



# VOTING REPORT

YEAR 2018

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**BNP PARIBAS**  
**ASSET MANAGEMENT**

L'asset manager  
d'un monde  
qui change

## 1. GOVERNANCE AND VOTING PRINCIPLES

BNP Paribas Asset Management (“BNPP AM”) believes that promoting good corporate governance practices is an essential part of its ownership responsibilities. Corporate governance refers to the system by which a corporation is directed and controlled. It relates to the functioning of the managing board, supervision and control mechanisms, their interrelationships and their relations with stakeholders. Good corporate governance creates a framework ensuring that a corporation is managed in the long-term interest of shareholders. BNPP AM, therefore, expects all corporations which we invest in to comply with the highest corporate governance standards.

Voting at the annual general meetings of shareholders is a key component of the ongoing engagement with the companies we invest in on behalf of our clients and forms an integral part of BNPP AM’s investment process. We are committed to ensuring<sup>1</sup> consistent exercise of voting rights associated with shares held in Undertakings for the Collective Investment of Transferable Securities (UCITS), Alternative Investment Funds (AIF), foreign investment funds and investment mandates, where proxy voting has been delegated to us.

BNPP AM has a “*Governance and voting policy*” document that explains what we expect of public companies and how we carry out our ownership responsibilities.

The policy outlines our key governance and voting principles, describes our proxy voting process, and sets guidelines that highlight, for each item, the best practices and the issues that may trigger an “oppose” or “abstain” vote.

We cast our votes on the basis of each company's specific circumstances.

The document is available on our website ([www.bnpparibas-am.com](http://www.bnpparibas-am.com)).

Moreover, on our website<sup>2</sup>, you will find all of our votes, classified by issuer and by resolution.

## 2. MAIN AMENDMENTS TO OUR VOTING POLICY IN 2018

Our policy and guidelines are reviewed annually in order to reflect the evolution of corporate governance codes and market practices. The main amendments to our policy for 2018 were:

- An abstention vote on the discharge or the re-election of directors if there is a lack of transparency on the company's carbon footprint;
- Details of our approach to engagement, with our escalation process;
- Introduction of the notion of the responsible dividend;
- Modification of our independence rule in Japan, with a requirement of 33% of independents, against 20% previously;

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<sup>1</sup> Taking into account technical and legal aspects.

<sup>2</sup> Details of our vote available here: <https://www.bnpparibas-am.com/fr/notre-approche-de-linvestissement-responsable/en-tant-quinvestisseur-responsable/proxy-voting#/MTc3MQ==/>

- A systematic consideration of the duration of the mandate for the qualification of independence in the world: Beyond 12 years, a director is no longer considered independent;
- Clarification of our compensation expectations.

### 3. VOTING SCOPE FOR 2018

In 2018, we voted on more than 400 UCITS<sup>3</sup> representing almost 56 billion euros of assets under management.

Our voting scope includes companies that have aggregated holding positions that meet at least one of the three following conditions:

- They represent 90% of accrued total of our stock positions;
- They make up 0.5% or more of the company market capitalisation;
- On ad hoc demand.

This voting scope represents nearly 36% of companies held in all our UCITS.

When choosing which shares to exercise our voting rights upon, the decisions made aim to both concentrate our efforts on positions held in a large proportion of our assets under management, and to participate in the shareholders' meetings of companies in which our collective investment schemes hold a significant part share of in their capital.

### 4. VOTING STATISTICS FOR 2018

#### 4.1 GEOGRAPHIC BREAKDOWN

Within our scope, we voted at **1,464 general meetings**, with Europe and North America representing slightly more than 72% of those votes.

	Number of meetings voted	Geographic breakdown
<b>Europe</b>	618	<b>42.2%</b>
<b>North America</b>	438	<b>29.9%</b>
<b>Japan</b>	126	<b>8.6%</b>
<b>Others</b>	282	<b>19.3%</b>
<b>Total</b>	<b>1,464</b>	<b>100%</b>

<sup>3</sup> Undertakings for Collective Investment

## 4.2 VOTING RESULTS

Within our voting scope, out of 1,464 general meetings voted:

- At 369 general meetings we voted in favour of all items.
- At 1,095 general meetings (**i.e. 74.8%**) we voted against or abstain for at least one item.

On 19,107 resolutions voted, 18,603 resolutions were submitted by companies and 504 by shareholders.

Among the resolutions submitted by companies (excluding shareholder proposals):

- We voted in favour of 14,536 resolutions (78.1% of our vote).
- On the other hand, we voted abstain on 750 items, and voted against on 3,317 items (21.9% of our vote in 2018, compared to 20.4% in 2017).

Geographic zone	Total	Europe	North America	Japan	Others
<b>Resolutions voted</b>	<b>18,603</b>	<b>9,608</b>	<b>4,635</b>	<b>1,584</b>	<b>2,776</b>
<b>Vote for</b>	<b>14,536</b>	<b>7,718</b>	<b>3,788</b>	<b>971</b>	<b>2,059</b>
<b>Vote against</b>	<b>3,317</b>	<b>1,523</b>	<b>665</b>	<b>584</b>	<b>545</b>
<b>Vote abstain</b>	<b>750</b>	<b>367</b>	<b>182</b>	<b>29</b>	<b>172</b>
<b>Percentage of abstain or against</b>	<b>21.9%</b>	<b>19.7%</b>	<b>18.3%</b>	<b>38.7%</b>	<b>25.8%</b>

In **Europe**, the opposition mainly concerns the resolutions related to financial operations and those related to executives' compensation.

Our level of opposition has increased in **North America** due to remuneration issues.

Our level of opposition is higher in **Japan** due to the weakness of the corporate governance through the extremely low level of independence of the board of directors, although some improvements were observed.

## 5. AGAINST AND ABSTAIN VOTES ACCORDING TO THE TYPE OF RESOLUTION

### 5.1 MANAGEMENT PROPOSALS

The table below outlines percentages of votes “against” or “abstention” per category.

	Resolutions voted	Vote for	Vote against or abstain	Percentage of opposition
<b>Executive compensation</b>	2,049	1,033	1,016	<b>49.6%</b>
<b>Financial operations</b>	1,879	1,097	782	<b>41.6%</b>
<b>Board election</b>	9,833	7,862	1,971	<b>20.0%</b>
<b>Other resolutions<sup>4</sup></b>	4,842	4,544	298	<b>6.2%</b>
<b>Total</b>	<b>18,603</b>	<b>14,536</b>	<b>4,067</b>	<b>21.9%</b>

Our opposition is mainly concentrated on 3 topics: executive compensation, financial operations and board election.

#### 5.1.1 EXECUTIVE COMPENSATION

It is a vote mainly on stock-options, restricted stock plans or severance payments and also “say on pay” compensation policies:

- Either there is a lack of transparency on the compensation policy (volume, nature of the performance criteria, targets...).
- Or the compensation practices are not in line with stakeholders interests with excessive or disproportionate amounts linked to the company’s performances.
- Or a pay for failure approach is in place with non-challenging performance criteria.
- Or finally, compensation is not oriented toward long-term performances.

<sup>4</sup> Approval of accounts, appointment and remuneration of auditors, mergers and acquisitions, anti-takeover measures ...

### 5.1.2. FINANCIAL OPERATIONS

It is mainly about share capital increase:

- Either the global volume is considered too important when all the authorisations exceed 50% of the share capital.
- Or it is a share capital authorisation without pre-emptive rights and without a specific object that leads to an excessive dilution for current shareholders (more than 5% of share capital or 20% with a specific purpose).

We also vote systematically against any anti-takeover devices.

### 5.1.3 BOARD ELECTION

It is mainly around board elections with weak corporate governance and issues regarding the balance of power:

- Either a non-independent director when there is a lack of independence of the board (less than 50% for non-controlled companies, less than 33% for controlled companies).
- Or directors with limited availability.

## 5.2 SHAREHOLDERS PROPOSALS

### 5.2.1 SHAREHOLDERS PROPOSALS VOTED

On shareholder resolutions, our level of opposition is also significant but with a different focus.

Shareholder proposals are mainly concentrated in North America and are usually not supported by the management. Therefore, a vote in favour of the proposal is a vote against the management recommendation. We have voted in favour of shareholders' proposals when the item was in line with the long term interests of the company and was coherent given the practices of the company. However, we abstained when the proposal was not coherent for the company in question or if it was already applied in practice.

The vote in favour of shareholders' proposals increased in comparison to 2017 (68.5% in 2018, 64% in 2017) with a strong support for climate change proposals (around 95%).

	Resolutions voted	Vote against	Vote abstain	Vote for	Percentage of vote for
<b>Shareholders proposals</b>	504	92	67	345	<b>68.5%</b>

### 5.2.2 FILLING SHAREHOLDERS PROPOSALS

In 2017, we **co-filed one shareholder resolution** with other shareholders in the framework of the “Aiming for A” initiative in Exxon Mobil.

The resolution sought deeper disclosure on five issues of climate change risk: ongoing operational emissions management, asset portfolio resilience to post-2035 scenarios, low carbon energy R&D and investment strategies, strategic KPIs and executive incentives, public policy interventions.

In 2016, a similar resolution was approved by 38%. In 2017, the proposed resolution was approved by 62% of shareholders.

In 2019 we will again be co-submitting a shareholder proposal to the Exxon Mobil General Meeting requesting disclosure of the company's carbon emissions targets with a view to compliance with the Paris Agreement limiting temperature rise to 2 degrees.

## 6. COMPANY DIALOGUE AND PROMOTION OF MORE ENVIRONMENTAL AND SOCIAL DISCLOSURE

### 6.1 DIALOGUE WITH ISSUERS

Engagement with issuers aims to enhance the long-term value of our shareholdings and foster corporate governance best practices, social responsibility and environmental stewardship.

We can engage in dialogue with companies on our own initiative or at the request of the issuer, and we concentrate on our principal holdings.

The goal of our engagement is to:

- Communicate our voting policy to promote good corporate governance and to prepare the next general meeting of the issuer.
- Obtain additional information on voting proposals.
- Express our concerns about specific resolutions when they go against our voting policy.

**In 2018, we had 182 interactions engaging a dialogue with 119 companies**, an important increase compared to 2017 (109).

### 6.2 EVALUATION OF OUR DIALOGUE

We consider the engagement is successful when:

- The company withdraws the proposal.

- We change our vote in favour of the proposal after a modification of the resolution from the issuer, or after obtaining additional information.

In 2018, we had 32 successful engagements (27% of the engagements). This proportion is similar to last year's.

Some examples of successful engagements have been:

- Change or communication of the performance criteria that will be used for stock-options and restricted share plan.
- Set-up of a long-term plan for executive compensation with performance conditions measured over 3 years.

However, we consider that the evaluation of the dialogue should not be limited to our votes:

- A dialogue before receiving the agenda of the general meeting can lead issuers to align their resolution to our voting policy.
- Some companies modify their practices the following years.

### 6.3 THE COMMITMENT OF ACCESS TO INDEPENDENT DIRECTORS

One of the roles of the board of directors is to supervise the management team. It must be composed of a majority of independent directors who increasingly have a presence in specific committees (audit, compensation, appointment), in line with our voting policy.

In the absence of an independent chairman, and to maintain checks and balances, there should be an independent senior director. To serve as an effective counterweight, this director must have specific powers, including the ability to speak directly to investors.

We added this opportunity to interact with an independent director in our best voting policy practices. We are in talks with companies to get it set up.

Access to the board of directors is a well-established practice in some countries, such as the United Kingdom, and is beginning to spread throughout continental Europe. It is recommended by the governance codes in Germany and France, for example.

The opportunity of meeting directors is consistent with their accountability to the shareholders who appointed them. Access to board members by investors, in particular for BNPP AM, can be a chance to raise concerns about certain topics.

**In 2018, we had direct engagements with the independent directors of 16 companies: Cap Gemini, BBVA, Philips, Veolia Environnement, Orange, Rexel, Deutsche Boerse, Bayer AG, Schneider Electric, Banco Santander, GEA, Valeo, Prysmian, CRH, Unilever NV and Danone.**



## 6.4 EXAMPLE OF AN ENGAGEMENT WITH ALSTOM

In 2018, the company made significant improvements in several areas of its governance. Part of it was conditional on the completion of the project planned with Siemens Mobility which was refused by the European Commission<sup>5</sup>.

The company also developed these practices and its transparency around other governance issues, regardless of the project with Siemens Mobility.

This involves, in particular, greater transparency in terms of

- the individual attendance of directors;
- the achievement rate of the financial criteria applied for the short-term bonus;
- clarification concerning the absence of a possibility of being awarded an exceptional bonus in the remuneration policy;
- clarification on the loss of unacquired long-term awards (not yet vested) in the event of a voluntary departure and the pro-rata application of such awards in the event of a dismissal.

The company has also improved its practices by providing for a vesting period of at least three years for these long-term awards, contrary to its previous practice. Performance conditions are now also assessed over a three-year period.

All these positive developments comply with our voting policy.

## 6.5 PROMOTION OF MORE ENVIRONMENTAL AND SOCIAL DISCLOSURE

BNPP AM believes that promoting good corporate governance standards and encouraging businesses to improve social and environmental practices is an essential part of its ownership responsibilities. Good environmental, social and governance (ESG) practices provide an excellent framework to ensure that a company is managed in the best long-term interest of stakeholders.

In accordance with our voting policy, we abstained on resolutions concerning the approval of financial statements or discharge when:

- The company did not provide sufficient information on environmental and social issues, or its CO<sub>2</sub> emissions, or
- The company is deemed to be at risk of breaching one or more principles of the Global Compact.<sup>6</sup>

In 2018, we voted abstain on 16 cases.

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<sup>5</sup> The abolition of double voting rights, the absence of anti-takeover measures or the separation of the functions of MD and Chairman

<sup>6</sup> The 10 principles of the United Nations Global Compact are available on the website:

<https://www.unglobalcompact.org/what-is-gc/mission/principles>

## 6.6 OTHER ASPECTS OF SHAREHOLDER ENGAGEMENT

Other actions complement our dialogue with issuers to improve practices:

- Membership and active participation in the work of the "Corporate Governance" Committee of the French Management Association (AFG), the investment committee of Eumedion (the Netherlands) and the working group dedicated to ESG investments (LeaderXXchange).
- Membership and active participation of the International Corporate Governance Network (ICGN) and of the "Shareholder rights" committee.
- Participation in conferences and debates on corporate governance subjects.
- Ongoing dialogue with the proxy advisors in order to improve and update their voting guidelines.
- Indirect dialogue with issuers through "proxy solicitors."
- Physical attendance at 15 general meetings in 2018 (all French companies).
- Other forms of engagement in the framework of the responsible investment policy (including the United Nation Global Compact principles and BNP Paribas sectoral policies).

## 6.7 FOCUS – SOLIDARITY INVESTMENTS

Through its solidarity funds, mainly distributed as part of employee saving schemes, BNP Paribas Asset Management invests and supports non-profit organisations and small companies with a strong social impact in France. At the end of 2018, there were 25 such entities supported, for a total of € 96 million.

[Link to the solidarity brochure](#)

As committed investors, we want to fully support our solidarity partners. To do this, several actions have been carried out:

- Active shareholders: 12 of our partners benefit from equity investment. As shareholders, we vote each year at general meetings. Upstream, resolutions are analysed and a discussion with the company is carried out if necessary. In addition, we are elected members of two supervisory boards.
- Oversight: to control our risk but also to provide advice to our solidarity partners, we perform annual oversight of investees, with at least one face-to-face meeting with the management and a site visit every two years. At this review, financial issues are discussed, as well as governance and oversight of social impact.
- Transparency: to report to saver-investors, we publish a half-yearly social performance report that includes, among other things, an exhaustive list of solidarity partners and aggregated and personalised indicators of social impact.

[Link to the social performance report](#)

**Key figures for 2018**

- GM voted on: 11
- Of which by physical presence: 8
- Member of the Supervisory Board: 2
- Meeting with the management: 25

## 7. LIST OF ENGAGEMENTS IN 2018 AROUND VOTING AND GOVERNANCE

Produced by	Country
Accor	France
Adidas	Germany
Aéroports de Paris ADP	France
Ahold Delhaize NV	Belgium
AIB Group plc	United Kingdom
Air Liquide	France
Airbus	The Netherlands
Alstom	France
Alten	France
Altran	France
ArcelorMittal	Luxembourg
Arkema	France
Assicurazioni Generali	Italy
Atos	France
Axa	France
Banco Santander	Spain
Bayer AG	Germany
BBVA	Spain
BMW	Germany
BNP Paribas	France
Bouygues	France
Cap Gemini	France
Carrefour	France
Clinigen Group Plc	United Kingdom
Compagnie Plastic Omnium	France
Crédit Agricole SA	France
CRH	Ireland
CyberArk Software Ltd.	Israel
Danone	France
Dassault Systemes	France
Deutsche Bank	Germany
Deutsche Boerse	Germany
Dia	Spain
DSM	The Netherlands
Edenred	France
Eiffage	France
Eli Lilly	United States
Elior	France
Enagas	Spain
Engie	France
ENI SpA	Italy

Produced by	Country
Essilor Luxottica	France
Eutelsat Communications	France
Faurecia	France
Fnac Darty	France
Foncière des Régions	France
Freenet AG	Germany
Fresenius Medical Care AG & Co KGaA	Germany
Fresenius SE & Co KGaA	Germany
GEA	Germany
Gecina	France
Gerresheimer AG	Germany
Hermes International	France
Hibernia REIT	Ireland
Hispania Activos Inmobiliarios SOCIMI SA	Spain
Iberdrola	Spain
Icade	France
ING	The Netherlands
Ingenico	France
Inmarsat	United Kingdom
Intesa San Paolo	Italy
Irish Continental Group	Ireland
Kering	France
Kingspan	Ireland
Klepierre	France
Korian	France
Lagardère	France
LAR Espana	Spain
LEG Immobilien AG	Germany
Legrand	France
Logitech International SA	Switzerland
L'Oréal	France
LVMH	France
Mercialys	France
Merlin Properties	Spain
Michelin	France
Monsanto	United States
National Express Group	United Kingdom
Natixis	France
Nexans	France
OPAP	Greece
Orange	France

Produced by	Country
Peugeot	France
Philips	The Netherlands
Prismian S.p.A.	Italy
Publicis	France
Red Electrica	Spain
Renault	France
Repsol	Spain
Rexel	France
RWE	Germany
Safestore Holdings plc	United Kingdom
Saint Gobain	France
Sanofi	France
SAP	Germany
Schneider	France
Scor	France
Shire Plc	United Kingdom
Siemens	Germany
Sika	Switzerland
Smiths Group Plc	United Kingdom
Société Générale	France
Sodexo	France
Solvay	Belgium
Standard Chartered	United Kingdom
STMicroelectronics	The Netherlands
Telefonica	Spain
Teleperformance	France
Terna SpA	Italy
Thales	France
Total	France
Total Produce	Ireland
Unibail Rodamco	France
Unicredit	Italy
Unilever NV	The Netherlands
Valeo	France
Veolia Environnement	France
Vinci	France
Vivendi	France
Worldline	France
Xior Student Housing	Belgium

## 8. STATISTICS OF THE MANAGEMENT COMPANY BNPP AM FRANCE

### 8.1 GEOGRAPHIC BREAKDOWN

Within the Management Company BNPP AM France, we voted at **538 general meetings** with votes taking place mainly in Europe and North America, representing slightly more than 97% of our overall votes.

	Number of meetings voted	Geographic breakdown
Europe	427	79.4%
North America	94	17.5%
Japan	4	0.7%
Others	13	2.4%
<b>Total</b>	<b>538</b>	<b>100%</b>

### 8.2 VOTING RESULTS

Under our voting scope, out of 538 general meetings voted,

- At 118 general meetings we voted in favour of all items.
- At 420 general meetings (i.e. **78.1%**), we voted against or abstain for at least one item.

Out of 7,888 voted resolutions, 7,734 resolutions were submitted by companies and 154 by shareholders.

- we supported 80% of resolutions.
- we abstained on 4% of the resolutions, and voted against 16% of the resolutions, or 20% of our vote in 2018.

### 8.3 OTHER POINTS

#### Cases where the portfolio management company considered that it could not comply with the principles set out in its "voting policy" document

We have identified no conflicts caused by the principles of our voting policy.

#### Conflicts of interest that the portfolio management company has been required to handle when exercising the voting rights attached to securities held by the AIFs that it manages.

We have encountered no conflict of interest during this financial year.