



2018 VOTING POLICY



SUMMARY

PREFACE	3
EXERCISING VOTING RIGHTS.....	5
CASES IN WHICH VOTING RIGHTS ARE EXERCISED OR NOT	6
CONFLICTS OF INTEREST	7
HOW VOTING RIGHTS ARE EXERCISED	8
VOTING PRINCIPLES.....	9
I. Approval of accounts and discharge	9
A- Approval of company accounts: Approval of consolidated accounts and management report	9
B- Discharge to directors	9
C- Approval of earnings allocation	9
II. Statutory auditors and fees	9
A- APPOINTMENT of statutory auditors.....	9
B- STATUTORY AUDITOR FEES	10
III. Approval of regulated agreements	10
A- Approval of regulated agreements mentioned in the special report / Approval of an agreement not authorised in advance by the board of directors (special case of France).....	10
B- Approval of non-tax-deductible expenses (special case of France)	10
IV. Election of corporate officers	11
A- Independence	11
B- Term lengths	12
C- Multiple appointments	12
D- Separation of management and supervision	12
E- Board diversity	13
F- Non-voting board members	13
V. Directors' fees	13
VI. Equity transactions	13
A- Capital increase via issue of shares or convertible bonds or combined securities.....	14
C- Issue by subsidiaries of securities giving access to the company's equity without pre-emptive subscription rights.....	14
E- Capital increases without PREFERENTIAL subscription rights through third-party (non-subsidiary) issues or during takeover periods on company-issued stock.....	14
F- Exceptional, non-reserved capital increases without pre-emptive subscription rights	14
G- Mergers, asset transfers, demergers, restructurings, etc.	15
H- Capital increase in consideration of in-kind asset transfers	15



▼

J-	Share buybacks	15
K-	Splits and reverse splits	15
VII.	Compensation and director/employee shareholdings.....	15
A-	Approval of the compensation report (Say-on-Pay).....	15
B-	« Retraites chapeaux » retirement plans.....	16
C-	Golden parachutes	16
D-	Executive stock option plans	16
E-	The allocation of free or performance shares to executives	17
F-	Allocation of free shares to employees	17
VIII.	Changes to by-laws	18
A-	Thresholds stated in the by-laws for reporting shareholdings.....	18
C-	Anti-takeover defences	19
IX.	Optimum management of environmental, social and stakeholder issues	19
A-	Social resolutions.....	19
B-	Environmental resolutions.....	20
C-	Resolutions pertaining to stakeholders	21



PREFACE

As a responsible investor, Edmond de Rothschild Asset Management (France) takes its shareholder duties seriously. Voting at shareholder meetings is a key moment for taking part in companies' decision-making. This is why Edmond de Rothschild Asset Management (France) has pledged to vote uniformly at shareholder meetings of all companies held in funds (external SICAV excluded) and where the participation of Edmond de Rothschild Asset Management (France) represents more than 0.01% of the company's capital, regardless of the nationality of issuing companies, as long as the issuer provides sufficient information and as long as its custodians are able to take its votes into account.

These principles befit the wealth-management focus with which Edmond de Rothschild Asset Management (France) manages its portfolios, its determination to safeguard fund-holder interests, and its constant quest for performance, with a view to long-term value creation.

Fund managers meet with company officers on a regular basis to discuss strategic, financial and extra-financial themes with them. These meetings are also an opportunity for fund managers to bring up shareholder meeting resolutions, in order to move the company towards better practices.

Edmond de Rothschild Asset Management (France)'s investment decisions are closely linked to the company's long-term prospects and require:

- ▶ the aim to deliver long-term value;
- ▶ deep understanding of economic and financial issues;
- ▶ concern for good governance;
- ▶ the development of a sound and stimulating work environment;
- ▶ efforts to reduce environmental footprint;
- ▶ equitable relations with stakeholders (e.g., clients, suppliers, civil partnership, etc.);
- ▶ management of sustainable development risks and opportunities.

Analysis and voting of ESG (Environmental, Social and Governance) resolutions are guided by the adherence to these principles and the relevance of proposed solutions to each company's own situation. In involving itself in the social, societal or environmental resolutions proposed by company management or submitted by shareholders, Edmond de Rothschild Asset Management (France) seeks to act in the best interests of the clients who buy its mutual funds.

By way of illustration, Edmond de Rothschild Asset Management (France) is in favour of models for compensating managers that reflect their performances, as defined by an independent compensations committee whose reports are clear and detailed. For environmental resolutions, which are most often submitted by minority shareholders, Edmond de Rothschild Asset Management (France) shall vote systematically in favour of resolutions that call for enhanced disclosure of potential risks.

Finally, note that Edmond de Rothschild Asset Management (France) adapts its criteria to each country's circumstances. With this in mind, the percentage of independent directors required shall be lower for controlled companies.

In accordance with Article 319-21 of the General Rules of the French Financial Markets Authority, Edmond de Rothschild Asset Management (France) has set out below how it exercises the voting rights embedded in shares held in all its portfolios.



VOTING POLICY PRINCIPLES

To carry out its investment activity in a socially responsible manner, Edmond de Rothschild Asset Management (France) focuses on seven founding principles:

- **Respect for shareholder rights and equal treatment of shareholders, as expressed in the principle of “one share, one vote”.**
- **Accounting integrity and continuity and transparency in reporting, as guaranteed by the independence of the statutory auditors.**
- **Separation of powers between company managers and members of the board of directors or supervisory board, in their role as supervising bodies.**
- **Transparency in compensation, through an independent compensations committee and variable compensation linked to specific performance targets.**
- **Allocation of earnings and use of shareholders’ funds in the interests of shareholders, particularly minority shareholders.**
- **The company’s strategic development with justified and equitable equity transactions.**
- **Enhanced management of environmental and social issues in conducting the company’s business and awareness of its responsibilities regarding ESG (Environmental, Social and Governance) risks.**

NB: the internal voting policy is not applicable in the case of exercising voting rights at internal and external SICAV AGMs.



EXERCISING VOTING RIGHTS

Edmond de Rothschild Asset Management (France) has set up an organisation that centralises and coordinates all information necessary for exercising the voting rights embedded in shares held by the portfolios that it manages.

Edmond de Rothschild Asset Management (France) has retained the services of one firm, ISS. ISS provides decision-making services to Edmond de Rothschild Asset Management (France)'s fund managers through reviews of draft resolutions submitted for shareholder approval. For each of these resolutions, and in accordance with the pre-set voting policy, a voting decision is automatically proposed within the platform made available by this service provider. If Edmond de Rothschild Asset Management (France) decides to vote against its own voting policy, it must justify its stance.

ISS may under no circumstances replace Edmond de Rothschild Asset Management (France)'s fund managers, who alone shall decide how to vote, in the sole interests of unit holders in its portfolios.

The reason for this is that fund managers vote mainly on the basis of their geographical responsibilities or their special knowledge of the companies. Voting decisions made by fund managers for shareholder meetings and in accordance with Edmond de Rothschild Asset Management (France)'s voting policy apply uniformly to all positions held.

Managers' votes are electronically archived. All voting statistics required under Article 319-22 of the General Rules of the French Financial Markets Authority can therefore be generated automatically.

Edmond de Rothschild Asset Management (France) has set up an in-house voting and engagement committee composed of a Management Board member, the Chief Investment Officer, the regional CIOs, the Chief Compliance and Internal Controls Officer, and an SRI team manager. The purpose of this committee, which meets at least twice a year, is to ensure adherence to the voting policy and to make changes in that policy, based on the resolutions that are submitted.



CASES IN WHICH VOTING RIGHTS ARE EXERCISED OR NOT

As a responsible investment firm, Edmond de Rothschild Asset Management (France) exercises its voting rights on stocks held in the funds (external SICAV excluded) that it manages where the participation represents more than 0.01% of the company's capital, regardless of the nationality of issuing companies, as long as the issuer provides sufficient information and that custodian bank is in a position to take the votes into account.

Edmond de Rothschild Asset Management (France) has not set geographical limits for taking part in votes.

The reason for this is that even when it holds only a small portion of total shares, voting allows Edmond de Rothschild Asset Management (France) to express its point of view and to show companies its commitment to impeccable corporate governance and, where applicable, to better practices on environmental, social and stakeholder issues.

THE SPECIAL CASE OF LOCK-UPS

A number of issuers in countries such as Switzerland, Norway, Morocco and Luxembourg block transactions on shares when the shareholder wishes to vote. The duration of this lock-up varies widely and depends on the issuer, depositary and sub-depositary and can last up to 10 days. Edmond de Rothschild Asset Management (France) votes at least 75% of its total position at shareholder meetings affected by such lock-ups, thus leaving the fund manager some room for manoeuvre.



CONFLICTS OF INTEREST

Edmond de Rothschild Asset Management (France) ensures that it places the clients' interests above any other consideration. With this in mind, Edmond de Rothschild Asset Management (France) has made arrangements to detect and prevent any conflicts of interest that might arise with a mapping of potential cases and a system to resolve any conflicts. Moreover, the Compliance and Permanent Control department at Edmond de Rothschild (France) keeps a register of conflicts of interest for Edmond de Rothschild Asset Management (France).

To cite one example, a fund manager must never accept duties that could put him in a conflict-of-interest situation with regard to listed companies in which the portfolio holds shares. He/she must not make any commitments, even implicit, that would restrict his/her decision-making freedom. As a result, he/she may not be, either personally or as a representative of a legal entity, a corporate officer of a listed company in which the portfolio holds shares, nor take part in meetings of its board of directors or supervisory board. Under Edmond de Rothschild Asset Management (France)'s procedure, each employee is required to report the positions that he holds to the Group's Department of Compliance and Ongoing Controls.

In the event of conflict of interests of whatever nature, the employee concerned shall report to the Compliance and Internal Control team.



HOW VOTING RIGHTS ARE EXERCISED

Edmond de Rothschild Asset Management (France) currently exercises voting rights by mail. However, it may, if it deems necessary, decide to attend shareholder meetings in person. With this in mind, Edmond de Rothschild Asset Management (France) shall systematically vote against any resolution to eliminate the holding of live shareholder meetings.

Edmond de Rothschild Asset Management (France) does not vote by proxy and does not transfer its voting rights to the chairman.



VOTING PRINCIPLES

I. APPROVAL OF ACCOUNTS AND DISCHARGE

A- APPROVAL OF COMPANY ACCOUNTS: APPROVAL OF CONSOLIDATED ACCOUNTS AND MANAGEMENT REPORT

Edmond de Rothschild Asset Management (France) generally votes for management proposals calling for the approval of financial accounts and management reports. However, Edmond de Rothschild Asset Management (France) assesses information qualitatively on a case-by-case basis.

Factors that can lead to a rejection of proposals in most cases involve:

- ▶ failure to publish accounts or an annual report, or, more generally, failure to disclosure information on a particular item;
- ▶ reservations from the statutory auditors or their refusal to certify the accounts with special attention paid to accounting changes;
- ▶ reservations regarding managers' actions, especially if they have been prosecuted in the past.

B- DISCHARGE TO DIRECTORS

Edmond de Rothschild Asset Management (France) assesses the proposed candidatures qualitatively and shall vote most of the time in favour of discharge, except in cases of litigation, proven scandals, or poor corporate governance during previous financial years.

In some countries it is mandatory to separate the votes on the discharge and the accounts. Votes against this discharge will also be limited to cases of poor confidence.

C- APPROVAL OF EARNINGS ALLOCATION

Earnings allocation is analysed on the basis of the company's financial situation and strategy. Edmond de Rothschild Asset Management (France) shall give priority to the company's long-term interests and the maintaining of a stable dividend payout over time. The proposed payout must be properly justified and in particular commensurate with the level of shareholders' equity.

Edmond de Rothschild Asset Management (France) may reject a resolution on earnings allocation, if the payout is greater than 80%. This will be at the discretion of fund managers.

In the event that the dividend is paid in the form of shares, Edmond de Rothschild Asset Management (France) may reject such resolutions if a cash option is not offered.

II. STATUTORY AUDITORS AND FEES

A- APPOINTMENT OF STATUTORY AUDITORS

Edmond de Rothschild Asset Management (France) takes care that quality supervision may be exercised by the statutory auditors and shall vote in favour of regular reappointment of account auditors.

However, Edmond de Rothschild Asset Management (France) shall vote against a proposed appointment of statutory auditors if:



- ▶ the name of the statutory auditors is not disclosed;
- ▶ there is a clear, material conflict of interest;
- ▶ independence criteria have not been met, particularly if the proposed candidate has more than 12 years of seniority in the position;
- ▶ there are clear accounting irregularities or debatable audit procedures.

In France, which requires two main auditors and two alternate auditors, the main statutory auditor must not work at the same firm as the co-statutory auditor. However, alternate auditors may come from the same firm as the main statutory auditors.

B- STATUTORY AUDITOR FEES

Resolutions on fees shall be rejected if advisory fees are equal to or higher than 20% of total fees received.

In the event that fees are included in the resolution on reappointing statutory auditors, Edmond de Rothschild Asset Management (France) shall vote against the resolution if the advisory fees are more than 20% of the total fees.

III. APPROVAL OF REGULATED AGREEMENTS

Regulated agreements are contracts signed directly or indirectly between the company and the Managing Director, Associate Managing Director, Director, or a Reference Shareholder owning more than 10% of voting rights. Edmond de Rothschild Asset Management (France) does not take a favorable view of such agreements, which may compromise the independence of corporate officers. Edmond de Rothschild Asset Management (France) shall review them on a case-by-case basis, while analyzing in particular the content of the transactions and their consistency with shareholders' interests.

A- APPROVAL OF REGULATED AGREEMENTS MENTIONED IN THE SPECIAL REPORT / APPROVAL OF AN AGREEMENT NOT AUTHORISED IN ADVANCE BY THE BOARD OF DIRECTORS (SPECIAL CASE OF FRANCE)

Edmond de Rothschild Asset Management (France) shall analyse the report on regulated agreements and shall vote in accordance with shareholders' interests. The agreements must be detailed and strategically justified and must be equitable for all shareholders.

B- APPROVAL OF NON-TAX-DEDUCTIBLE EXPENSES (SPECIAL CASE OF FRANCE)

Edmond de Rothschild Asset Management (France) shall vote on a case-by-case basis based on its qualitative review. However, if expenses that are not tax-deductible are greater than 1% of earnings it shall vote against such resolutions.

If an agreement deals with golden parachutes, Edmond de Rothschild Asset Management (France) shall apply its rules setting the maximum indemnity at two years.

If several third-party agreements are put to a vote in a single resolution, the vote shall be negative for the entire resolution as soon as at least one agreement is not in conformity with shareholders' interests. Generally speaking, Edmond de Rothschild Asset Management (France) shall oppose related agreements consisting in pooling several projects within a single resolution.



IV. ELECTION OF CORPORATE OFFICERS

A- INDEPENDENCE

The board of directors or Supervisory Board, depending on the companies' legal structure, plays a key role in monitoring executive action. To be able to assume this role effectively, this board must have as many independent directors as possible.

Edmond de Rothschild Asset Management (France) shall vote for resolutions on the appointment or reappointment of a candidate if the board of directors including candidates subject to vote complies with its independence criteria, i.e.:

- ▶ 50% of independent directors if the company is not controlled by a single shareholder,
- ▶ 33% of independent directors if the company is controlled by a single shareholder,

A given company is considered to be controlled if one or more associated shareholders own more than 50% of the company's voting rights.

In order not to penalize companies that are required to include employees or representatives of employee shareholders at their Boards, the latter will not be taken into account when calculating the independence ratio.

The appointment or reappointment of a manager shall be an exception, and Edmond de Rothschild Asset Management (France) may vote in favour of his appointment, even if the Board does not meet its independence criteria.

In some countries where it is difficult to obtain detailed information or in countries in which local practice is still far from the 50% threshold for independent directors, Edmond de Rothschild Asset Management (France) shall align itself with the best local practice.

In any case, director independence shall be assessed on the basis of Edmond de Rothschild Asset Management (France)'s own criteria and not merely the rankings provided by the companies. These criteria are given below:

EDMOND DE ROTHSCHILD ASSET MANAGEMENT (FRANCE)'S DEFINITION OF A NON-INDEPENDENT DIRECTOR:

A director may not be considered independent:

- if the board of directors presents him as non-independent;
- if he manages or is employed by the company, or if he is a personnel representative;
- if he is paid as much as a top manager, when including all components of his compensation package;
- if he directly or indirectly represents at least 5% of capital;
- if he represents the State;
- if he represents a company stakeholder (e.g., supplier, client, banker, creditor, etc.);
- if he is a family member of a company manager, an employee or a founder/co-founder;
- if he has managed the group within the last five years;
- if he has sat on the board of directors for 12 or more years.

The appointment or reappointment of an executive officer will be an exception, Edmond de Rothschild Asset Management (France) may vote in favor of his appointment, even if the Board does not fulfill the conditions of independence.

In some countries where it is difficult to obtain information or where local practice is still far from the 50% threshold of independent directors, Edmond de Rothschild Asset Management (France) will still require a minimum of 2 independent directors on the board of directors.



Edmond de Rothschild Asset Management (France) shall also vote against the appointment or reappointment of directors:

- ▶ if executive directors who are members of the audit committee and/or compensations committee are nominated for election or re-election, these two committees must only include independent administrators in order to ensure proper control of the group;
- ▶ if directors are nominated for reappointment as a block, except in countries where this is standard practice, such as Italy. For votes on the “*voto di lista*”, voting shall be on a case-by-case basis, normally in favour of the list of minority shareholders.
- ▶ particular case: within controlled companies, if the Board of Directors or Supervisory Board fails to meet the level of independence required by the voting policy, a representative of the reference shareholder shall however be accepted.

B- TERM LENGTHS

So that shareholders may regularly sanction the board of directors, Edmond de Rothschild Asset Management (France) recommends that directors be subject to regular re-election, with a preference for terms that do not exceed four years. In countries where local regulations are stricter, the required lengths may be shorter than that.

As current practice in India is for longer terms (5 years), terms not exceeding this current practice shall be approved.

C- MULTIPLE APPOINTMENTS

Corporate officers must take their duties seriously. Such duties entail a heavy workload, especially when the officers also serve as chairman of the board or as a committee chairman. That's why Edmond de Rothschild Asset Management (France) believes that an excessive number of offices is not compatible with proper safeguarding of shareholders' interests.

In the event of reappointment, director attendance at the various committee meetings is also a factor to be considered, with a 75% attendance rate considered the minimum acceptable.

Edmond de Rothschild Asset Management (France) shall vote against resolutions on the appointment or reappointment of a candidate if:

- ▶ a candidate's total number of appointments is larger than five for non-executive directors, three for a chairman and two for executive directors, including those subject to a vote; A director who also has the role of Chairman of the Audit Committee will be counted as having 2 terms, taking into account the workload required for the role of chairman of this committee.
- ▶ the attendance rate at board meetings was below 75% at previous years' meetings (unless an acceptable reason is provided). Furthermore, we consider that a chairman can only have one chairmanship.

D- SEPARATION OF MANAGEMENT AND SUPERVISION

To ensure that the Board defends shareholders' interests' and that it is able to monitor and evaluate the chief executive officer and top managers effectively, Edmond de Rothschild Asset Management (France) considers that the board chairman must be independent. Edmond de Rothschild Asset Management prefers that the roles of board chairman and chief executive officer be separated.

Edmond de Rothschild Asset Management (France) shall vote against the appointment of a board chairman who is also chief executive officer, unless the rest of the board is more than 50% independent. Edmond de Rothschild Asset Management (France) shall be attentive to measures taken by the company to ensure good quality supervision.



When several appointments are grouped together in a single resolution, the candidature of a chairman/chief executive officer could lead to the rejection of the entire list, unless most of the board is independent.

E- BOARD DIVERSITY

Edmond de Rothschild Asset Management (France) shall endeavour to vote in favour of diversity in profiles for the board of directors, in terms of both candidate nationality and experience in various geographical regions or industries. Such diversity seems particularly suited to companies with a heavy international footprint. Expertise and skills shall be assessed within the limit of available information.

Where director names are not disclosed, such resolutions shall be systematically rejected. Similarly, Edmond de Rothschild Asset Management (France) would vote against a director who is under legal sanctions.

In terms of gender diversity among the board members, Edmond de Rothschild Asset Management (France) will vote against the appointment of a director if it degrades the ratio of women to men below 30%. In countries with more stringent laws or practices, Edmond de Rothschild Asset Management (France) will align with them. Some countries, such as Canada, require companies to implement a gender diversity policy of the board of directors, with specific goals in the short and medium term. In the countries concerned, if this policy is not implemented, Edmond de Rothschild Asset Management (France) will vote against the re-election of the chairman of the nomination committee.

F- NON-VOTING BOARD MEMBERS

Edmond de Rothschild Asset Management (France) believes that having too many directors can dilute their responsibility. Similarly, the presence of Board members who do not have voting rights but who take part in discussions, as is becoming increasingly common in France with the practice of censeurs, may lead to a lack of balance in Board discussions. However, it can be very useful to occasionally call in outside experts or consultants.

As a general rule, Edmond de Rothschild Asset Management (France) will systematically be against the presence of directors who do not have voting rights.

V. DIRECTORS' FEES

While it is necessary to compensate directors for their skills and time, Edmond de Rothschild Asset Management (France) believes that compensations for non-executive directors should not be as high as those of managers, as this would undermine their independence.

The remuneration of non-executive directors must be granted on a fixed basis or linked to the presence and must not depend on criteria related to the results of the company.

Resolutions on setting annual directors' fees shall be rejected if less than one third of the board of directors is independent.

VI. EQUITY TRANSACTIONS

All equity transactions proposed to shareholders must be strategically justified and financially balanced.

Maintaining pre-emptive subscription rights (DPS) for shareholders is an important criterion in capital increases.

Each merger, asset transfer or demerger shall be assessed on the basis of how well it conforms with the long-term interests of all shareholders, how consistent it is with the company's strategic objectives and on the basis of its financial terms, which must not undermine either the stock's liquidity, or its valuation, or the principle of "one share, one vote".

Edmond de Rothschild Asset Management (France) does not take a favourable view of blanket authorisations for capital increases unlinked to a specific project. Similarly, Edmond de Rothschild Asset Management (France) shall



oppose practices consisting in capital increases via subsidiaries or in consideration of public takeover bids, as such resolutions could be tantamount to company management's blocking any acquisition of a stake by an external party.

Lastly, Edmond de Rothschild Asset Management (France) is systematically against share buybacks by the company during takeover periods, as such resolutions are also contrary to shareholders' interests. Edmond de Rothschild Asset Management (France) also requests that no equity transactions take place during a public takeover, in compliance with the principle of neutrality.

A- CAPITAL INCREASE VIA ISSUE OF SHARES OR CONVERTIBLE BONDS OR COMBINED SECURITIES

Edmond de Rothschild Asset Management (France) shall not vote in favour of capital increases in the following cases:

- ▶ there are pre-emptive subscription rights but the issue amounts to more than 50% of the share capital (or less is local practice is stricter);
- ▶ there are no pre-emptive subscription rights, but there is a mandatory priority period available to former shareholders and the subscription accounts for more than 20% of the share capital;
- ▶ there are no pre-emptive subscription rights and the subscription, including the greenshoe option, amounts to more than 10% of the share capital;
- ▶ the issue or subscription price is less than 95% of the market price.

These rules aim to prevent a significant dilution that would be contrary to shareholders' interests.

B- CAPITAL INCREASE VIA INCORPORATION OF RESERVES, PREMIUMS OR EARNINGS

As no dilution results from such mechanisms, Edmond de Rothschild Asset Management (France) shall vote for such resolutions in all circumstances.

C- ISSUE BY SUBSIDIARIES OF SECURITIES GIVING ACCESS TO THE COMPANY'S EQUITY WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS

Such resolutions shall be rejected in all circumstances.

D- CAPITAL INCREASE IN CONSIDERATION OF TAKEOVER BIDS VIA THE ISSUE OF SHARES

Such resolutions shall be generally accepted, except where the issues do not include pre-emptive subscription rights and account for more than 10% of existing shares. Edmond de Rothschild Asset Management (France) takes this stance in order to prevent excessive dilution, which would harm shareholders' interests.

E- CAPITAL INCREASES WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS THROUGH THIRD-PARTY (NON-SUBSIDIARY) ISSUES OR DURING TAKEOVER PERIODS ON COMPANY-ISSUED STOCK

Edmond de Rothschild Asset Management (France) shall reject these resolutions in all circumstances.

F- EXCEPTIONAL, NON-RESERVED CAPITAL INCREASES WITHOUT PRE-EMPTIVE SUBSCRIPTION RIGHTS

Assessment on a case-by-case basis, but systematically rejected if the capital increase amounts to more than 10% of the existing share capital.



G- MERGERS, ASSET TRANSFERS, DEMERGERS, RESTRUCTURINGS, ETC.

Such resolutions shall be reviewed by the fund manager on the basis of his knowledge of the group's strategy.

H- CAPITAL INCREASE IN CONSIDERATION OF IN-KIND ASSET TRANSFERS

Edmond de Rothschild Asset Management (France) requires the amount is not greater than 10% of existing capital.

I- CAPITAL REDUCTION

Capital reductions are generally in shareholders' interests as they enhance earnings per share; however, the risk of such transactions is that they will dry up the free float in the shares. Edmond de Rothschild Asset Management (France) shall systematically reject such resolutions if the free float after the operation would be less than 20% of total share capital.

J- SHARE BUYBACKS

Such resolutions shall be systematically rejected during takeover periods, as they are tantamount to a poison pill defence, as they deprive the buyer from some of the cash on the target company's balance sheet.

Outside of these periods, Edmond de Rothschild Asset Management (France) shall generally vote in favour of such resolutions, as long as the volume of shares to be bought back does not exceed 25% of the share capital.

K- SPLITS AND REVERSE SPLITS

Vote in favor in all circumstances, as such operations have no effect on shareholder value.

VII. COMPENSATION AND DIRECTOR/EMPLOYEE SHAREHOLDINGS

Edmond de Rothschild Asset Management (France) is in favour of voting on the compensation of company directors, which is becoming the norm in the leading Western countries. This vote, also known as "Say-on-Pay" can be of a binding or advisory nature, depending on the country concerned. In all cases, "Say-on-Pay" is a desirable development as it enables shareholders to keep an eye on potential abuses.

A- APPROVAL OF THE COMPENSATION REPORT (SAY-ON-PAY)

Edmond de Rothschild Asset Management (France) will assess compensations on the basis of qualitative analysis focusing on the following key points:

- ▶ aligning of compensation to performance,
- ▶ independence of the compensations committee,
- ▶ quality of information, which must be clear and understandable,
- ▶ suitable compensation for non-executive directors, who must be paid only in the form of fixed directors' fees.

Edmond de Rothschild Asset Management (France) shall vote against this report if:

- ▶ there is no mention of performance criteria relating to overall bonus compensation (short-term and long-term bonuses),
- ▶ there is no specific mention of a minimum amount of shares to be owned and held by executives,
- ▶ if Golden Hellos (Welcome Bonus) are authorised for intra-group appointments,
- ▶ if a dissenting vote on remuneration was not taken into account during the 12 months following the vote.



Edmond de Rothschild Asset Management (France) is in favour of including extra-financial criteria in formulas for calculating manager compensation. Edmond de Rothschild Asset Management (France) shall vote in favour of such proposals.

A negative vote on the remuneration report at the General Meeting calls for appropriate consideration by the Compensation Committee. Edmond de Rothschild Asset Management (France) will oppose the renewal of the members of this committee if the proposed amendments are deemed insufficient.

B- « RETRAITES CHAPEAUX » RETIREMENT PLANS

A French specificity, « retraites chapeau » are supplementary executive retirement plans, whereby the employer commits to paying its executives an additional pension in the form of annuities, the amount of which is determined contractually. The annual provision required by the company for the payment of these retirement liabilities must be estimated and taken into account, as this amount is generally owed by the company years after the executive has effectively left the entity. Following the Macron law of 2015, the voting policy was revised regarding this subject.

Edmond de Rothschild Asset Management (France) requires the following criteria be complied with for resolutions concerning additional complementary pensions:

- Annual complementary pensions rights must not exceed 2% of the reference remuneration,
- The cost of pensions payments must be fully transparent,
- This payment must be subject to performance conditions.

C- GOLDEN PARACHUTES

Edmond de Rothschild Asset Management (France) is in favour of caps placed on golden parachutes in order to forestall any abuses. Edmond de Rothschild Asset Management (France) shall vote against any resolution offering an all-inclusive indemnity of more than two years of salary.

However, Edmond de Rothschild Asset Management (France) shall comply with local standards if these are stricter, as is the case in Great Britain, the Netherlands, or Switzerland.

Edmond de Rothschild Asset Management (France) shall also vote against the resolution if these indemnities are not based on criteria of performance and length of tenure, which would be conditional to the payment of the golden parachutes.

D- EXECUTIVE STOCK OPTION PLANS

Executive shareholding is viewed positively as long as the stock option plan meets criteria based on performance, size, dilution, price, and exercising period and is controlled by a competent compensations committee. Edmond de Rothschild Asset Management (France) shall vote against the proposal to award stock options to executives if:

- ▶ The issuance is not subject to performance criteria,
- ▶ The request exceeds 2% of the capital,
- ▶ Total profit-sharing (to employees and executives) voted for a given year is higher than 7% of the capital,
- ▶ Once issued, the total potential dilution suggests that a number of options and performance share plans in circulation held by executives/employees is higher than 10% ,
- ▶ A discount from the market price is authorized,
- ▶ An executive manager is member of the compensations committee or in the event that there is no compensations committee (unless the entire Board of Directors fulfills this role).
- ▶ The vesting period is under 3 years or not expressly mentioned. The length of the vesting period provides a distinction between short-term bonus and long-term variable compensation.



Edmond de Rothschild Asset Management (France) shall also take into account the concentration of such plans, insofar as this information is available. A stock option plan which only involves a handful of senior management executives could be refused.

E- THE ALLOCATION OF FREE OR PERFORMANCE SHARES TO EXECUTIVES

The allocation of free shares – considered to be particularly dilutive – is subject to relatively strict criteria. Edmond de Rothschild (France) shall vote against proposals to award free shares to executives if:

- ▶ The issue is not subject to performance criteria,
- ▶ The total amount issued in free shares exceeds 1% of the capital,
- ▶ Total profit-sharing instruments (awarded to employees and executives) voted for a given year exceeds 7% of the capital,
- ▶ Once issued, the total potential dilution suggests that a number of options and performance share plans in circulation held by executives/employees is higher than 10% ,
- ▶ An executive manager is member of the compensations committee or in the event that there is no compensations committee (unless the entire Board of Directors fulfills this role).
- ▶ The vesting period is under 3 years or not expressly mentioned. The length of the vesting period provides a distinction between short-term bonus and long-term variable compensation.

F- ALLOCATION OF FREE SHARES TO EMPLOYEES

The allocation of free shares to salaried employees, considered to be particularly dilutive yet providing an instrument for profit-sharing, is not subject to performance criteria. Edmond de Rothschild Asset Management (France) shall vote against the proposal to award stock options to employees if:

- ▶ The total amount issued in free shares exceeds 1% of the capital,
- ▶ Total profit-sharing instruments (awarded to employees and executives) voted for a given year exceeds 7% of the capital,
- ▶ Once issued, the total potential dilution suggests that a number of options and performance share plans in circulation held by executives/employees is higher than 10% ,
- ▶ The free shares are awarded to an overly concentrated number of high ranking executives.

G- CAPITAL INCREASE THROUGH EMPLOYEE STOCK ISSUES

Employee stock issues must not dilute shareholders excessively. Edmond de Rothschild Asset Management (France) shall therefore be against capital increases if:

- ▶ the proposal involves more than 3% of the capital,
- ▶ total profit-sharing instruments (awarded to employees and executives) voted for a given year exceeds 7% of the capital,
- ▶ the issue price is more than 30% below market price
- ▶ the employees' stakes in the capital after the deal exceed 10%, including new issues.



VIII. CHANGES TO BY-LAWS

Normal changes to by-laws shall be assessed on a case-by-case basis by Edmond de Rothschild Asset Management (France). Similarly, whether or not an exceptional dividend should be paid out of shareholders' funds shall be reviewed for each company submitting it for a vote, on the basis of that company's financial situation and strategy.

Edmond de Rothschild Asset Management (France) defends the principles of shareholder equality and "one share, one vote". Resolutions on enhanced dividends (i.e., subject to holding company-registered shares for at least two years) or double voting rights shall therefore be systematically rejected.

However, paying out dividends in the form of shares shall be reviewed on a case-by-case basis, unless there is a cash-payment option.

The "supermajority vote" is a change in by-laws to set higher thresholds than a simple majority. Some resolutions have been presented along these lines in the US. Edmond de Rothschild Asset Management (France) considers that such changes are in violation of shareholder democracy and it shall vote against such resolutions.

However, shareholder democracy must not hinder management action, and nor is Edmond de Rothschild Asset Management (France) in favour of excessively low thresholds for calling extraordinary shareholder meetings.

French law provides that 5% of shareholders may call an extraordinary shareholder meeting.

In the United States, this threshold is determined by statute in a few states. Edmond de Rothschild Asset Management (France) has aligned its threshold with the percentage in use in the U.S. and has set them explicitly by law, i.e., 10%. Edmond de Rothschild Asset Management (France) shall therefore vote against any resolution setting a minimum shareholding above 10% to call an extraordinary shareholder meeting.

In the United Kingdom and the United States, some companies propose to set up "virtual" general meetings that do not require the physical presence of participants. This practice can lead to the deterioration of discussions between investors and the management of companies. For this reason, Edmond de Rothschild Asset Management (France) will vote against the proposals of "100% virtual" general meetings but will vote in favour of the proposals of "hybrid" general meetings, namely "virtual" and "physical", thus leaving the choice to the investor.

Edmond de Rothschild Asset Management (France) has chosen not to vote in favour of age limits for directors or managers, preferring to deal with this issue on a case-by-case basis.

Edmond de Rothschild Asset Management (France) reserves the right to vote against the renewal of the Governance Committee members if governance is considered too unfavorable vis-à-vis minority shareholders, particularly in relation to filing resolutions.

A- THRESHOLDS STATED IN THE BY-LAWS FOR REPORTING SHAREHOLDINGS

Companies may submit for shareholder approval changes in by-laws pertaining to the thresholds at which shareholdings must be reported. Edmond de Rothschild Asset Management (France) shall oppose any excessively low threshold that sets unjustifiable restrictions on shareholders.

Edmond de Rothschild Asset Management (France) shall vote against any proposal to lower this threshold below 1% of share capital.

B- FORMALITIES

Edmond de Rothschild Asset Management (France) shall vote for such resolutions after careful review ensures that no specific formality is unfavourable to shareholders, with the reason for rejection then being explained.



C- ANTI-TAKEOVER DEFENCES

Edmond de Rothschild Asset Management (France) does not believe it to be in minority shareholders' interests for a company to protect itself from takeover bids through heavily dilutive mechanisms. Edmond de Rothschild Asset Management (France) shall therefore vote against any type of anti-takeover defence.

IX. OPTIMUM MANAGEMENT OF ENVIRONMENTAL, SOCIAL AND STAKEHOLDER ISSUES

These themes are often raised in the report on sustainable development or the annual report, but are seldom taken up in management resolutions at shareholder meetings. However, they may be subject to shareholder resolutions.

Edmond de Rothschild Asset Management (France) analyses such resolutions with regard to principles set by its team of fund managers-analysts responsible for Socially Responsible Investment (SRI).

This voting policy details Edmond de Rothschild Asset Management (France)'s positions on shareholder proposals already submitted to shareholder meetings, mostly in the United States, where such practices are more common.

A- SOCIAL RESOLUTIONS

The following principles shall guide voting on all socially relevant resolutions:

- ▶ compliance with human rights and international labour standards;
- ▶ equal job opportunities;
- ▶ the fight against discrimination in any form (e.g., racial, gender, handicaps),
- ▶ healthcare and safety programmes,
- ▶ encouraging social progress in emerging economies where the company does business directly or indirectly.

Edmond de Rothschild Asset Management (France) shall therefore vote in favour of:

1. GREATER DIVERSITY AND TRANSPARENCY ON THE BOARDS OF DIRECTORS

The vote shall be in favour of shareholder resolutions calling on the company to act in favour of appointing women or minorities.

The vote shall be in favour of shareholder resolutions calling for the reporting of information to assess the level of diversity on the board of directors.

Similarly, the vote shall be in favour of resolutions calling for a charter for director appointments or for a change in an existing appointment charter to include provisions on diversity.

2. ENHANCED DISCLOSURES ON MEASURES TO PROMOTE EQUAL OPPORTUNITY

Resolutions shall be systematically supported that call on managers to disclose more information on measures taken in favour of diversity and on programmes in favour of equal opportunity or to enforce legal and regulatory provisions, to report on actions against discrimination and in favour of equal opportunity programmes.

Resolutions calling for a ban in discrimination in compensation, wages and services shall receive a favourable vote.



Shareholder resolutions calling for measures in the area of equal opportunity and against discrimination shall be supported.

3. GREATER DISCLOSURE ON THE APPLICATION OF RECOMMENDATIONS OF THE COMMISSION ON EMPLOYEE PROMOTIONS

Edmond de Rothschild Asset Management (France) shall support shareholder proposals calling on the company to report on its progress in enforcing the recommendations of the committee on discrimination regarding employee promotion.

It shall also support proposals to eliminate the “glass ceiling” (i.e., difficulties for women and minorities to be promoted beyond certain levels).

4. BANNING OF DISCRIMINATION BASED ON SEXUAL ORIENTATION OR SEXUAL IDENTITY

Edmond de Rothschild Asset Management (France) shall vote in favour of resolutions to include provisions expressly banning discrimination based on sexual orientation or sexual identity in its statements on equal job opportunities.

Edmond de Rothschild Asset Management (France) shall also vote in favour of shareholder proposals on reporting company initiatives to create a work place that is free of discrimination based on sexual orientation or sexual identity.

Regarding disclosure of information on factory closings, Edmond de Rothschild Asset Management (France) shall vote for shareholder proposals calling for enhanced disclosures on factory closing criteria if such information has not been supplied by the company.

B- ENVIRONMENTAL RESOLUTIONS

Regarding resolutions of an environmental nature, Edmond de Rothschild Asset Management (France) is in favour of better recognition of the environmental responsibility of companies and persons. Edmond de Rothschild Asset Management (France) shall therefore support resolutions in favour of reliable and detailed disclosures.

Edmond de Rothschild Asset Management (France) shall support shareholder resolutions calling for:

- ▶ enhanced reporting of environmental practices of the company and/or its environmental responsibilities and risks;
- ▶ reporting of information based on GRI (Global Reporting Initiative) principles;
- ▶ reporting of responsibilities in the area of climate change or the release of a special report on this subject;
- ▶ efforts to reduce greenhouse gas emissions;
- ▶ a clear response from the company to growing public pressures and regulatory requirements on climate change;
- ▶ specific disclosures on the use of renewable energies;
- ▶ the company to issue a feasibility report or a policy against mining, drilling or forestry in ecologically vulnerable areas;
- ▶ banning or reducing the sale of products based on materials extracted from ecologically vulnerable regions;
- ▶ reporting of the phasing out of chlorine bleaching of paper;
- ▶ reporting of procedures for reducing and preventing pollution and its effects on neighbouring populations;
- ▶ establishing a plan to reduce toxic emissions;
- ▶ reporting of initiatives in recycling;
- ▶ enhanced initiatives in recycling or the adoption of a formal policy on recycling;
- ▶ reporting of the company’s risks in the area of water use;
- ▶ reporting of the company’s procedures in the area of nuclear energy;



- ▶ transparency in exploiting shale gas;
- ▶ the company to issue a formalized policy related to climate change issues.

Edmond de Rothschild Asset Management (France) shall vote on a case-by-case basis on shareholder proposals to increase investments in sources of renewable energy.

Edmond de Rothschild Asset Management (France) shall vote against shareholder proposals calling for a stop in production of nuclear energy.

C- RESOLUTIONS PERTAINING TO STAKEHOLDERS

Edmond de Rothschild Asset Management (France) is in favour of setting codes of conduct and standards applicable to suppliers. With this in mind, Edmond de Rothschild Asset Management (France) shall support resolutions calling for:

- ▶ the respect of human rights and codes of conduct in labour practices;
- ▶ establishing and reporting of codes of conduct of the World Labour Organization, SA8000 standards, or Sullivan Principles recommending equality and non-discrimination;
- ▶ the adoption of principles or codes of conduct pertaining to the company's investment in countries where systematic violations of human rights are committed;
- ▶ checks of suppliers, licence-holders, franchises on compliance with the company's code of conduct;
- ▶ the publication of a code of conduct for suppliers, or compliance with standards and laws on the protection of wages, services, working conditions, freedom of association, and other employee rights;
- ▶ the adoption of standards applicable to suppliers or reporting of policies applied to suppliers, including information on incentives for suppliers to raise their standards rather than ending contracts, and for public disclosures on the basis of regular evaluations;
- ▶ the adoption of labour standards applicable to foreign and domestic suppliers to ensure that the company does not work with foreign suppliers that make use of forced labour or child labour or that do not comply with laws on the protection of wages or employee labour conditions.

Edmond de Rothschild Asset Management (France) also takes care to properly assess the risk of corruption and human rights violations incurred by companies in which mutual funds invest. Edmond de Rothschild Asset Management (France) shall therefore vote in favour of:

- ▶ shareholder proposals on adopting work standards in the case of activity in countries violating human rights;
- ▶ shareholder proposals on disclosures of operations in these countries and continued activity in these countries.

Edmond de Rothschild Asset Management (France) shall vote on a case-by-case basis on shareholder proposals calling for a withdrawal from these countries.

Edmond de Rothschild Asset Management (France) is mindful of the need to better understand the effects of business activities on native populations. Edmond de Rothschild Asset Management (France) shall vote in favour of resolutions calling for reporting of the company's impacts on native populations.

Edmond de Rothschild Asset Management (France) shall vote in favour of shareholder proposals calling for the reporting of its initiatives to enhance handgun safety. However, Edmond de Rothschild Asset Management (France) shall vote against shareholder proposals calling on the company to stop sales of handguns and accessories.



Edmond de Rothschild Asset Management (France) shall vote in favour of proposals to report on future production of landmines or on stopping such production.

Regarding sales of military hardware to foreign countries, Edmond de Rothschild Asset Management (France) shall vote for shareholder proposals calling for the reporting of sales of military hardware abroad or on offset agreements. It shall vote on a case-by-case basis on proposals to ban sales of military hardware to foreign countries.

Edmond de Rothschild Asset Management (France) shall vote for shareholder proposals to review or modify the company's codes of conduct and ethical criteria that it has set in the area of bidding, awarding and execution of military hardware procurements.

Regarding products containing genetically modified ingredients or the labelling of such products, Edmond de Rothschild Asset Management (France) shall vote:

- ▶ For shareholder proposals on labelling of products containing genetically modified products;
- ▶ Against shareholder proposals calling on the company to phase out the use of genetically modified ingredients in its products;
- ▶ For shareholder proposals calling on the company to disclose information on the use of genetically modified organisms in its products,
- ▶ For shareholder proposals calling for the reporting of the financial, legal and operational risks of using genetically modified organisms.

Regarding Edmond de Rothschild Asset Management (France)'s stance on tobacco, its vote shall be:

- ▶ For shareholder proposals on banning the sale of tobacco products to children,
- ▶ Against shareholder proposals calling on makers of tobacco product components (filters, adhesives, flavourings, paper products) to stop selling to tobacco-producing companies,
- ▶ For shareholder proposals calling on restaurants to adopt tobacco-free policies,
- ▶ For shareholder proposals on reporting the advertising practices of tobacco-producing companies,
- ▶ Against insurance company shareholder proposals to stop investing in tobacco-producing companies;
- ▶ For cigarette company shareholder proposals calling for a report on the potential risks and responsibilities involved in making such components;
- ▶ Against shareholder proposals calling on tobacco producing companies to cease production of tobacco products.

Regarding disclosure of lending practices in developing countries or debt forgiveness in less-advanced countries, Edmond de Rothschild Asset Management (France) shall vote:

- ▶ For shareholder proposals calling for disclosure of lending practices in developing countries, unless the company has demonstrated a clear and proactive policy in this area,
- ▶ Against shareholder proposals calling on banks to simply forgive loans,
- ▶ On a case-by-case basis on proposals to restructure and reschedule non-performing loans.

Regarding policies to set prices for pharmaceutical products, Edmond de Rothschild Asset Management (France) shall vote:

- ▶ For shareholder proposals on disclosing the prices set for pharmaceutical products,
- ▶ For shareholder proposals on adopting a formal policy on setting prices of pharmaceutical products,
- ▶ For shareholder proposals calling on the company to set a policy on supplying affordable pharmaceutical products for HIV, AIDS, tuberculosis and malaria in third-world countries,



- ▶ For shareholder proposals on disclosing the impact of pandemics on the company's commercial operations.

Regarding adult entertainment, Edmond de Rothschild Asset Management (France) shall vote:

- ▶ For shareholder proposals calling for a review of the company's involvement in pornography,
- ▶ For proposals calling for an assessment of policies on selling adult video games.

Regarding abortion or right-to-life issues, Edmond de Rothschild Asset Management (France) shall abstain from votes on shareholder proposals dealing with right-to-life issues.

Regarding animal rights, Edmond de Rothschild Asset Management (France) shall vote:

- ▶ For shareholder proposals on eliminating animal testing of products when there exist alternative testing methods or when such animal testing is not legally required,
- ▶ For shareholder proposals calling on the company to adopt standards within the company on animal protection and to report on this subject,
- ▶ For shareholder proposals calling on the company to report on the operating costs and responsibilities incurred in the sale of animals.

Regarding the reporting of factory closings, Edmond de Rothschild Asset Management (France) shall vote for shareholder proposals calling for greater disclosure of criteria used in closing factories if such information has not been provided by the company.

Regarding controls of donations to charitable works, Edmond de Rothschild Asset Management (France) will vote for these resolutions on the condition that donations do not exceed 1% of the net income and the company is fully transparent about beneficiary associations.

Regarding the reporting of land acquisitions, Edmond de Rothschild Asset Management (France) shall vote for shareholder proposals calling for the revision or modification of policies to acquire land that include social and environmental factors.

Regarding reporting of previous government activities, Edmond de Rothschild Asset Management (France) shall vote for shareholder proposals calling for the disclosure of company managers' previous government activities.

Regarding outsourcing, Edmond de Rothschild Asset Management (France) shall vote for shareholder proposals calling for reporting of risks involved in outsourcing and offshoring to foreign countries.

Regarding lobbying, Edmond de Rothschild Asset Management (France) shall vote for shareholder proposals calling on the company to review and disclose the manner in which it lobbies to contest scientific research or regulations.

Regarding the sale of products to repressive regimes, Edmond de Rothschild Asset Management (France) shall vote:

For shareholder proposals calling on the company to stop selling products to repressive regimes, that can be used to violate human rights,

For shareholder proposals on reporting of means taken by the company to reduce the likelihood that its products will be abused.

Regarding donations to political parties, Edmond de Rothschild Asset Management (France) shall vote:



- ▶ For shareholder proposals calling on greater transparency in company donations to political parties (in the United States),
- ▶ On a case-by-case basis on antisocial shareholder proposals calling for a revision of the company's donations to charitable works or the reporting of such donations.

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