basis, taking into account:

- the reasons given by the company for combining these powers,
- the company's governance practices,
- the measures the company has put in place to ensure a satisfactory level of monitoring within the board and committees,
- the measures put in place to manage situations of potential conflicts of interest resulting from the combination of these functions.

In the event that the functions of chairman and CEO are combined, Natixis AM recommends that an "**independent vice-chairman**" be nominated within the board of directors, whose role would be:

- to oversee the proper functioning of the governance bodies,
- to conduct an assessment of the chairman,
- to manage situations of conflicts of interest.

He/she should also have the power to:

- add items to the agenda,
- convene a meeting of the board without the executive members.

Natixis AM recommends that the duties of the independent vice-chairman be defined in the company's articles of association or in the board's by-laws.

Natixis AM will be **Against** the nomination of a vice-chairman or lead director who is not independent according to the criteria defined in Natixis AM's voting policy unless the board of directors provides Natixis AM with elements allowing a temporary derogation to this rule.

3. Board size

We vote **Against** proposals to decrease the board size below 3 seats, or to increase the board size above 18 seats.

We will vote **For** resolutions to increase or reduce the number of directors within the 3 to 18 members range, unless the new configuration of the board:

- lowers the quality of the composition or independence of the board and its committees below the thresholds recommended in our voting policy;
- increases the control of the company by the managers or the core shareholders at the expense of other shareholders.

Specific case: Japan

In cases where the size of the board is significant, Natixis AM will vote **For** a reduction in the number of vacant seats unless the board has no independent directors and such a vote would in fact prevent any flexibility.

B. Quality of the composition of the board and committees

Beyond its formal responsibilities and organization, the quality of the board's composition is a key factor to its effectiveness. The support provided by Natixis AM in the election of a director therefore results from an individual and overall qualitative assessment incorporating the analysis of several criteria such as transparency in the nomination process, the independence, skills, expertise, availability and value added of the director to the board.

1. Selection process for directors

a. Transparency of the selection process

Natixis AM recommends that the board of directors (or the supervisory board) be transparent on the process and the criteria for selecting new directors in terms of competence, expertise, independence, and added value to the board's activities.

Natixis AM will recommend **Against** the election or re-election of any director where the identity of the nominee is not available, and will **Abstain** if the nomination process implemented by the board to appoint new directors lacks transparency.

b. Structure of the board of directors: staggered renewal or annual elections

We will vote **For** proposals aiming to stagger the renewal of the board of directors, in several fractions, except if this practice can be regarded as an anti-takeover bid measure.

c. Directors nomination process (specific to the USA)

We will vote **For** proposals aimed at adoption of a majority vote for the election or re-election of directors.

d. Bundling of proposal to elect directors

Natixis AM disapproves on principle of bundling proposals that could be presented as separate voting items because bundled resolutions leave shareholders with an all-or-nothing choice, skewing power disproportionately towards the board and away from shareholders. Natixis AM considers director elections to be one of the most important voting decisions that shareholders make. Therefore, directors should be elected individually.

Natixis AM will recommend **Against** the election or re-election of any directors if the company proposes a single slate of directors, except in the case of Italy, where the legislation imposes a voting system per list of candidates ("voto di lista") when the whole board has to be renewed. In Italy, Natixis AM will vote **For** the list presented by minority shareholders, unless:

- the lists of director nominees are not disclosed in a timely manner to make an informed voting decision,
- there is insufficient disclosure on the candidates.

If the legislation does not impose a voting system per list and if the candidates are presented under a bundled resolution, Natixis AM will vote **Against**.

2. Independence of the board and committees

a. Board independence[3]

- For controlled companies[4]

Natixis AM recommends that boards of directors and supervisory boards should consist of at least 33.3% independent directors[5]. If not, Natixis AM will vote **Against** the election of non-independent directors (except in the case of the CEO).

- For non-controlled companies

Natixis AM recommends that the boards of directors and supervisory boards consist of at least 50% independent directors, and that the chairman of the board be independent where the chairman and CEO functions are separate. If not, Natixis AM will vote **Against** the election of non-independent directors (except in the case of the CEO).

Specific case: France

[3] Refer to ad hoc principles for small and medium-sized companies.

[4] A company is considered controlled if a shareholder or a group of shareholders acting in concert hold more than 50% of the capital.

[5] Cf. appendix 1 - Natixis AM classification of directors.

For French companies affected by the labour stabilization law of 14 June 2013, calculation of the independence ratio will ignore the presence of an employee representative.

Specific case: Germany

For the larger German companies where 50% of the board must consist of labour representatives, Natixis AM recommends that 33.3% of the total board be independent.

If a nominee cannot be categorized regarding Natixis AM classification, Natixis AM will assume that person is non-independent and include that nominee in the calculation.

b. Election of non-voting directors to the board of directors

Natixis AM does not favour the presence of a non-voting director on the board and will vote **Against,** unless:

- the circumstances are exceptional and temporary,
- the presence of the non-voting director adds significant value to the board,
- the board's degree of independence (including the non-voting director) is in line with the thresholds set in our voting policy,
- the number of offices held by the non-voting director as director or non-voting director on other boards is in line with the limits set in Natixis AM's voting policy.

c. Committee independence

Natixis AM recommends the establishment of audit, remuneration and nomination committees within the board of directors, and that the duties of these committees be defined by the internal rules of the board.

Natixis AM recommends that the nomination and the remuneration committees include a majority of independent members and that the chairman of these committees be an independent director.

Natixis AM recommends that the audit committee be composed at 2/3 of independent directors, among which one director should have specific financial or accounting expertise and that the chairman of this committee be an independent director.

Natixis AM is not in favour of executive directors being members of the nomination, remuneration or audit committee and will vote **Against** the election or re-election of any executive serving on the audit or remuneration committee.

Natixis AM will vote **Against** any non-independent executive sitting within a committee in which the independence rate is insufficient with regards to the thresholds outlined in its voting policy.

3. Complementary competence and diversity of the board

a. Competence

Natixis AM recommends that the members of the board have the sufficient and necessary competence to understand the activities of the company and its economic environment.

Natixis AM will vote **Against** the election of a director if the company does not make available the information necessary to evaluate their competence.

b. Diversity

One of the conditions for ensuring a collective decision-making in the long-term interest of the company seems to be a balanced representation of the different stakeholders in the governance bodies.

Natixis AM is therefore in favour of a balanced diversity in terms of education, nationality, gender and ages this is a guarantee of better functioning.

More specifically, Natixis AM recommends that the board of directors reflects a good gender representation and will not support the re-election of the chairman of the nomination committee if one of the genders is not represented at a third (at least).

c. Ethics

Natixis AM will vote **Against** the election of a director who has contravened good corporate governance practices in the past.

d. Performance

Natixis AM will vote **Against** the election of one or several directors in the event of failure in their supervising role.

4. Availability of directors

a. Directors' term of office

Natixis AM recommends a directors' mandate of 3 years, in view to the rolling re-election of board members by fractions of 1/3 and will vote **Against** the election or re-election of a director (except for the CEO) for mandates that are greater than 4 years or of an unspecified duration.

Natixis AM will comply with any stricter regulations that may be in force in some countries regarding the term of office of directors.

b. Multiple directorship for a director or a chairman of the board

In its assessment of the availability of a director, Natixis AM takes into account all directorships and administrative mandates held by said director in listed French and foreign companies.

Natixis AM recommends:

- for non-executive directors, to limit the number of directorships to a maximum of five, or four if the director chairs one of the boards. If a director chairs two boards, Natixis AM recommends limiting his/her directorships to a maximum of three (including the two chairmanships).
- for executive directors, we recommend limiting the number of directorships to a maximum of three. In the case of a chairman and CEO, Natixis AM recommends that the board should limit the number of his/her directorships to a maximum of two (including the chairmanship). In such a case, Natixis AM is not in favour of the chairman holding a second chairmanship.

Natixis AM recommends that the board take into account directorships held in unlisted French and foreign companies in assessing the availability of candidates.

Natixis AM will vote **Against** the election of a director considered to be overboarded according to the above-mentioned recommendations.

Natixis AM will evaluate the nomination of a previous executive to the functions of a non-executive president of the board on a **Case-by-Case basis** depending on the elements put forward by the company. Natixis AM will take into account in its evaluation recommendations of existing good practices.

Specific case, banking sector: In keeping with banking regulations, Natixis AM limits the maximum number of directorships to 4 in total.

c. Cross directorships

Natixis AM is not in favour of cross-directorships, unless they are proposed in the context of a strategic partnership.

d. Attendance

When assessing the re-election of a director, Natixis AM will consider his/her actual attendance at board meetings and will vote **Against** the renewal of any director whose attendance rate is, without valid justification, inferior to 75%.

5. Election of shareholders' representatives

a. Election of non-employee shareholders' representatives

Natixis AM is not opposed in principle to the possibility for shareholders' representatives to sit on the board, if their investment strategy is to create long-term value for the company.

Natixis AM will vote **For** the election of shareholders' representatives if:

- their election will bring real added value to the activities of the board;
- their election does not compromise the balance of the board in terms of independence;
- the principle of proportionality between the capital held and the number of seats on the board is respected.

If the representative is a legal entity, Natixis AM will vote **Against** their election if the name of the director representing the legal entity is not available to shareholders in a timely manner before the meeting.

b. Election of employee shareholders' representatives

Natixis AM supports the presence of employee shareholders' representatives on boards and recommends improved transparency in the process of selection of representatives of employee shareholders whose election is submitted to the vote of all shareholders.

Natixis will vote **For** the election of the employee shareholders' representative who has obtained the majority of votes from the employee shareholders.

c. Election of employees' representatives

Natixis AM supports the integration of employees' representatives at the board's and committees' level, including in those countries where there is no legal incentive to do so. Natixis AM will vote **Against** the election of the chairman of the nomination committee (if submitted at the agenda) if there is no employees' representative sitting on the board[6].

6. Specific case: election of directors in the UK

Natixis AM refers to the best practices recommended by the UK Governance Code.

7. Specific case: governance structure in Japan

a. Companies with a Japanese structure with a board of statutory auditors (*Kansayaku-kai*)

- **Appointment of the directors:**

Natixis AM recommends that the board should include at least two independent directors, and will vote **For** the appointment of a director, unless:

- the director is not independent and the board has less than two independent directors;
- the director has previously demonstrated mismanagement or poor governance practices;
- the director's attendance at board meetings was less than 75% (in the event of re-election).

- **Appointment of statutory auditors:**

Natixis AM will vote **For** the appointment of statutory auditors and alternate auditors, unless:

- the statutory auditor is considered non-independent under the independence criteria adopted in Japan;
- the attendance of the external statutory auditor is below 75%.

b. Companies with a board and audit committee structure

In the case of a company with a board and audit committee structure, as recommended by the 2015 Reform Law and the Japanese Corporate Governance Code, Natixis AM recommends that the board have at least two independent directors and that the audit committee be independent by two-third.

c. Companies with a board and committees structure

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[6] Not applicable to companies that have already taken commitments on this topic.

In the case of a company with a board and committee structure, Natixis AM will apply the same requirements in terms of independence as its general policy, taking into account the definition of independent directors in Japan.

8. Shareholders' proposition (specific to the USA)

a. Classification/declassification of the board

We will **Abstain** on any proposition aiming to introduce an annual election of executives.

b. Cumulative voting

We will vote **Against** any proposition aiming to implement cumulative voting. When the proposition aims to abolish cumulative voting, we will vote **For**.

c. Director elections with a majority vote

We will vote **For** any proposition aiming to implement a majority vote for the election or the re-election of directors.

d. Power to put forward candidates

We will vote **For** propositions aiming to grant shareholders the power to suggest candidates for the vote.

Shareholders’ Rights

The company has a duty to implement all measures to ensure the equal treatment of shareholders belonging to the same category. We also feel it essential for companies to achieve a balance between measures to protect the long-term interests of the company, its shareholders and stakeholders, and measures to prevent hostile takeover bids. Natixis AM encourages companies to take all necessary steps to facilitate the exercise of shareholder voting rights.

A. Equitable treatment of shareholders

1. Voting rights

Natixis AM favours the mechanisms that promote the long-term shareholding in the company and will vote against any mechanisms aimed at including in the bylaws the principle of "one share, one vote", except in cases where the company has established equivalent mechanisms, such as loyalty dividends.

B. Shareholders’ rights

1. Lower disclosure threshold for stock ownership

We vote **Against** resolutions to lower the stock ownership disclosure threshold below five percent unless specific reasons exist to implement a lower threshold.

2. Timeframe for calling an extraordinary general meeting (UK)

Natixis AM will vote **Against** resolutions requesting the authorization to call an extraordinary general meeting within 15 days.

3. Supermajority shareholder vote requirement to approve articles amendments

We vote **Against** management proposals to require a supermajority shareholder vote to approve articles amendments.

We vote **For** shareholder proposals to lower supermajority shareholder vote requirements for articles amendments.

4. Supermajority shareholder vote requirement to approve mergers

We vote **Against** management proposals that require a supermajority shareholder vote to approve mergers and other significant business combinations.

We vote **For** shareholder proposals which lower supermajority shareholder vote requirements for mergers and other significant business combinations.

5. Supermajority vote requirement to remove a director from office

We will vote **Against** a resolution restricting the ability of shareholders to remove a director from office by requiring a supermajority vote for such a decision.

6. Reincorporation and expansion of business activities

a. Reincorporation proposals

Proposals to change a company's state of incorporation are examined on a **Case-by-Case** basis for reincorporation inside Europe.

We vote **Against** proposals to change a company's state of incorporation outside Europe.

b. Expansion of business activities

We review on a **Case-by-Case** basis all proposals seeking to expand the company’s business activities.

7. Amendment relating to management buy-out transactions (Japan)

In Japan, Natixis AM is not in favour of management buy-out deals when their purpose is to thwart a takeover (poison pill), and will vote **Against** any resolutions to that effect.

8. Other article amendments

We review on a **Case-by-Case** basis all proposals seeking amendments to the articles of association.

To vote **For** article amendments, the following criteria are requested:

- shareholder rights are protected;
- there is negligible or positive impact on shareholder value;
- management provides adequate reasons for the amendments; and,
- the company is required to do so by law.

Moreover, when amendments are aggregated in a single resolution, Natixis AM will vote **Against** said resolutions if one of the amendments does not comply with its voting policy.

C. Tender offer defences

1. Poison pills[7]

Natixis AM is against the existence of poison pills which are intended to scuttle takeover attempts. Natixis AM recommends that any mechanism that can be construed as an anti-takeover measure be submitted to shareholder vote.

Natixis AM will evaluate management proposals to ratify a poison pill on a **Case-by-Case** basis taking into account the specific context of the company and the impact of such mechanism on the interests of minority shareholders and of other related parties.

Specific case: France

Within the framework of the Florange Act, Natixis AM will evaluate financial authorizations that do not specify the exclusion of their use during a public tender offer on a **Case-by-Case** basis. Such evaluation will take into account the guarantees provided by the board as to the use of these authorizations in the long-term interests of the company as well as the quality of the governance practices of the company.

[7] A poison pill is a measure taken by a company to make difficult the launching of a hostile tender offer. It can be implemented in many forms: limitation of voting rights, introduction of double voting rights, or setting of a discount on the price of shares for the benefit of current shareholders of the target company in case of a takeover.

Specific case: Japan

Natixis AM will assess resolutions aimed at implementing a poison pill on a **Case-by-Case** basis, depending on the impact of such measure on the company's long-term value creation, and will systematically vote **Against** if:

- at least 20% of the board's members are not independent and/or there are less than two independent directors;
- the attendance rate of independent directors is less than 75%;
- directors are not submitted to shareholder approval every year;
- one or several members of the takeover bid evaluation committee are not independent;
- the threshold for triggering the poison pill is relatively low (under 20% of the share capital);
- the life of the poison pill is more than 3 years;
- there are other options to protect the company (blocking mechanisms by partner companies, elimination of all vacant board seats, more restrictive procedures to remove a director from office, etc.);
- the company has not provided the required documentation at least 3 weeks before the extraordinary shareholders' meeting;
- the company's disclosure of accounts is not transparent;
- the management behaves in a way that is not in the best interests of the company and shareholders;
- the company's performance has been poor for several years.

Moreover, Natixis AM's review will take into account the strategic plan provided by the company to address the risk of a takeover and to improve shareholder value.

2. French poison pills

Natixis AM is opposed in principle to the issuance of warrants (French BSA) in the event of a public tender offer or exchange offer. However, Natixis AM considers that such an instrument could be used during a negotiation process in the interests of minority shareholders.

Prior to the filing of an offer, Natixis AM will analyse the requests to issue warrants in the event of a public offer and will vote on a **Case-by-Case** basis, following different criteria:

- dilution should be limited to 25%
- the proportion of independence of the board of directors (or of the supervisory board)
- the guarantees that will be presented bythe board in order to prove the independence of such a decision

Prior to the filing of an offer, Natixis AM will vote **Against** all issuance authorities that do not respect the above mentioned criteria.

All proposals to issue warrants that are submitted to shareholder vote after an offer has been launched will be examined by Natixis AM on a **Case-by-Case** basis.

3. Special case: protective preference shares (The Netherlands)

The vote's decision regarding management proposals to approve protective preference shares should be determined on a **Case-by-Case** basis. In general, Natixis AM will recommend **For** protective preference shares (PPS) only if:

- the supervisory board approves an issuance of shares whilst the supervisory board is independent within the meaning of Natixis AM's categorization rules and the Dutch Corporate Governance Code;
- no call / put option agreement exists between the company and the foundation for the issuance of PPS;
- the issuance authority is for a maximum of 18 months;
- the board of the company's friendly foundation is 100% independent;
- there are no priority shares or other egregious protective or entrenchment tools;
- the company states specifically that the issue of PPS is not meant to block a takeover, but will only be used to investigate alternative bids or to negotiate a better deal;

- the foundation buying the PPS does not have as a statutory goal to block a takeover;
- the PPS will be outstanding for a period of maximum 6 months (an EGM must be called to determine the continued use of such shares after this period).

4. Shareholder proposals (specific to the USA)

a. Action with written consent

We will vote **Against** any proposition aiming to restrict the capacity of shareholders to act with written consent.

b. Calling a general meeting

We will vote **Against** any proposition aiming to restrict the capacity of shareholders to call a general meeting.

c. Qualified majority voting

We will vote **Against** any proposition aiming to implement qualified majority voting.

Compensation system

The remuneration system of executives can influence both a company's strategic orientation and the risks taken by its executives. Consequently, remuneration mechanisms must be linked to the financial and non-financial performance of both the concerned person and company, and reflect long-term value creation for the company. It is also essential that the performance criteria adopted be transparent, relevant and measurable.

In addition, we encourage companies to introduce incentive schemes associating employees with the company's performance.

A. Transparency and quality of compensation systems

1. Remuneration committee's composition

Natixis AM recommends that the remuneration committee be chaired by an independent director.

Natixis AM is not in favour of executive directors sitting on the Compensation Committee.

2. Transparency of remunerations

Natixis AM is favourable to an annual shareholders' vote on remuneration policies and will vote **For** any measures of this sort.

Natixis AM is favourable to any proposition aiming to improve transparency on remunerations and particularly any proposition aiming to better appreciate the remuneration systems and policies in place within a company.

3. Report on remuneration (Europe, excluding UK and Netherlands)

Natixis AM will examine on a **Case-by-Case** basis proposals made by the board of directors or supervisory board which regard the approval of the report on remuneration. Natixis AM recommends that the compensation policy should be aligned with the company's long-term performance and should avoid excessive risk taking.

Natixis encourages companies to implement the following practices:

- the repartition of the executives' remuneration between fixed, short-term, and long-term components appears balanced and in favour of the creation of long-term value;
- the information disclosed in the compensation policy is transparent enough and complies with local good practices standards and recommendations;
- the compensation policy and/or practices show a clear link with the company's actual performance.

These practices will be assessed on a case-by-case basis for companies that are part of the core engagement universe.

Regarding other companies of the voting universe, Natixis AM will potentially vote **Against** remuneration proposals (or any other remuneration-related proposal) in case one or several of the following practices are observed:

General level of disclosure:

- the remuneration report and/or policy is not disclosed in a timely manner.

Overall remuneration system:

- the board has the discretionary right to alter the compensation policy (wage or pension increases, changing compensation plans) without providing satisfactory grounds.

Short-term variable compensation (bonus):

- the short-term compensation policy is not in line with the company's long-term strategy;
- the company does not provide clear and adequate information regarding performance criteria, weightings, and relating targets (ex-ante or ex-post);
- the evolution of the short-term components is not in line with the company's financial results.

Medium and long-term share-based compensation plans (not submitted to vote under a separate resolution):

- the company does not specify the group of beneficiaries nor the individual ceilings for executive directors;
- the company's share and/or stock-option based plans lead to a total dilution of more than 10%, and represent an excessive burn rate;
- the company has allowed discounted stock-option plans;
- the performance period is less than 3 years;
- the performance criteria are not transparent, quantitative, nor stable over time and they do not reflect the company's overall strategy;
- the vesting schedule is not transparent nor sufficiently demanding;
- the information regarding the level of achievement of performance conditions under previous plans is not disclosed;
- the plan does not provide for a minimum holding period for corporate officers.

Severance package:

- the triggering conditions are not limited to forced departures following a change of control or strategy;
- the severance payments is not linked to transparent and enforceable performance criteria;
- the severance packages is not capped at 24 months of salary (fixed wage + bonus), including the non-compete clause.

Other practices:

- the company does not provide any convincing explanation for exceptional or non-contractual payments;
- the company grants loans, guarantees, or other similar instruments that do not correspond to the normal course of business, on terms not applicable to all the employees, and without the approval of the supervisory board;
- payments have been made or longer-term obligations entered into (including pension obligations) to compensate an executive director who has left the company of his/her own will without full disclosure and justification;
- the company has not implemented significant changes to its remuneration policy after significant opposition from shareholders at the previous general meeting.

Compensation of non-executive directors:

- non-executive directors may receive awards of stock options or shares, or any similar compensation plan;
- see "directors' fees".

4. Remuneration report (UK)

Apart from the points set out below to adjust its voting policy to local regulations and market practices, Natixis AM will apply its voting policy with respect to compensation systems as described above.

Natixis AM will vote **Against** the resolution if the following practices are identified:

Service contracts of executive directors:

- executive directors are employed without a specific service contract or with a contract that does not fully reflect their executive responsibilities and their role on the board;
- service contracts provide for notice periods in excess of one year (including non-competition clauses).

Bonuses:

- the company has paid pensionable bonuses.

Long-term compensation plans:

- average annual performance objectives are not increased significantly every year during the plan.

Golden parachutes:

- severance payments are not proportionally staggered throughout the notice period;
- for executive directors with one-year service contracts, contractual payments on termination are not limited to one year's basic salary, bonus and benefits, and the company has not provided adequate justification for the payment;
- service contracts provide for the enhancement of compensation rights in excess of one year in the event of a change of control;

5. Maximum level of remuneration for corporate officers (Switzerland)

Since 2015, shareholders have been asked to annually vote on the maximum amount of remuneration that will be allocated to corporate officers. The vote is binding and split into two distinct resolutions, one for each category of beneficiaries (board and management members).

Companies can choose the nature of the vote (ex ante, ex post or mixed) and the level of details it provides regarding the remuneration elements.

Natixis AM's compensation guidelines primarily aim at assessing the quality of remuneration mechanisms on one hand, and the link between performance and remuneration on the other hand. As such, Natixis AM will vote on these resolutions in the light of these two aspects and its vote should not be viewed as an opinion expressed on the level of remuneration proposed.

Natixis AM will vote for the proposed resolution if a full level of disclosure on the remuneration mechanisms has been ensured and if the link between performance and remuneration is clearly established.

Natixis AM will vote against the proposed resolution if the level of disclosure on the elements covered by the resolution is not sufficient. For example, this will be the case when the vote is done on a global amount and ex post.

Finally, Natixis AM will abstain if the level of disclosure is sufficient but the link between performance and remuneration is not clearly established.

In addition, Natixis AM encourages companies to explicitly define a statutory limit for the remuneration amounts.

6. Compensation of officers, directors and members of the board of statutory auditors (Japan)

a. Raising the ceiling for the compensation of officers, directors and statutory auditors

Natixis AM will vote **For** increasing the upper limit of the compensation of officers, directors and statutory auditors, unless:

- the company does not provide convincing justification for this increase;
- the compensation of executive directors does not include a variable component;
- there are serious doubts regarding the actions of the directors.

b. Annual bonuses of directors and statutory auditors

Natixis AM is normally not in favour of the allocation to non-executive directors and statutory auditors of short-term compensation linked to the company's performance, as this may compromise their independence.

Natixis AM will vote **Against** proposed bonuses if they include non-executive directors and statutory auditors.

B. Specific components of remuneration policy

1. Executives' and directors' compensation

a. Stock option and restricted stock (free shares) plans[8]

Stock option plans and restricted share plans are remuneration tools in the hand of the board of directors, so as to encourage management to work for the sustainable performance of the company and to align the interests of executives with those of shareholders.

Natixis AM believes that the board should make sure that these remuneration tools reward the creation of long-term value, which cannot be solely evaluated with respect to share price performance. The performance objectives should be aligned with a long-term strategy, reflect the company's intrinsic performance and be measured against the results of players in the same sector.

Natixis AM recommends the following practices:

- Stock option and free shares plans are presented under separated resolutions depending on the beneficiaries (employees or executives), or the portion reserved to executives and corporate officers should at least be clearly distinguished from the portion reserved to the company's employees.
- Plans reserved to executive and corporate officers should be submitted in their totality to performance criteria, which should be transparent, measurable and comparable.
- Performance conditions should be measured over a significant period of time, not less than 3 years.
- Performance criteria should be in line with the company's strategic objectives and include extra-financial criteria.
- Compensation structures should be transparent and sufficiently demanding.
- The total grants should be limited to a certain percentage of the fixed remuneration.
- The total dilution under plans submitted to a vote and all current plans taken together should not exceed 10% of the share capital, and the burn rate should not be excessive.
- Executives and top management should keep a portion of the shares obtained through the exercise of stock options until the end of their mandate.

*Natixis AM will vote **Against** any proposal that fails to respect the recommendations outlined above, as well as:*

- Plans that permit issuance of options with an exercise price below the stock's current market price.
- Plans under which the options grantors have discretionary authority to grant options to themselves.
- Plans that would allow modifications of the initial conditions.
- Plans that allow for the granting of stock options or restricted shares when the beneficiary leaves the company.
- Plans that allow awards to officers and senior officers, regardless of performance.
- Plans based exclusively on stock performance criteria.
- Plans for which the degree of achievement of objectives set for previous plans has not been communicated.
- Plans that allow an acceleration of the exercise of stock options outside the case of a change of control.

Natixis AM recommends that companies include in their reports:

[8] Refer to principles applicable to medium and small cap companies.

- From one year to the next: the degree of achievement of objectives.
- At the end of the plan: the final degree of achievement of objectives.
- Following the end of the plans: to what extent the final award reflects the value created for the company.

Except in unusual circumstances (satisfactory accompanying measures, deterioration in the company's operating results, unfavourable market trends, etc.), we shall vote **Against** the award of stock options or restricted shares to corporate officers and executives when the company has implemented a restructuring plan, resulting in a significant reduction of the workforce.

b. Severance payments

Natixis AM recommends that resolutions aiming at ratifying the severance payments of executives be submitted under separate items, and at each mandate renewal, within 18 months starting from the signature of the agreement concerning the severance payment.

Natixis AM will examine on a **Case-by-Case** basis the resolutions aiming at ratifying the amount of severance payments. The criteria that will be taken into account are:

- the improvement in the company's financial performance over the course of the executive's mandate;
- whether the payment is proportionate to the length of the executive's tenure and to his or her remuneration.

Natixis AM will vote **For** the attribution of severance payments to executives if:

- the severance payment can only be made in case of forced departure (and in the absence of serious cause), or in the occasion of a change in control or strategy;
- the amount of severance payments, including payments provided for in the employment contract (i.e. payment provided under a non-compete clause), is not more than twice the whole annual current remuneration of the executive director concerned (fixed + variable);
- the grant of severance payments is linked to demanding performance criteria.

Natixis AM recommends not having the status of both employee and executive officer. Natixis AM will vote **Against** proposals to ratify severance payments where a director is appointed or reappointed while remaining an employee of the company.

Where proposals to ratify severance payments relate to an existing director, Natixis will examine these on **a Case-by-Case** basis and take account of the arguments put forward by the company to justify why he/she should also be an employee.

In addition, Natixis AM is not in favour of severance payments that can be granted to an executive, if he is also entitled to receive his regular pension.

c. Retirement plans/additional pension schemes

Natixis AM will evaluate on a **Case-by-Case** basis additional pension schemes, taking into account the following elements:

- The companies are transparent with respect to the calculation method of retirement payments.
- The group of potential beneficiaries must be materially broader than the sole executive directors.
- The beneficiaries should have a seniority of at least 5 years within the company.
- The acquisition rate is capped at 3% per year and subject to performance conditions.
- The benchmark periods taken into account for the calculation of the benefits must cover several years.
- The amount of the additional pension scheme and of all other retirement plans cumulated should correspond to no more than 45% of the fixed and variable remuneration.
- The beneficiary should be working within the company when he or she retires.

Natixis AM is not in favour of the repurchase of rights as a welcome package.

Specific case: Japan

Natixis AM will vote **Against** executive pension schemes or payment of a compensating bonus in lieu of a retirement plan for officers and employees if:

- Come beneficiaries are outside directors or statutory auditors.
- The company has disclosed neither the individual amount nor the aggregate amount of the award.
- Some beneficiaries are implicated in a scandal involving the company or could be held responsible for poor financial performance that has negatively impacted the company's value.

2. Directors' remuneration

a. Directors' fees

Natixis AM recommends that fees granted to directors be proportionate to their level of responsibility, and to their attendance rate at board and committee meetings.

We generally vote **For** proposals to approve the remuneration of directors as long as the amount is not excessive and there is no evidence of abuse.

Natixis AM will vote **Against** resolutions:

- if there is a lack of disclosure with respect to the total amount of fees;
- providing the granting of stock options, or similarly structured equity-based compensation, to non-executive directors.

Natixis AM recommends that directors invest part of their fees (the equivalent of one year of basic fees) in the company's shares and that they keep a minimum amount of shares until the end of their mandate.

b. Directors' and officers' indemnification and liability protection

Proposals concerning directors' and officers' indemnification and liability protection are evaluated on a **Case-by-Case** basis.

We vote **Against** proposals to limit or entirely eliminate directors' and officers' liability for monetary damages in case of a violation of their duty of care.

We vote **Against** indemnification proposals that would expand coverage beyond the sole legal expense, to acts such as negligence, which are more serious violations of fiduciary obligations than mere carelessness.

3. Plans for employees

Natixis AM is in favour of mechanisms linking employees' interests with the performance of the company.

a. Issuance of capital reserved for employees/ broad based employee plans

Natixis AM will vote **For** capital issuances dedicated to the company's employees, if the capital increase does not exceed 10% of the outstanding share capital and if the discount does not exceed 20%, or 30% when the reserved shares cannot be sold before a 10-year period.

If the employees already own more than 10% of the issued capital, or if the proposed plan would overcome this threshold, we will vote on a **Case-by-Case** basis.

b. Free share plans

Natixis AM will vote **For** free share plans designed for a very large majority of employees to associate them with the results of the company.

D. Shareholders' proposition (specific to the USA)

a. Advisory vote on Say on Pay

We will vote **For** any proposition aiming to implement an advisory vote on executives' remuneration.

b. Severance payments

We will vote **For** any proposition aiming to impose prior authorization from a general meeting of shareholders regarding severance payments.

Financial structure

A. Share capital increases and reductions

1. Share capital increases without specific purpose

General issuance requests under both authorized and conditional capital systems allow companies to issue shares to raise funds for general financing purposes. Issuances can be carried out with or without pre-emptive rights. Corporate law in many countries recognizes pre-emptive rights and requires shareholders' approval for the revocation of such rights.

a. Capital increases with pre-emptive rights

Natixis AM will vote **For** share capital increases with pre-emptive rights without specific purpose that do not exceed 50% of the outstanding capital.

Above this threshold, Natixis AM will vote on a **Case-by-Case** basis depending on the company's situation.

b. Capital increases without pre-emptive rights

Natixis AM will vote **For** share capital increases without pre-emptive rights and without specific purpose that do not exceed 10% of the outstanding capital, or 15% when a priority right is guaranteed.

Above this threshold, Natixis AM will vote on a **Case-by-Case** basis depending on the company's situation.

c. Capital increases for a private placement

We will vote **Against** capital increases reserved to a specific category of beneficiaries.

d. Overall limits to capital increases

Natixis AM recommends that the general limit for all capital increase requests with pre-emptive rights be set at 50% of the outstanding capital, and without both pre-emptive rights and priority rights at 10%, and with priority rights at 15%.

e. Preferred stock

We vote **For** the creation/issuance of convertible preferred stock as long as the maximum number of common shares that could be issued upon conversion meets Natixis AM guidelines on equity issuance requests.

We vote **Against** the creation of a new class of preference shares that would carry superior voting rights to the common shares.

We vote **Against** the creation of blank check preferred stock unless the board clearly states that the authorization will not be used to thwart a takeover bid.

Otherwise, we vote on a **Case-by-Case** basis

f. Multiple classes of stock with voting rights

We vote **Against** the creation or extension of multiple class stocks with voting rights

2. Capital increases with a specific purpose

Specific issuance requests will be judged on a **Case-by-Case** basis, taking into account the financial and strategic interest of the specific project for the creation of long-term shareholder value, as well as the environmental, social and governance risks.

3. Increase of capital through capitalization of reserves

We vote **For** proposals to capitalize the company's reserves for bonus issues of shares or to increase the par value of shares.

4. Requests to increase the company's authorized share capital (Japan)

Natixis AM is not in favour of resolutions seeking to increase the company's authorized share capital which do not specify the terms of the transaction, and will vote **Against** if:

- the increase represents more than 50% of the authorized share capital before the increase and the capital increase is performed with pre-emptive rights,
- the increase implies that the ratio of issued share capital/new authorized share capital is less than 90%,
- the capital increase is a poison pill.

5. Capital Reduction

We will vote **For** proposals to reduce the share capital linked to current accounting needs, unless the conditions of such reduction are not in shareholders' best interests.

In all other circumstances, we will vote on a **Case-by-Case** basis.

6. Utilization of authorizations during a tender offer period (France)

Following the implementation of the Florange Act, Natixis AM evaluates on a **Case by Case** basis financial authorities that do not mention the exclusion of their use during a tender offer. It will notably assess the guarantees given by the Board on the use of these authorizations in the long-term interests of the company and the quality of the corporate governance practices.

B. Operations on the outstanding capital

1. Share repurchase programmes

a. Share repurchase programmes

We vote **For** management proposals to institute open-market share repurchase plans in which all shareholders may participate on equal terms if the authorization complies with the following parameters:

- percentage of shares to be repurchased does not exceed 10 percent of the issued share capital (exception: up to 15% for the UK and Ireland), and the percentage of treasury shares does not exceed 10% of the share capital;
- the authorization is valid for only 18 months.

We vote **Against** any proposal where:

- the repurchase can be used for takeover defences;
- there is clear evidence of abuse of such authorization in the past;
- such a repurchase programme puts the company's ability to pursue its activity in jeopardy, notably due to an excessive use of its cash flow.

Natixis can vote for authorities to repurchase shares in excess of the 10 percent repurchase limit (15% for the UK and Ireland) in exceptional circumstances (e.g. capital restructuring). Natixis will assess such resolutions on a **Case-by-Case** basis, taking into account the explanations presented by the company, which are required to be publicly disclosed in the annual report. Natixis will vote **For** such proposals if:

- the proposal is in shareholders' interests,
- the proposal maintains the maximum percentage of treasury shares at 10%.

Natixis AM believes it is preferable to give shareholders the right to vote on this type of transaction and will vote **Against** any resolution granting the board a discretionary right regarding share repurchases.

b. Use of financial derivatives for the repurchase of shares

Natixis will vote **For** management proposals to use derivatives in the framework of a share repurchase programme if:

- the use of derivatives is limited to 5% of the company's share capital,
- the derivatives transaction is carried out via an independent financial intermediary.

2. Other operations on the outstanding capital

a. Reissuance of repurchased shares

We vote **For** requests to reissue repurchased shares unless there is clear evidence of past abuse of this authority.

b. Capital reduction through cancellation of treasury shares

We vote **For** management proposals to reduce capital through the cancellation of treasury shares. This item enables the company to cancel shares repurchased in connection with the authorized buyback and reduce its capital by a corresponding amount.

c. Reverse stock splits

We vote **For** management proposals to implement a reverse stock split when the number of authorized shares will be proportionately reduced.

We vote **For** management proposals to implement a reverse stock split to avoid delisting.

We will vote on a **Case-by-Case** basis on proposals to implement a reverse stock split that do not proportionately reduce the number of shares authorized for issuance.

d. Stock splits

We vote **For** stock splits, provided that the increase in authorized shares would not result in an excessive number of shares available for issuance.

e. Adjust par value of common stock

We vote **For** management proposals to reduce the par value of the common stock.

3. Utilization of authorizations during a tender offer period (France)

Following the implementation of the Florange Act, Natixis AM evaluates on a **Case by Case** basis financial authorities that do not mention the exclusion of their use during a tender offer. It will notably assess the guarantees given by the Board on the use of these authorizations in the long-term interests of the company and the quality of the corporate governance practices.

C. Borrowing powers/ debt issuance/ financing plans/ affiliation agreements

1. Debt restructuring

We review proposals to increase common and/or preferred shares and to issue shares as part of a debt-restructuring plan on a **Case-by-Case** basis. We consider the following issues:

- *Dilution* – How much will ownership interests of existing shareholders be reduced, and how extreme will dilution to any future earnings be?
- *Change in Control* – Will the transaction result in a change in control of the company?
- *Bankruptcy* – Is the threat of bankruptcy, which would result in severe losses in shareholder value, the main factor driving the debt restructuring?

Generally, we approve proposals that facilitate debt restructurings unless there are clear signs of self-dealing or other abuses.

2. Debt issuance requests

a. Issuance of convertible bonds

Natixis AM will vote **Against** the issuance of convertible bonds if the total dilution resulting from such authorisation and any other authorisations of dilution submitted during the general meeting could exceed 10% of the capital.

b. Issuance of non-convertible bonds

We evaluate debt issuance requests on a **Case-by-Case** basis with the support of the credit research team. Too high a debt leverage may incline markets and financial analysts to downgrade the company's bond rating, increasing its investment risk factor in the process. Indeed, an acceptable leverage can only be estimated with a sectorial approach.

Natixis AM votes **For** the creation/issuance of convertible debt instruments as long as the maximum number of common shares that could be issued upon conversion meets Natixis AM guidelines on equity issuance requests.

3. Issuance of contingent convertible bonds

Natixis AM will vote on a **Case-by-Case** basis on issuance of contingent convertible bonds in the banking sector depending on the conditions of issuance.

4. Increase in borrowing powers

Proposals to approve increases in a company's borrowing powers are evaluated on a **Case-by-Case** basis.

5. Financing plans

We generally vote **For** the adoption of financing plans if it is in the best economic interests of shareholders.

6. Control and profit transfer agreements (affiliation agreements with subsidiary)

We vote **For** control and profit transfer agreements between a parent and its subsidiaries.

D. Mergers and corporate restructurings

1. Mergers and acquisitions

Natixis AM examines on a **Case-by-Case** basis the voting provisions on mergers and acquisitions taking into account at least the following elements:

- **Strategic factors:**
  - consistency with the corporate purpose, commercial products, complementarity of industries concerned, etc.
- **Financial considerations:**
  - fair valuation,
  - pro forma financial statements,
  - price of the offer,
  - cost savings,
  - sustainability of the potential additional level of debt.
- **Considerations on corporate social responsibility (CSR):**
  - governance structure of the new entity,
  - impact on the rights of minority shareholders,
  - environmental and social impact of the proposed M&A transaction.

2. Corporate restructuring and spin-offs

a. Corporate restructuring

While value creation can be based on a cost-cutting strategy in the short term, this should not be at the expense of long-term profitability and growth. As a result, Natixis AM takes into consideration social and environmental criteria and their impacts on long-term shareholder value when evaluating corporate restructuring proposals.

b. Spin-offs

Natixis AM usually approves such resolutions unless there are clear conflicts of interest among the various parties, shareholders' rights are being negatively affected, or certain groups or shareholders appear to be getting a better deal at the expense of general shareholders.

3. Asset sales and liquidations

a. Asset sales

We vote on a **Case-by-Case** basis on asset sales after considering the impact on the balance sheet/working capital, the value received for the asset, and the potential diseconomies.

b. Liquidations

We vote on a **Case-by-Case** basis on liquidations after reviewing management's efforts to pursue other alternatives, the appraised value of assets, and the compensation plan for executives managing the liquidation.

4. Appraisal rights

We vote **For** proposals to restore, or provide shareholders with, rights of appraisal.

5. Change of corporate name

We vote **For** proposals changing the corporate name.

6. Mandatory takeover bid waivers

Proposals to waive mandatory takeover bid requirements are evaluated on a **Case-by-Case** basis.

7. Joint ventures

We vote on a **Case-by-Case** basis on proposals to establish joint ventures. The criteria are: ownership percentage, financial and strategic benefits, conflicts of interest, alternatives, governance structure, possible synergies.

Business ethics & Corporate Social Responsibility

While looking at corporate growth and financial performance, the interests of all stakeholders should not be overlooked as they contribute to sustainable management and long-term growth. Stakeholders particularly include bondholders, who play an essential role in a company's long-term financing capability as well as employees, who contribute to wealth's creation. Natixis AM is convinced that factoring non-financial elements into portfolio management can improve the long-term risk/return ratio. Natixis AM is a signatory to the United Nations Principles for Responsible Investment (PRI)[9].

A. Social and environmental issues

1. Extra-financial reporting

From a long-term perspective, the growth strategy of a company should not only integrate financial issues but also environmental and social one. The company should report on a regular basis on the existence and content of its corporate social responsibility ("CSR") policy.

Natixis AM is therefore in favor of integrating this information in the annual report and will vote **For** any shareholder resolution asking the company to establish a CSR report.

2. Social and environmental issues

In general, we vote on social, political, or environmental proposals on a **Case-by-Case** basis. In determining our vote on shareholders' social, political and environmental proposals, we analyse the following factors:

- the positive or negative impact on the company's short-term or long-term value;
- the exposure of the company to such issues (reputational impact, risk of boycott, etc.);
- the capacity and legitimacy of the company to take up the subject (vs. government responsibility);
- the responses already provided by the company to the request submitted in the proposal;
- what other companies have done in response to the issue;
- the sound nature of the proposal itself.

We systematically support –after analysis– any resolution that encourages the company to implement more responsible practices..

Similarly, Natixis AM will vote **For** resolutions aimed at increasing the transparency of information on the main risks and uncertainties linked to climate change that companies face and / or explaining how they adapt their strategy to a 2-degree scenario[10].

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[9] The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system. More information at https://www.unpri.org/

[10] Following the Paris Agreement in 2015, the United Nations Framework Convention on Climate Change (UNFCCC) has set a goal to keep the global temperature rise this century well below 2 degrees Celsius above pre-industrial levels in order to avoid significant impact of climate change.

3. Executives’ compensation

Refer to principle B/1/a in the chapter “Compensation system”

As a reminder: Except in unusual circumstances (satisfactory accompanying measures, deterioration in the company’s operating results, unfavourable market trends, etc.), Natixis AM will vote **Against** the award of stock options and free shares to corporate officers and executives when the company has implemented a restructuring plan resulting in a significant reduction of the workforce.

4. Incorporation of ESG criteria in compensation policies

Natixis AM will vote **For** shareholder resolutions calling for the integration of extra-financial criteria in executive compensation policies, or a review of pay differentials between executive officers and other employees, unless said requests prove to be such a burden for the firm that they are not in the best interests of the company and its shareholders.

B. Business ethics

Business ethics is considered as an essential factor to evaluate the efficiency of the governance system of a company.

1. Political donations

We vote **Against** management’s proposals that enable the company and its subsidiaries to make donations to EU Political Organizations.

2. Donations to associations or foundations

Natixis AM will vote **For** requests for charitable donations (associations, foundations, etc.).

3. Directors’ ethics

Cf. Principle B/3/c in the chapter “Control structure and balance of power”

As a reminder: Natixis AM will vote **Against** the election of a director who has contravened to good corporate governance practices in the past.

2- Principles for analysing resolutions on small and medium-sized securities

Definition of small and medium-cap securities

Medium-sized and small securities shall be understood in accordance with the definition given by the AMF: all companies with a market capitalization of less than EUR 2 billion.

Principle for analysing resolutions

For all resolutions not dealing with subjects discussed in this part, we will apply the analysis principles in place for large cap securities.

A. Quality of the composition of the board and committees

1. Independence of the board

Natixis AM recommends that the board of directors or supervisory board for medium-sized and small securities should have at least 33.3% independent directors. However, Natixis AM will vote **For** the election or re-election of non-independent directors even if, thus, this minimum of one third is not reached, provided that the directors in question be:

- corporate officers;
- representatives of the main shareholder (respecting the principle of proportionality between capital held and the number of seats on the board);
- representatives of the family (respecting the principle of proportionality between capital held and the number of seats on the board).
-

2. Directors - Terms of office

Natixis AM recommends a three-year tenure for directors, with re-election of board members by tier, and will vote **Against** the election or re-election of a director (other than the CEO) if the term of office exceeds 5 years or has not been disclosed.

3. Election or re-election of directors to auditing, remuneration, and nomination committees

Natixis AM recommends the setting up of an audit committee with an independent majority, and made up of members who are competent in finance. However, for companies where the board is numerically small, we prefer that the board of directors take on the role of the audit committee, and that specific meetings be set up to carry out the work that would fall to such a committee.

We recommend that nomination and remuneration committees be set up. For companies where the board is numerically small, transparency regarding the way directors are elected and their remuneration set is strongly recommended.

For companies that have set up special committees, we recommend that at least one independent director be present, and encourage all steps aimed at improving this independence with a view to better conforming with good governance practices. Moreover, we will vote **Against** the election of an executive director, if s/he has a seat on the remuneration, nomination or audit committee.

B. Remuneration and value creation

1. Remuneration report

In cases where the total remuneration (fixed + bonus) is less than EUR 1 million, Natixis AM will vote FOR the remuneration report, unless the changes in compensation are not linked to the company's long-term performance.

For remunerations whose amount (fixed + bonus) is strictly greater than EUR 1 million, Natixis AM will vote against the remuneration report if:

- the level of transparency is well below best practice and does not establish a link between remuneration paid and the creation of value;
- the policy or remuneration practices show a lack of correlation with the actual performance of the company.

2. Requests for the allocation of stock options

We recommend that requests for allocation of free shares be the subject of separate resolutions according to the beneficiaries or at least that the portion reserved to executives should be clearly distinguished from the portion reserved to the company's employees.

Natixis AM will vote **Against** any stock option plan which:

- authorizes the issue of options at an exercise price lower than the market price;
- gives or cedes the discretionary power to allocate options to oneself;
- with performance criteria and a compensation structure that are not transparent and demanding enough;
- includes the option to alter the initial conditions of issue.
- has no minimum period for the options to be held

However, when the beneficiaries are part of a group other than directors, Natixis AM will assess on a **Case-by-Case** basis the absence of performance criteria attached to such plans. Except in the event of special circumstances (satisfactory accompanying measures, deterioration in the company's operating results, unfavourable market trends, etc.), we will vote **Against** the allocation of free shares confined to corporate officers and/or directors when the group has implemented a restructuring plan that significantly reduces the workforce.

Natixis AM will assess the acceptable level of dilution on a **Case-by-Case** basis according to the company's profile.

3. Requests for the allocation of free shares

We recommend that requests for allocation of free shares be the subject of separate resolutions according to the beneficiaries or at least that the portion reserved to executives should be clearly distinguished from the portion reserved to the company's employees.

Natixis AM will vote **Against** any free share allocation plan designed for executives and corporate officers that does not include performance criteria or does not stipulate vesting and holding periods.

When the beneficiaries of free share allocation plans are part of a group other than directors, Natixis AM will assess on a **Case-by-Case** basis the absence of performance criteria attached to such plans.

In cases where the beneficiaries include a very large proportion of employees, Natixis AM will support the proposed plan.

Natixis AM will assess the acceptable level of dilution on a **Case-by-Case** basis according to the company's profile.

Except in the event of special circumstances (satisfactory accompanying measures, deterioration in the company's operating results, unfavourable market trends, etc.), we will vote **Against** the allocation of free shares confined to corporate officers and/or directors when the group has implemented a restructuring plan that significantly reduces the workforce.

4. Golden parachutes

Natixis AM will examine resolutions that aim to ratify the amounts of severance pay, taking into account:

- the company's intrinsic valuation during the beneficiary's entire duration of service,
- the proportionality of payments to the beneficiary's length of service with the company and to his/her remuneration.

Natixis AM will vote **For** proposals that aim to ratify severance pay for a corporate officer if:

- the severance payment can only be made in case of forced departure (and in the absence of serious cause), or in the event of a change in control or strategy,
- the total amount of this pay, including payments due as part of the employment contract (i.e. bonuses provided for under a non-competition clause), is no more than twice the corporate officer's total remuneration (fixed + variable),
- The award of severance pay is linked to demanding performance criteria.

Natixis AM will not take into account the total length of both term of office and work contract in its calculation when a director has spent a large part of his/her career with the company – especially in the case of a family-run company.

VI- Engagement

Our vision of corporate governance

Corporate governance refers to all the systems that define how a company is managed and controlled. It is mainly concerned with the problem of protecting the interests of minority shareholders given the necessary asymmetry of information between these and the managers, and the divergence of their respective interests. Prevailing theory of the firm (Jensen M. and Meckling, 1976) assumes that shareholders' interests are restricted to the maximization of their profit.

This is, however, a fairly limited definition of corporate governance since shareholders' interests are narrowed to purely financial considerations and the maximization of profit is interpreted purely as immediate stock market gains and dividends paid, ignoring the interests of other stakeholders who contribute to the company's value creation. Yet, the sustainability of the company, an essential condition of its ability to generate long-term profits, means striking a balance between the interests of all stakeholders and protecting the environment.

In addition to economic and financial objectives, the company's strategy must therefore include environmental and social issues, and re-internalize the economic costs inherent in the associated risks. Here, corporate governance plays a key role, ensuring the environmental and social concerns that could impact the value of a company are incorporated into the firm's systems and underlying practices.

A socially responsible system of corporate governance therefore ensures:

- the reliability of financial information and, by extension, extra-financial information through effective audit and control systems,
- better control over the management of companies through a balanced distribution of supervisory and managerial powers,
- respect for shareholders' rights and for the ways these rights can be exercised,
- a balance between the quest for performance and control of risks through incentives and sanctions systems,
- integration of environmental and social factors within strategic planning and operational decisions.

This role is all the more crucial as poor governance practices may lead to failures in the broader systems of corporate planning and supervision, which can in turn have a harmful impact on the company's long-term growth and ultimate value. So, good corporate governance practices allow a better appreciation of risk and reduce the need for investment to optimize long-term value creation.

Natixis AM's engagement process

Convinced that good corporate governance encourages a clearer appreciation of risks and therefore improves the company's medium-/long-term performance, Natixis AM takes seriously its fiduciary responsibility as an investor on behalf of third parties, and seeks to:

- Take into account all financial and extra-financial factors that may affect the value of its investments in its investment decisions,
- Encourage best corporate governance practices in the companies where it invests through its "responsible and engaged" voting policy.

Engagement is the way in which Natixis AM carries out its role of responsible investor to spread best practices in corporate governance, which includes defining and implementing corporate social responsibility (CSR) policies.

It is grounded on the principles defined in Natixis AM's voting policy, which is regularly reviewed to incorporate the highest European standards on governance and CSR.

Engagement in action

Engagement, the cornerstone of our responsible investment strategy, is based on constructive and regular dialogue with the companies in which we invest.

This dialogue is initiated during the exercise of voting rights and focuses first and foremost on corporate governance and CSR issues that are put to the vote at shareholders' meetings. The same discussions with companies are also an opportunity to deal with CSR issues identified by the extra-financial research teams as part of their analysis of corporate practices.

Finally, Natixis AM conducts several engagement activities beyond those linked to its voting policy, such as:

- **participation in market and public initiatives and consultations** which aims are in line with the principles defined in its engagement policy and its philosophy of SRI research and management;
- **production of studies and thematic reports on ESG issues**[11] with the support of our scientific committee on climate change, and dialogue with the companies involved in the related business sectors in order to enhance their awareness of environmental and social issues;
- **continuous dialogue with companies** in order to: i) gain a better understanding of their activity and ii) get them to improve their ESG practices. Our extra financial analysts systematically engage in dialogue (face-to-face and/or via conference call) with the management of the companies analysed, and give systematic feedback by email on the areas that we see as needing to be improved in priority.

The themes underpinning our engagement

The themes of our engagement process correspond to the six major principles defined in our voting policy, which reflect the main corporate governance issues identified by Natixis AM's extra-financial research.

For each engagement theme, we define areas of specific concern, appropriate to each company based on its particular structure, i.e. size, type of shareholders, etc.

Theme I: Financial and extra-financial information, internal control and risk management

The integrity and reliability of the financial and extra-financial information are essential to the efficient functioning of markets. Also, a sound risk control and management system helps bolster corporate governance and make it more effective. Indeed, poor risk management can have significant impacts on corporate performance and therefore presents a risk to shareholders and creditors. Therefore, companies must elaborate and enforce a full range of procedures and take all necessary measures to improve the quality of information published as well as preparing against operating, regulatory, legal and reputational risks.

Through our engagement on this theme we seek to improve the transparency of financial and extra-financial information communicated to financial markets and shareholders.

Theme II: Control structures and balance of power

The board of directors plays a central role in "guiding strategy and effectively supervising the company's management"[12]. Its prime mission is to represent the interests of the company, its shareholders and stakeholders, and to monitor the creation of long-term value for the company.

It is also the place where all strategic decisions are debated and therefore the only body qualified to decide on the environmental and social issues that could impact the implementation of the company's strategy, and hence its long-term performance.

[11] Environmental, social and governance

[12] OECD, Principles of Corporate Governance, 2004.

The quality of the governance structure and the composition of the board are accordingly two key factors in any sound system of corporate governance.

Through our engagement on this theme we seek to encourage:

- a balance of power between management and control bodies,
- the implementation of a nomination process that ensures the board has appropriate expertise, skills and diversity,
- the independence and complementary abilities of board and committee members,
- the integration of corporate social responsibility issues to the company's core strategy.

Theme III: Remuneration

The system for remunerating senior managers can influence both a company's strategic direction and the risks taken by its senior managers. It is also a way for the board to motivate and incentivize management to prioritize sustainable performance. Consequently, remuneration mechanisms must be linked to the financial and non-financial performance of the company and reflect long-term value creation for shareholders and stakeholders. It is also of prime importance that performance criteria be transparent, relevant and measurable.

Through our engagement on this theme we seek to encourage:

- transparent remuneration policies and systems,
- transparent financial incentive arrangements that are consistent with creating value for the company,
- the integration of environmental and social/societal issues into remuneration policies.

Theme IV: Corporate social responsibility

Amid growing awareness of the finite nature of the world's resources and the challenge of providing an ever-growing global population with a good standard of living, we consider corporate social responsibility (CSR) has an important role to play in bringing about the changes necessary to build a sustainable model of development. This role seems to us all the more important as globalization has tended to dilute the responsibilities of traditional institutions and enhance the power of multiple players, companies being among the most prominent.

Companies' activity creates externalities for society and the environment, which are currently not or barely taken into account in investment decisions. CSR is a way to re-internalize these externalities.

Through our engagement on this theme we seek:

- to incorporate environmental and social issues into the company's strategy and investment decisions,
- to respect human rights at work,
- to integrate environmental and social/societal issues into remuneration policy,
- to instil respect for business ethics.

The scope of our engagement process

The scope of our engagement is mainly confined to the "core" securities in the voting universe.

"Core" securities are those where Natixis AM holds relatively substantial positions in the funds that it manages. These stocks are redefined each year based on changes to portfolios.

The engagement process within the framework of the exercise of voting rights

Natixis AM's engagement is expressed throughout the voting season via a multi-stage process:

Stage 1: Contact

Before the voting season gets under way, Natixis AM reviews the principles underlying its voting policy and incorporates recent changes to regulations and corporate governance practices.

The voting policy is then sent to the companies of the core universe to encourage them to anticipate the engagement process and open a dialogue in advance on the resolutions to be put to vote during shareholders' meetings.

Stage 2: Identifying the issues for engagement

Before the general meetings season, the Governance and Engagement team analyses the practices of the companies that are part of the core universe and examines the resolutions put to shareholders' vote, so as to identify the main issues to be addressed during the engagement process for each company. These topics mostly relate to corporate governance key issues, but can also embrace environmental and social themes that are likely to be raised during the general meetings.

In their research, analysts draw on diverse sources of information: information published by the companies, proxy and rating agencies analyses, brokers, and ESG reports from the extra-financial research teams.

Stage 3: Dialogue & engagement

Prior to the exercise of voting rights, the Governance and Engagement team, in coordination with the extra-financial analysts, contacts the companies for which "actions to take" have been identified.

Contact can be made via conference calls, emails, or face-to-face meetings.

The aim of this dialogue is to discuss with the companies the engagement topics that have been identified, and to urge them to adopt practices more in line with the good governance and CSR principles defined in its voting policy.

Stage 4: Results of our engagement process

At the end of the dialogue and engagement process, a voting committee settles the voting decision and decides of possible further actions to take based on the responses of the company:

- if satisfactory => end of the engagement process;
- if unsatisfactory => vote **Against** certain resolutions and/or continue the engagement and/or modify the ESG opinion on the stock.

Also, companies are informed of the decisions taken by the voting committee, notably regarding the resolutions discussed under the engagement process, either by email or by conference call.

Stage 5: Reporting

Natixis AM publishes an annual report on voting rights, including a chapter on actions taken in fulfilment of its engagement. This report is posted on the investment manager's website and available to unit holders upon request.

Also, engagement actions may lead to a revision of ESG opinions. These are communicated to all Natixis AM's investment management teams.

VII. Procedures for identification, anticipation and management of conflicts of interest

In general, the asset management company exercises voting rights solely in the general interest of its unitholders, irrespective of its own interests, and in compliance with its guiding principles. Natixis AM has introduced a procedure to anticipate, identify and manage potential conflicts of interest. Thus:

- If a conflict of interest should arise between Natixis AM and one of its clients, the Head of Compliance, Internal Control and Risks, in coordination with the Voting Committee, would rule on what steps to take.
- If a member of the team responsible for the "exercise of voting rights" should find him/herself in a conflict of interest regarding a vote, he/she should immediately notify the Voting Committee, the Head of Compliance, Internal Control and Risks and take no part in the exercise of the vote concerned.

If exercising its voting right for a given company exposes Natixis AM to a significant conflict of interest, the Voting Committee of Natixis AM will refer the matter to the Head of compliance, Internal Control and Risks, who will decide the appropriate measures, including the decision to participate in said company's general meetings.

Appendix 1: Natixis AM classification of directors

Executive Director

- An employee or executive of the company.
- Any director who is classified as a non-executive but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company.

Non-independent Non-executive Director (NED)

- Any director who is attested by the board to be a non-independent NED.
- Any director specifically designated as a representative of a significant shareholder of the company.
- Any director who is also an employee or executive of a significant shareholder of the company.
- Any shareholder of the company.
- Government representative.
- Association, NGO, or any other organization representative whose role and/or composition presents substantial risks of conflicts of interest.
- Any director (or one of his/her relatives[2]) who receives fees for providing consulting/professional services to the company, its affiliates, or its officers.
- Any director who represents a customer, supplier, creditor, banker, or other entity with which company maintains transactional/commercial relationships (unless the company discloses information to apply a materiality test[3]).
- Any director who has conflicting cross-directorships with executive directors or the chairman of the company.
- Any director who is a relative of a current employee of the company or its affiliates.
- Any director who is a relative of a former executive of the company or its affiliates (five-year cooling-off period).
- Any director newly appointed or elected other than by a formal process through the general meeting (such as a contractual appointment by a substantial shareholder).
- A founder/co-founder/member of the founding family but not currently an employee.
- A former executive.
- A former auditor (five-year cooling-off period).
- Years of service will NOT be a determining factor unless it is recommended best practice in a market:
    - 9 years (from the date of election) in the United Kingdom and Ireland;
    - 12 years in European markets.
- Any person benefitting from remuneration plans based on performance criteria or a retirement benefit scheme.

Independent NED

- No material[4] connection, either directly or indirectly, to the company other than a board seat.

Employee Representative

Represents employees or employee shareholders of the company (classified as "employee representative" but considered a non-independent NED).

Definition of independence for directors and statutory auditors of Japanese companies

Concerning Japanese companies, only the criteria below will be taken into account for the evaluation of the independence of directors and statutory auditors. Outside directors and statutory auditors cannot be considered independent in the following cases:

- *Persons employed or formerly employed by one of the company's majority shareholders;*
- *Persons employed or formerly employed by one of the company's main creditors;*
- *Persons employed or formerly employed by one of the company's main advising banks;*
- *Persons employed or formerly employed by one of the company's major trading partners (i.e. transactions in material amounts for both parties);*
- *Partners and former partners of the company's auditors;*
- *Persons providing or having provided services (legal, financial, and tax advisory services, consulting, etc.) to the company;*
- *Persons with close links to the family of a company employee.*

Notes:

[2] "Relative" follows the SEC definition of "immediate family members," which covers: spouses, parents, children, siblings, in-laws, and anyone sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

[3] If the company makes or receives annual payments exceeding the greater of either $200,000 or 5% of the recipient's gross revenues (the recipient is the party receiving the financial proceeds from the transaction.)

[4] For purposes of Natixis AM's director independence classification, "material" will be defined as a standard relationship (financial, personal, or otherwise) that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy the fiduciary standards required from shareholders.

NATIXIS ASSET MANAGEMENT

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