



VOTING REPORT

YEAR 2019

Pursuant to Chapter 3 of the provisions of the UCITS code of conduct and individualised management subject to a mandate, and the provisions of the AMF General Regulation, we hereby report on how we carried out our voting rights on behalf our clients, including detailed statistics on the votes we cast in 2019.

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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 best 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 the framework ensuring that a corporation is managed in the long-term interest of shareholders. Therefore BNPP AM expects all corporations in which we invest to comply with the highest corporate governance standards.

Voting at annual general meetings is a key component of the ongoing engagement with companies in which we invest on behalf of our clients and forms an integral part of BNPP AM’s investment process. We are committed to ensuring¹ 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.

Our “*Governance and voting policy*” 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, best practices and issues that may trigger an “oppose” or “abstain” vote.

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

This document is available on our website (www.bnpparibas-am.com).

Moreover, all of our votes are published by voter and by resolution on our website².

¹ Taking into account technical and legal aspects.

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

2. MAIN AMENDMENTS TO OUR VOTING POLICY IN 2019

Our policy and guidelines are reviewed annually in order to reflect the evolution of corporate governance codes and market practices, and the incorporation of components related to our Global Sustainability Strategy (GSS), in terms of engagement as well as voting policy;

The main amendments to our policy for 2019 were:

- Introduction of rules regarding gender diversity at the board level: vote against the entire board in the absence of any female board member;
- Reinforcement of our commitment to good governance by opposing Chief Executive Officers also serving as Chair. We accept combined roles in very limited circumstances: Where the combined role is temporary (less than 2 years) and for family-controlled companies where the Chair/CEO is independent from the controlling family;
- Application of a higher standard for board election in North America by requiring 2/3 board independence and full independence of key committees; and
- Alignment of the voting policy on compensation in North America with the European approach, especially by systematically opposing time-based shares in CEO long-term incentive plans.

3. VOTING SCOPE FOR 2019

In 2019, we voted on more than 400 UCITS³ representing almost 51 billion euros of assets under management.

Our voting scope is comprised of companies for which aggregated holding positions meet at least one of the three following conditions:

- They represent 90% of the accrued total of our stock positions;
- They make up 0.1% or more of the company market capitalisation; or
- Ad-hoc demand.

This voting scope represents nearly 45%⁴ of companies held in all our UCITS.

Our selection process for the shares for which we exercise voting rights aims to concentrate our efforts on positions that are widely held across our assets under management, and to participate in shareholder meetings of companies in which our collective investment schemes hold a significant portion of the capital.

³ Undertakings for Collective Investment

⁴ 1 758 general meetings voted out of 3 920 possible

4. VOTING STATISTICS FOR 2019

4.1 GEOGRAPHIC BREAKDOWN

Within our voting scope, we voted at **1,758 general meetings**, primarily in Europe and North America which represented more than 72% of our votes.

	Number of meetings voted	Geographic breakdown
Europe	827	47.0%
North America	450	25.6%
Japan	121	6.9%
Others	360	20.5%
Total	1 758	100 %

4.2 VOTING RESULTS

Out of 1,758 general meetings:

- At 350 general meetings, we voted in favour of all items
- At 1 408 general meetings (**80%**), we voted against or abstained on at least one item.

Of 22 454 resolutions voted, 21 940 resolutions were submitted by companies and 514 by shareholders.

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

- We voted in favour of 72.2% of management resolutions (15 851 resolutions)
- We voted in opposition to 27.8% of management proposals (We abstained on 820 items, and voted against 5 269 items).

Our rate of opposition to management proposals increased from 21.9% in 2018 to 27.8%. This sharp increase in our opposition rate was primarily due to the following factors:

- The implementation of systematic opposition to boards of directors with no female directors; and
- In North America, our level of opposition increased due to the application of a higher independence standard for the board and key committees and due to the strengthening of our policy on executive remuneration.

Geographic zone	Total	Europe	North America	Japan	Other
Management Resolutions voted	21 940	11 919	4 893	1 491	3 637
Vote for	15 851	9 422	3 094	774	2 561
Vote against	5 269	2 040	1 747	658	824
Vote abstain	820	457	52	59	252
Total Opposition Rate (abstain or against)	27.8%	20.9%	36.8%	48.1%	29.6%

5. AGAINST AND ABSTAIN VOTES BY RESOLUTION TYPE

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
Executive compensation	2 438	1 036	1 402	57.5%
Financial operations	2 273	1 315	958	42.1%
Board election	11 268	7 955	3 313	29.4%
Other resolutions⁵	5 961	5 545	416	7.0%
Total	21 941	15 851	6 089	27.8%

Our opposition, excluding shareholder proposals which are analysed below - is mainly concentrated on 3 topics: executive compensation, financial operations and board elections.

⁵ Approval of accounts, appointment and remuneration of auditors, mergers and acquisitions, anti-takeover measures ...

5.1.1 EXECUTIVE COMPENSATION

Our opposition to executive compensation plans (e.g., stock-options, restricted stock plans, severance payments and “say on pay” proposals) falls into the following general categories:

- A lack of transparency on the compensation policy (volume, weight, nature of the performance criteria, targets, etc.);
- The compensation practices are not in line with stakeholders’ interests, with excessive or disproportionate amounts relative to the company’s performance;
- A “pay for failure” approach is in place, with non-challenging performance criteria; and/or
- Compensation is not oriented toward the long-term.

5.1.2. FINANCIAL OPERATIONS

We oppose management proposals regarding financial operations, which generally request a share capital increase, for the following reasons:

- The global volume is considered too significant (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 all anti-takeover devices.

5.1.3 BOARD ELECTION

Our votes in opposition to individual directors generally indicate our belief that there is weak corporate governance and an issue regarding the balance of power. Most votes against directors fall into the following categories:

- A non-independent director with insufficient overall board independence;
- Directors with poor attendance;
- The absence of female directors

5.2 SHAREHOLDER PROPOSALS

5.2.1 SHAREHOLDER PROPOSALS VOTED

Shareholder proposals are usually opposed by management. Therefore, a vote in favour of the proposal is a vote against management's recommendation. We have voted in favour of shareholder proposals when they were in line with the long-term interests of the company and requested action that was warranted given the practices of the company. However, we abstained when the proposal was not appropriate for the company or if the request was already applied in practice.

Our rate of support for shareholders' proposals increased compared to 2018 (74.1% in 2019 vs. 68.5% in 2018) with strong support for climate change proposals (90.5%).

	Resolutions voted	Vote against	Vote abstain	Vote for	Percentage of vote for
Shareholder proposals (Global)	514	94	39	381	74.1%

5.2.2 FILING SHAREHOLDER PROPOSALS

In 2019, we co-filed a shareholder resolution with other shareholders of Exxon Mobil. The resolution sought disclosure of the company's short, medium and long-term greenhouse gas targets aligned with the reduction goals established by the Paris Agreement, limiting temperatures to well below 2 degrees Celsius.

The resolution was not proposed at the general meeting, as the Securities and Exchange Commission (SEC) granted the company's request to exclude the proposal from its proxy statement. We signed a letter to the SEC to express our dissatisfaction with this decision, in concert with other shareholders managing \$9.5 trillion in assets. We then voted against the full board in order to express our concerns to the company over its strategy on climate change, and remain in dialogue with Exxon Mobil as part of the Climate Action 100+ (CA100+) collaborative engagement.

In September 2019, we helped draft and were lead signatory on a letter to all US CA100+ companies expressing our expectations that companies align their lobbying activities with the goal of the Paris Agreement. We followed this action by submitting a new shareholder proposal for 2020 on corporate climate lobbying to Exxon Mobil, Chevron, Delta Airlines and United Airlines. The SEC again agreed with Exxon's request to exclude our proposal from its proxy statement. The proposal will go to a vote at the other three companies.

6. COMPANY DIALOGUE AND PROMOTION OF ENVIRONMENTAL AND SOCIAL DISCLOSURE

6.1 DIALOGUE WITH ISSUERS

Engagement with issuers aims at enhancing the long-term value of our shareholdings and at fostering corporate governance best practices, social responsibility and environmental stewardship.

During proxy season, we engage in dialogue with companies either on our own initiative or at the request of the issuer, and we generally concentrate on our largest holdings.

The goal of these engagements is:

- To communicate our voting policy to promote good corporate governance and to prepare for the next general meeting of the issuer;
- To obtain additional information on individual voting proposals; and
- To express our concerns about specific resolutions that contradict our voting policy.

During the 2019 proxy season, we had 201 interactions with 123 companies, a slight increase compared to 2018 (119).

6.2 EVALUATION OF OUR DIALOGUES

We consider an engagement to be successful if:

- The company withdraws the proposal we are opposing; or
- We change our vote in favour of the proposal after a modification of the resolution from the issuer, or where we obtain additional information.

In 2019, we had 39 successful engagements (31.7% of the engagements), an increase over our 27% success rate in 2018.

Some examples of successful engagements:

- Obtaining the commitment to have at least once a year a board meeting without the presence of board executive members.
- Providing clear, transparent and comprehensive remuneration packages which are linked to appropriate criteria and linked to company's strategy and long-term performance

However, a potential modification of our voting decision is not the only criterion for success:

- A dialogue before the general meeting can lead issuers to align the content of the resolutions to our voting policy;
- Some companies modify their practices the following years and are not necessary counting on the statistics of successful engagement.

In addition to these engagements link to the proxy season, we also maintain a programme of long-term dialogue with issuers all year round, focused on a wide variety of environmental, social and governance themes. We report on these each year in our annual sustainability report.

6.3 THE COMMITMENT OF ACCESS TO INDEPENDENT DIRECTORS

One of the most important roles of the board of directors is to supervise the management team. The board should be composed of a majority of independent directors who should also be present in specific committees such as audit, compensation or nominating.

We believe the Chair of the board should be independent. However, in the absence of an independent chair, companies should consider appointing a lead independent director in order to ensure the necessary checks and balances are in place. To serve as an effective counterweight, this director must have specific powers, including the ability to speak directly to investors.

Shareholder access to the board of directors is a well-established practice in some countries such as the United Kingdom. This good governance practice is beginning to spread throughout continental Europe and the governance codes of Germany and France, for example, explicitly recommend it.

Providing shareholders with the opportunity to meet board directors is consistent with their duty to be accountable to the shareholders who appointed them. For us, access to board members provides a chance to raise concerns over different subjects when needed.

Because it is good practice, we are engaging with companies to promote and expand the opportunity for shareholders to interact with independent directors.

In 2019, we had a direct engagement with an independent director in 33 companies: Air Liquide, Alstom, Applus, Banco Santander, Bayer, BBVA, BNP Paribas, Cap Gemini, Clinigen Group, Compagnie de Saint Gobain, CRH, Danone, Deutsche Boerse, Engie, Eni Spa, Faurecia, Fineco Bank, Fresenius Medical Care, Hibernia, ING, Inmarsat, Kering, Reckitt Benckiser, Rexel, RWE, Schneider Electric, Scor SE, Siemens, Sunrise Communication Group AG, Tele2, Valeo, Veolia Environnement and Vinci.

6.4 TWO EXAMPLES OF ENGAGEMENT SUCCESSES

- **Successful engagement regarding board composition: Cancom SE (Germany)**

This year Cancom SE proposed all 6 board members for renewal. According to BNPP AM's independence criteria, 4 of these candidates were considered non-independent, resulting in an independence level of 33%, below our minimum threshold of 50% for non-controlled companies.

This situation would have brought us to vote against all non-independent board members as our voting policy dictates. We signaled our concern to the company. Two weeks before their annual general meeting, they replaced two candidates who we considered to be non-independent with two independent members, bringing the board's independence rate to 67%. This amended proposal was in line with our threshold, and we voted for all proposed (re)elections.

- **Successful engagement regarding executive compensation: Enel SpA (Italy)**

In its long-term incentive plan, Enel applied a relative TSR performance criterion, which allowed the grant of some awards below median level. We believe that executive compensation plans should be aligned with the long-term performance of the company and we seek to avoid any "pay-for-failure" plans.

In 2018, the company had already proposed to significantly increase the base salary and long-term plan awards without any satisfactory explanation. We considered that this situation was a regression compared to the previous features of the policy, while the issue of potential payment below median remained for the long-term plan. For these reasons, we voted against both the remuneration policy and the proposed long-term plan.

After discussing the issue with the company, Enel proposed a new remuneration policy for 2019, with several improvements on the performance criteria, excluding any pay below median level. As such, we decided to vote in favour of the compensation policy as well as the proposed long-term plan which is now aligned with our policy.

6.5 PROMOTION OF 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 have abstained on resolutions concerning the approval of financial statements or discharge where:

- The company had not providing sufficient information on environmental and social issues, or on its CO2 emissions, or

- The company is deemed to be at risk of breaching one or more principles of the Global Compact.⁶

In 2019, we opposed 61 resolutions at 16 companies for these reasons, a substantial increase compared to 2018 (16 resolutions at 12 companies).

6.6 OTHER ASPECTS OF SHAREHOLDER ENGAGEMENT

Other actions are complementary to our dialogue with issuers to improve practices:

- We are actively engaged in investor networks focused on establishing strong corporate governance across markets. We are members of the “Shareholder rights” and “GNIA” (Global Network of Investor Associations) committees of the International Corporate Governance Network (ICGN).
- In Europe, our head of Corporate Governance chairs the "Corporate Governance" Committee of the French Asset Management Association (AFG) and we participate in the investment committee of Eumedion and in LeaderXXchange’s dedicated ESG working group. In 2019, we also participate to the committee in charge of updating the proxy advisors code (Best Practice Principles (BPP) Stakeholder Advisory Panel).
- In the United States, we joined the Council of Institutional Investors (CII), and our Head of Stewardship for the Americas was appointed to CII’s Corporate Governance Advisory Committee for 2020, and is a member of the 2020 Harvard Institutional Investor Forum Advisory Council.
- In the Asia Pacific region, we are members of the Asian Corporate Governance Association (ACGA), and our Head of Stewardship for Asia Pacific is a member ACGA’s working groups for Japan and China.

⁶ The 10 principles of the United Nations Global Compact are available at: <https://www.unglobalcompact.org/what-is-gc/mission/principles>

6.7 FOCUS – SOLIDARITY INVESTMENTS

Through its solidarity funds, mainly distributed in the framework of employee saving schemes, BNP Paribas Asset Management invests and supports non-profit organisations and small enterprises with a strong social impact in France. At the end of 2019, 27 entities had been supported, for a total amount of € 120 million.

[Link to the solidarity brochure](#)

We are committed to fully support our partners in our solidarity funds. Our support includes the following actions:

- Being active shareholders: We invest through equity positions on 13. As shareholders, we vote each year at general meetings of those partners. Resolutions are analysed and a discussion with the company is carried out if necessary, and we have been elected to serve as members of 3 supervisory boards.
- Overseeing and monitoring investees: part of our role includes overseeing and monitoring closely the social businesses we invest in. We meet at least once a year face-to-face with management and make an on-site visit every two years. During our annual review, financial, governance and social issues are discussed in-detail.
- Reporting and transparency: we publish a report on social performance twice a year which includes social businesses' performance against a list of customised indicators as well as a complete list of solidarity partners t.

[Link to the social performance report](#)

Key figures for 2019

- GM voted on: 12
- Of which by physical presence: 9
- Member of the Supervisory Board: 3
- Meeting with the management: 27

7. LIST OF COMMITMENTS IN 2019 CONCERNING VOTING AND GOVERNANCE

Produced by	Country
ABN Amro Bank NV	Netherlands
Accor	France
ACS	Spain
Adidas	Germany
Aéroports de Paris SA	France
Air Liquide	France
Airbus	France
Alstom	France
Alstria Office REIT AG	Germany
Alten	France
Apache Corp.	USA
Applus Services SA	Spain
ArcelorMittal	Netherlands
Arkema	France
Atos SE	France
Axa	France
Banco Santander	Spain
Bayer	Germany
BBVA	Spain
BNP Paribas	France
BOUYGUES	France
Britvic	UK
CANCON SE	Germany
Cap Gemini	France
Carrefour	France
Cerved Group SpA	Italy
Clinigen Group Plc	UK
Compagnie de Saint Gobain	France
Covivio	France
Crédit Agricole	France
CRH	Ireland
CyberArk Software Ltd.	France
Danone	France
Dassault Systemes	France
Deutsche Boerse	Germany
Dexus	Australia
Edenred	France
Eiffage	France
Enel Spa	Spain
Engie	France
Eni Spa	France
EssilorLuxottica	France

Produced by	Country
Faurecia	France
Fineco Bank	France
Fnac Darty	France
Fresenius Medical Care	Germany
Fresenius SE	France
Gecina	France
Gerresheimer AG	Germany
Getlink	France
Groupe PSA	France
Hibernia REIT	Ireland
Iberdrola	Spain
ING	Netherlands
Ingenico	France
Inmarsat	UK
Kering	France
Kerry Logistics	Hong Kong
Kinepolis Group NV	Belgium
Kingspan	Ireland
Klepierre	France
Klovern AB	Sweden
Korian	France
Lagardere	France
Lanxess AG	France
Legrand	France
Logitech	Switzerland
L'Oréal	France
LVMH	France
Merlin Properties	Spain
Michelin	France
Micro Focus International	UK
Nexity	France
Norma Group	Germany
Orange	France
Pernod Ricard	France
Pfizer	USA
Philips	Netherlands
Compagnie de Plastic Omnium	France
Prysmian	Italy
Publicis	France
Reckitt Benckiser	UK
Recticel SA	Belgium
Renault	France

Produced by	Country
Repsol	Spain
Rexel	France
Royal Ahold Delhaize NV	Netherlands
RWE	Germany
S&T AG	Germany
Safestore	UK
SAFRAN	France
Salini Impregilo SpA	Italy
Sanofi	France
SAP SE	Germany
Schneider Electric	France
Scor SE	France
SEB	France
Siemens	Germany
Siemens Gamesa	Spain
Societe Generale	France
Sodexo	France
Standard Chartered	UK
STMICROELECTRONICS	Netherlands
Suez	France
Sunrise Communications Group AG	Switzerland
TD Bank	Canada
TECHNIPFMC	UK
Tele2	Sweden
Telefonica	Spain
Teleperformance	France
TEPCO	Japan
Terna	Italy
Thales	France
The Travelers Companies, Inc	USA
Total	France
Total Produce	Ireland
Unibail-Rodamco-Westfield	France
Unicredit	Italy
Valeo	France
Veolia Environnement	France
Vinci	France
Vivendi	France
Xior Student Housing NV	Belgium

8. STATISTICS OF THE MANAGEMENT COMPANY BNPP AM FRANCE

8.1 GEOGRAPHIC BREAKDOWN

Within the Management Company BNPP-AM France, we voted at **645⁷ general meetings** with a vote mainly in Europe and North America which represented slightly more than 93% of our overall votes.

	Number of meetings voted	Geographic breakdown
Europe	519	80,5%
North America	82	12,7%
Japan	33	5,1%
Others	11	1,7%
Total	645	100 %

8.2 VOTING RESULTS

Within our voting scope, out of 645 general meetings voted,

- We voted in favour of all items at 114 general meetings; and
- At 531 general meetings (i.e. **82.3%**) we voted against or abstained on at least one item.

Of 9 281 resolutions voted, 9 064 resolutions were submitted by companies and 217 by shareholders:

- We supported 76.2% of management resolutions; and
- We opposed 23.4% of the resolutions (abstained on 3.8% of the resolutions and voted against 19.6%).

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 with 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.

⁷ 645 general meetings voted out of 1 011.