

<b>VOTING POLICY</b> <b>General meetings of listed companies</b>
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This document presents the conditions under which we exercise the voting rights attached to the securities held in the managed collective investment schemes and the management mandates, when these have been delegated to us<sup>1</sup>.

Through our voting policy, we seek to enforce good company governance practices and thereby promote the long-term appreciation in value of our clients' investments.

We carry out our duties in complete independence of issuers and in the exclusive interest of our clients.

## I - EXERCISING OF VOTING RIGHTS

We exercise the voting rights of our clients:

- through an electronic platform (since 2 June 2008) and by correspondence for France; this is the rule
- by actual participation in meetings; this is the exception

The voting, instructions and analysis of the resolutions are coordinated by the management teams who decide on the voting, in observance of the principles stated in this document<sup>2</sup>.

The voting decision also takes account of the voting recommendations issued by the AFG (French Asset Management Association) within the context of its supervisory programme for corporate governance.

### Filing and archiving information

Our service provider allows us to meet the requirement of traceability imposed by the AMF (French Financial Markets Authority) regulations.

In this way, for each general meeting at which we vote, the following information is available:

- the number of shares held by collective investment schemes and by mandate on the date of the general meeting;
- the nature of the vote exercised by the manager (direct, by correspondence, telematic);
- the reply to the vote (yes, no, abstention; this is always an abstention in the event of a resolution presented at the meeting);
- the reasons for these votes, when they represent an abstention or a negative vote.

This information is available to our principals, shareholders, unit holders or investors in collective investment schemes following submission of their request to the registered office of Covéa Finance.

## II - PRINCIPLES TO WHICH COVÉA FINANCE REFERS FOR DETERMINING CASES IN WHICH THE VOTING RIGHTS WILL BE EXERCISED

### Voting perimeter at 2014 general meetings

For the 2014 financial year we have decided to vote at the meetings of our twenty largest positions in European Union companies, accumulated both in the portfolios of our collective investment schemes

<sup>1</sup> For the strategic participations of the principals, who are not the subject of the management mandate, the voting policy of Covéa Finance shall only apply at the request of the interested parties.

<sup>2</sup> The voting resolutions not covered by our voting policy shall be examined on a case by case basis.

### Covéa Finance

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Portfolio management company approved by the AMF under number 97-007

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and under our mandates on 31 December 2013, unless these securities had been sold on the date of the general meeting.

We only consider bearer securities.

We also make an effort to exercise our voting right in European listed companies which we accompany as a long-term approach.

### **Nature of management of the collective investment scheme**

Covéa Finance selects its securities through collegiate management on the basis of a macroeconomic and sector analysis. The nature of its management does not influence the exercising of its voting right.

### **Use of securities lending**

Covéa Finance may make use of securities lending.

## **III - PRINCIPLES TO WHICH THE PORTFOLIO MANAGEMENT COMPANY INTENDS TO REFER ON THE OCCASION OF EXERCISING THE VOTING RIGHTS**

### **Preliminaries**

Covéa Finance asks its managers to verify the following points:

### **Shareholding structure**

Nature of the shareholding structure and study of the alignment of interests between shareholders.

### **Annual report**

- Medium and long-term strategic orientation of the company;
- Medium-term debt policy of the company, including its off-balance sheet commitments;
- Medium-term dividend distribution policy of the company;
- Environmental and social policy of the company; Policy and transparency of remuneration of any kind of the company directors and of the members of the board.

### **Specialist committees**

Covéa Finance follows the recommendations of the AFG that there should be three committees (a higher number of committees could lead to a dilution and confusion of the directors' work) having the freedom to call and hear the employees of the company and with operating and attribution guidelines for each of them, included in the internal regulations of the board of directors or of the supervisory board.

The board of directors or the supervisory board must provide shareholders with all useful details concerning these committees, the frequency of their meetings and shall report on their activity.

#### **1. Audit committee**

One third of its members must be free of interests. The committee must include a member who is an expert on accounting and financial matters, excluding individuals exercising general management duties or who are employees of the company.

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Its duties shall be the monitoring of accounting and financial information, risk analysis and the supervision of internal control, the monitoring of the legal audit of the accounts and the examination of external audit work.

## 2. Selection committee

This shall be composed of at least three members of the board of directors or of the supervisory board, with one third of the members being free of interests.

The committee is responsible for making proposals with a view to the search for and appointment of the members of the board and of the company officers, as well as the planning of its renewal.

## 3. Remuneration committee

The chairman of the remuneration committee and the majority of its members shall be free of interests. The committee shall not include individuals carrying out the functions of CEO or employees.

It shall participate in drawing up a mechanism covering remuneration of any kind (fixed, variable, options, attributions of bonus shares, departure indemnities, retirement). It shall notably examine the remuneration of the company officers and of the executive committee.

## Voting strategy by major category of resolutions

### Resolutions relating to the Board of directors or the supervisory board

Before pronouncing on a resolution, Covéa Finance, with the aid of its service providers, considers the following points:

- the transparency of the work of the board assessed by:
  - the Chairman's report, informing the shareholders of the number of meetings of the board, the elements for assessing the attendance record of its members, its form of organisation, a detailed CV for the sitting board members and the members submitted for voting by the shareholders;
  - the existence of internal board regulations mentioning the principles of organisation and professional ethics;
- the resources provided to the board members: communication of all information useful for the exercising of their mandates prior to their meetings;
- whether or not company management and control functions are separated (separate chairman and CEO or not);
- the amount of annual attendance fees (whether or not indexed to participation in board meetings);
- the duration of the mandates; the asset management company is favourable to a maximum duration of mandates of four years;
- the average age of company representatives, in particular for the directors or members of the supervisory board carrying out executive functions (above or below 65);
- the list of mandates with a Group/non-Group distinction: no more than 5 from outside the Group (excluding SRI);
- the number of shares to be held on a statutory basis by a director or a member of the supervisory board and the number of shares actually held;
- the absence of discrimination;
- the existence of crossover directors (we are not in favour, except in the case of a strategic alliance located within a declared economic project).

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Covéa Finance shall ensure that the Company observes the following principles in appointing its members of the board of directors or the supervisory board:

- one third of the directors or members of the supervisory board shall be independent, i.e. free of commitments with regard to the company. In this way, the director or the member of the Independent supervisory board shall not:
  - be an employee, company officer who is a director of the company or of a company in its group, or have been one during the last five years;
  - be an employee or company officer who is a director of a key shareholder of the company or of a company in its group;
  - be an employee or company representative who is a director of a significant and habitual, commercial, banking or finance partner of the company or of the companies in its group;
  - have been an auditor of the company during the last five years;
  - have been a current member of the board of directors or of the supervisory board for more than twelve years.

The asset management company is favourable to the remuneration of the members of the board by attendance fees, the amount and changes to which shall be consistent with the capacity of the company. Their allocation shall be the object of particular vigilance.

#### **Bonus shares**

The asset management company wishes the company to provide precise data to shareholders in its annual report concerning all of the conditions which led to the granting of bonus shares during the last three years (performance criteria, % attribution).

The resolutions intended to authorise the attribution of bonus shares shall include and specify in detail the explicit performance criteria, on the basis of which the said shares shall be attributed, so that the shareholder can assess their dilutive potential.

These criteria may be mentioned in the resolution or in the documents made available to shareholders in preparation for the general meeting.

The asset management company is favourable to the separation of resolutions concerning attributions to representatives and to employees.

#### **Attribution of stock options or subscription or purchase warrants**

The asset management company is vigilant on the number and conditions under which stock options or subscription or purchase warrants are attributed to the executive members. In particular, they should not include a discount and the initial issuance conditions should not be modifiable.

The option plans shall specify the conditions for attributing these options. A mechanism should permit the observance of the rules of professional ethics and in particular:

- the cancellation of the options or warrants in the event of departure from the company;
- the absence of scope for subsequently modifying the initial conditions of attribution of the options;
- frequency of attribution of the options over the year;
- the possibility of exercising the options staggered over several years and contingent on the achievement of objectives;
- an attribution subject to the realisation of performance conditions over the long term.

These attribution plans should distinguish the attributions made to company representatives from those made to employees.

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### Limitations on the attribution of stock subscription or purchase options and bonus shares

The total amount of current plans across stock options and bonus shares should not exceed 10% of the share capital (this ceiling could be revised upwards for small cap companies).

The total number of beneficiaries of stock options or subscription or purchase options and bonus shares, as well as the number of beneficiaries who are directors should be mentioned in the company's annual report.

### Capital increase with or without a pre-emptive subscription right

Covéa Finance is opposed:

- to capital increases without a pre-emptive subscription right and without a mandatory priority deadline, which, when potentially accumulated, would represent more than 10% of the share capital and which, submitted to the vote of the general meeting, would not be formally explained and justified;
- to capital increases without a pre-emptive subscription right and with a mandatory priority deadline of a minimum of five days which, when potentially accumulated, would represent more than 20% of the share capital and which, submitted to the vote of the general meeting, would not be formally explained and justified;
- to capital increases with a pre-emptive subscription right which, when potentially accumulated, would represent more than 50% of the share capital which, submitted to the vote of the general meeting, would not be formally explained and justified.

### Statutory auditors

The appointment of a substitute statutory auditor associated with the statutory audit firm does not satisfy the spirit of the regulations, as the appointment of a substitute must protect the shareholders against a situation of sudden vacancy.

### Amendment of the articles of association

The asset management company is vigilant on the preservation of shareholder rights. Each resolution or decision entailing an amendment of the articles of association shall form the object of an examination on a case by case basis.

### Regulated agreements<sup>3</sup>

These are direct or indirect agreements between a company and its CEO, one of its deputy managing directors, one of its directors or one of its shareholders holding more than 5% of the voting rights which do not relate to current operations, concluded under normal conditions. It is hereby recalled that current operations are those carried out by the company within the context of its ordinary activity and which relate to acts of disposal drawn up under sufficiently normal conditions to resemble usual operations.

#### Field of application

<sup>3</sup> Articles L225-38 to L225-43 of the Commercial Code

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Sale, leasing, provision of services, granting of licences, loans, exceptional remuneration attributed to directors for missions, etc.

Covéa Finance asks managers to exercise particular vigilance for resolutions relating to this question, with good practice consisting of providing for a resolution by agreement.

**Dismemberment of shares – double voting right - priority dividend - shares without voting rights**

The asset management company does not favour any practices which obscure the transparency of the accounts and shall advise managers to vote against resolutions relating to any amendments to the articles of association regarding these points.

**Delegation of powers**

The asset management company is vigilant regarding all delegations of powers of the meeting to the board, in particular in cases of bond issues.

It recalls the possibility provided by French law in the PERBEN order (2004-604 of 24/06/04) of issuing shares representing up to 10% of the share capital per year without a pre-emptive subscription right.

**Directors**

**Their remuneration**

Particular vigilance is exercised for the remuneration policy within the company. It must be transparent, controlled and include financial and non-financial criteria defined and monitored by the remuneration committee.

The interests of the directors of the company must be aligned with those of the shareholders.

The total amount of remuneration of each director who is a company officer must be consistent and proportional to the capacity of the company and its evolution over the medium- and long-term.

If the transparency of information concerning the remuneration of the directors (remuneration policy of the company, criteria for evolution) is inadequate, the manager shall vote negatively.

This information shall be detailed in the resolutions and shall form the object of an information note in the annual report in a summary table of remuneration.

This table will provide a summary of all of the commitments regarding the remuneration due to directors who are company officers for the financial year, by comparing them with those of the two previous financial years and notably including three levels:

- short-term remuneration (salaries, etc.)
- medium and long-term remuneration (stock options, bonus shares)
- remuneration linked to departure (pension, supplementary pension, dismissal, resignation, etc.)

The departure indemnities likely to be paid to every director should not exceed an amount corresponding to twice the fixed and variable annual remuneration (excluding stock options and other types of remuneration). If the time of service of the directors is less than two years, the amount of the indemnity shall be set *pro rata* to the time of service.

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Covéa Finance is in favour of agreements on remuneration, indemnities or advantages likely to be due to a company officer who is a director when their duties cease or change forming the object of separate resolutions.

#### **Protective measures - anti-public purchase mechanisms (anti-takeover)**

In principle, Covéa Finance does not wish to authorise the repurchase of shares during a public offer period. Resolutions providing for a ceiling could nevertheless be accepted on a case by case basis, with the purchase price not permitted to exceed the average stock exchange price over the three months preceding the offer by more than 20%.

Covéa Finance does not wish the introduction of an anti-takeover device to be authorised by a general meeting prior to the submission of any public offer, or the repurchase of shares or equity warrants during a public offer period, as established by the French law of 31 March 2006. The holding of a general meeting during the period of a public offer shall allow shareholders to pronounce on a case by case basis.

#### **Opposition to resolutions entailing a blocked vote**

Covéa Finance is opposed to the practice consisting of grouping, in the same resolution, several decisions of the same nature, which should be submitted separately to the vote of the general meeting and, by way of example, relating to the renewal of the mandates of several directors or relating to remuneration or benefits in kind in favour of the directors.

#### **Procedures intended to reveal, prevent and manage situations of conflicts of interest**

The membership of an unlisted group of the portfolio management company and the absence of activity oriented towards issuers, are factors which limit the exposure of the asset management company to the risk of a conflict of interest.

Covéa Finance shall abstain from voting at meetings of listed companies, principally property companies, whose representatives hold a fraction of the share capital which they regard as strategic.

The votes exercised by way of the shares held in the portfolios managed by Covéa Finance within the context of discretionary management or dedicated management shall comply with the instructions of our clients, as appropriate, and may be distinguishable from the principles stipulated in this document.

Consequently, the votes may be distinguished according to whether the exercise of the voting right is attached to shares present in the portfolios of the mandates and/or of dedicated collective investment schemes or in the portfolios of other collective investment schemes.

In the event that a situation of conflict of interests is identified, the asset management company shall indicate this in its annual report on the exercise of the voting right.

#### **Particular case of the SRI range**

In particular, Covéa Finance reserves the right for its three Socially Responsible Investment funds (Covéa Horizon Durable, Covéa Actions Solidaires and Covéa ESPACE ISR) to examine every resolution, introduced either by the Board of Directors or by a grouping of shareholders, aiming to improve the transparency, governance, management of stakeholders (employees, the environment, etc.), or which does not seem to be compliant with the SRI principles governing these 3 funds. These resolutions shall

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be analysed on a case by case basis, with the manager remaining the judge of their relevance and appropriateness to the capacities and characteristics of the companies in question.

Difficulties may arise on implementation of these recommendations. Covéa shall nevertheless encourage its managers to make every effort to comply with these.

Covéa Finance shall revise its voting policy document on an annual basis.

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