Proxy Voting

From Corporate Governance to Proxy Voting

CANDRIAM INVESTORS GROUP
A NEW YORK LIFE COMPANY

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1. INTRODUCTION

As a responsible investor[1], Candriam (Candriam) pays particular attention to the corporate governance policies, structures and practices of the companies in which it invests on behalf of its customers and the funds under management. Candriam is convinced that sound corporate governance practices deliver long-term shareholder value.

> "Corporate Governance" can be defined as "the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the Board, managers, shareholders and other stakeholders and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company's objectives are set and the means of attaining those objectives and monitoring performance" [2].

This policy outlines the high standards of corporate governance set for investee companies. Candriam recognizes that there are no "one-size-fits-all" arrangements and that the policy is meant to be flexible. This is the reason why Candriam's voting decisions take into account market specificities Corporate governance standards can vary from a market to another. For instance, the level of disclosure is greater in mature markets than in emerging markets. Therefore if this policy displays general rules, exceptions exist. Candriam also take Into consideration market capitalization and ownership structure, legal systems, local corporate governance codes and, finally, company explanations (on a comply-or-explain basis). The policy's ultimate goal is to safeguard the interests of all Candriam clients and funds under management and foster shareholder value.

2. BASIC PRINCIPLES OF CANDRIAM'S PROXY VOTING POLICY

Candriam assesses each resolution listed in the AGM agenda. Candriam will abstain from voting or will vote "Against" in cases where it has reservations about the governance of the company in question, the resolution mooted contravenes shareholders' interests, the same resolution is unclear or there is not enough information available. Before voting, Candriam does its utmost to ensure that it has at its disposal the information it needs to justify its decision. While taking into consideration the voting recommendations of one or more advisers, Candriam has the final say in the votes it exercises.

Candriam takes care to ensure that the exercise of its voting rights complies with the objectives and investment policy of the funds that holds the securities to which the voting rights are linked.

To avoid all possible conflicts of interest, Candriam takes care to prevent and manage any conflicts of interest arising from the exercise of the voting rights.

Candriam's active voting policy is regularly examined by the "Proxy Voting" Committee, which can, if need be, change or clarify it. The Committee also takes the necessary steps to implement voting policy.

The following principles are the cornerstones of Candriam's Proxy Voting Policy.

[1] Candriam is a signatory of the UN Principles for Responsible Investment (UN PRI).

[2] OECD Principles of Corporate Governance, 2004.

2.1. The rights of shareholders

Companies' corporate governance structure and practices should protect shareholders' rights.

Basic shareholder rights include the right to:

- Trade shares;
- Participate and vote at general meetings;
- Elect members of the Board;
- Share fairly the distributable profits of the company;
- Elect the auditors.

Shareholders also have the right to express their position by voting on proposals concerning fundamental changes to the company such as:

- Amendments to the Articles of Association, in particular share capital increases or other changes to the share capital structure of the company;
- The approval of extraordinary transactions significantly affecting the mission and the capital structure of the company.

2.2. The equal treatment of shareholders

The equal treatment of shareholders is one of the basic tenets of sound corporate governance. All shareholders of the same class should be treated equally.

- In principle, and in accordance with the "one share-one vote" principle, all shareholders should have the same voting rights.
- Processes and procedures for general meetings of shareholders should allow for equal treatment of all shareholders. Company procedures should not make it unduly difficult or expensive to cast votes.

2.3. The accountability of the Board

Board members should act on a fully informed basis and in the interests of the sustainable medium- and long-term interests of all the shareholders. The accountability and structure of the Board of directors influences the way in which a company is directed and controlled, and the Board should consider assigning a sufficient proportion of independent directors to the Board.

2.4. Transparency and integrity of financial statements

Accurate and transparent financial information is a pre-requisite for the efficient functioning of the capital markets. Information should be independently audited to the highest standards. Disclosure of information regarding the company's financial situation and performance, ownership and governance should be timely, accurate and transparent. An annual audit should be performed by an independent auditor for the benefit of the shareholders.

3. THE EFFICIENT GOVERNANCE OF COMPANIES

The efficient governance of companies implies, amongst other things, a well-functioning Board, sound remuneration practices, rigorous and independent audit procedures and the optimal and fair use of share capital.

3.1. Dividends

Allocation of the result, dividend proposal

The dividend policy must be justified. The company's profit distribution rationale must strike a balance between shareholders' dividend expectations and the financial needs of the company with respect to sustainable medium- and long-term development.

3.2. Board of directors

The composition of the Board of directors, its independence and competence all have a significant impact on other governance issues and, consequently, on the value of the company.

The role of the Board of directors is, *inter alia*, "to review and guide corporate strategy, major plans of action, risk policy, annual budgets and business plans; set performance objectives; monitor implementation and corporate performance; and oversee major capital expenditures, acquisitions and divestures"[3]. The Board of directors provides leadership, works towards companies' long-term prosperity and shareholder value; it sets the company's values and standards and establishes a framework for the effective assessment of risks and opportunities. It should also ensure compliance with the applicable legislation.

Board members should act on a fully informed basis, in good faith, with due diligence and care. They should act in the best interests of the sustainable medium- and long-term growth of the business and consequently, the interests of the shareholders (the owners of the company).

An efficient Board of directors will comprise individuals with a diverse mix of experience and competencies. Its members should have both analytical and strategic skills. The Board, and particularly non-executive directors, should exercise objective judgment on corporate affairs. Independent non-executive Board members should be capable of exercising objective judgment, particularly where there is a potential conflict of interest.

Separation of Chairman/CEO

There should be a clear separation of the roles of Chairman of the Board and CEO in order to ensure a balance of power at the helm of the company. The two roles are different and should not be held by the same individual. The Chairman presides over Board meetings, sets the agenda, ensures that timely and relevant information is provided to other Board members, controls the flow of information, focuses on shareholder interests. The CEO, on the other hand, manages the company on a day-to-day basis.

These roles can be combined in exceptional circumstances but only on a temporary basis.

[3] OECD Principles of Corporate Governance, 2004.

CEO becoming chairman

Candriam does not oppose a CEO becoming Chairman (after a cooling-off period of two years, except in exceptional circumstances) but will strive to ensure that there are safeguards in place to give room for manoeuvre to the new CEO.

Lead Independent Director

The Lead Independent Director (LID) is the reference point for the coordination and contributions of the independent directors. Amongst other, the LID serves as liaison between the chairman and the independent directors and has the authority to convene and preside meetings of independent directors-only meetings. Candriam believes that the presence of the LID is beneficial to the efficient functioning of the board.

Structure of the Board

The role of non-executive directors is to constructively challenge management strategy and decisions and to monitor management performance. Non-executive directors bring an external perspective to company affairs and raise issues that might not have been brought up by management. The Board of directors should consist of a sufficient proportion of independent non-executive directors: we consider that Boards should be, *at least*, one-third independent. Candriam's assessment of independence is based on the links between a non-executive director and the company, links (private or professional) which could possibly affect the exercise of independent judgment.

Candriam does not believe that a "connected" or non-independent director is, *per se*, detrimental to a company's Board or overall corporate governance and pays attention to the structure of the Board as a whole.

For Candriam, "A director is independent if they have no relationships with the company, the group or its management that could impair their judgment and/or create a conflict of interest. The independent director challenges management strategy and expresses their opinion in the best interests of all the shareholders."

Consequently, a non-executive director will not be considered independent by Candriam if they:

- have been an employee or a manager of the company or group during the previous three years;
- have or have had, during the previous three years, a material business relationship with the company either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the company;
- have close family ties with any of the company's advisors, directors or senior employees;
- hold cross-directorships;
- represent a significant shareholder;
- have served on the Board for more than three mandates;
- have received or are receiving additional remuneration from the company other than a director's fee;
- are not considered independent by the company.

Competence of the Board

The structure of the Board and its independence are, albeit important, not an end in themselves. Candriam believes that the competence and the expertise of candidates for the Board and current Board members are also crucial and should be scrutinized. Mere biographical details do not suffice; as a general rule, shareholders should be provided with a detailed report of the skills and competences of Board members. Track records and past performance will be taken into account when electing or re-electing Board members[4].

[4] Candriam will take into consideration the difference of disclosure standards from market to market.

Personal development and appraisals

The company should provide an induction programme for new Board members which should provide, amongst other things, an overview of the company's business and structures, and of its financial dynamics, specificities and risks. In addition, directors' needs should be regularly reviewed and training offered to Board members on an ongoing basis.

The performance of individual Board members should be appraised annually by the Nominations committee.

Board size

Boards should be neither so small that they lack the necessary expertise or breadth of experience and independence required, nor so large that, through their excessive size, they become inefficient and incapable of taking decisions. Board requirements and needs will vary from company to company but Candriam believes that Boards should comprise a maximum of 15 members.

Time commitments

Companies should ensure that Board members can devote sufficient time to their duties and responsibilities and review time commitments regularly. Time commitments vary from maket to market (overboarding of directors is a common negative feature in some emerging markets) but Candriam generally considers that individuals should not hold more than five positions at listed companies (and no more than three in the case of the Chairman and the CEO).

Separate meetings for independent non-executive directors

In order to fulfill their role and responsibilities (challenging management strategy, scrutinizing its performance, succession planning, ensuring accuracy of the financial information), independent non-executive directors should be able to meet without the executive directors being present.

Board sub-committees

Companies should establish separate Nomination, Audit and Remuneration committees with disclosed terms of reference to advise the Board (a collegial body). They should comprise a majority of independent directors and no executive directors (the latter may attend, but only at the invitation of the committees). Committees should meet regularly and attendance should be disclosed. They should be entitled to seek external professional advice.

The Nomination committee should ensure that performance appraisals are carried out, propose new directors to the Board as well as key nominations (members of the management Board, members of the executive committee and executive directors who are not Board members), regularly review succession planning (to ensure smooth transitions and the long-term success of the business) and ensure that the Board is fitted with the right mix of competence, expertise and skills.

The Remuneration committee's main role is to ensure that executive directors' pay is aligned with corporate performance and shareholders' long-term interests. At least one member of the committee should have sufficient expertise in the field of remuneration. Remuneration of key individuals such as the members of the management Board, members of the executive committee and executive directors who are not Board members should also be dealt with by the Remuneration committee.

The Audit committee has a number of important responsibilities which include: assessing and querying the financial reporting issues raised during the drafting of the financial statements; ensuring the accuracy and integrity of the latter; reviewing the company's internal financial controls and risk management systems and procedures; selecting the external auditor; considering the re-appointment, resignation or termination of the external auditor; drafting a policy for the provision of non-audit services; and reviewing the whistle-blowing procedures.

Discharge given to directors

Board members must act on a fully informed basis, in good faith and with due diligence and care. They must act in the best interests of the sustainable medium- and long-term growth of the company and in the best interests of the shareholders. The Board must also ensure compliance with the applicable legislation.

Appointment or renewal of Board members

One of the most important voting decisions for shareholders concerns the election of the directors. Candidates must be assessed individually on their skills, independence (in the case of non-executive directors) and competence. Companies should describe the expertise and experience that the individual brings to the Board.

A resolution for the appointment or renewal of members of the Board will be approved, in principle, provided:

- The appointment maintains the balanced structure of the Board;
- Sufficient biographical information is available;
- The resolution deals with the appointment of an individual and not a group of individuals;
- The term of office does not exceed four years.

Unless exceptional cases, an appointment must be made on the basis of a proposal from the Nomination committee to the Board of directors. Co-opting is frowned upon.

3.3. Remuneration of Board members, members of the Executive Committee and top managers

Remuneration is an important corporate governance issue because its structure has an impact on long-term performance. It also sets out the values of a company and abuses or perceived abuses pose reputation risk. Candriam believes that companies need to be able to attract and retain high-calibre individuals and motivate executives. However, an adequate remuneration package level/structure should be set up to prevent unnecessary risk-taking.

Candriam's compensation policy is based on the pay-for-performance principle. A balance should be struck between performance and risk-taking.

Candriam is a strong advocate of the say-on-pay principle. Shareholders must have the right to express their opinion on executive remuneration.

Disclosure and transparency

Directors' remuneration should be clearly set out and allow for year-on-year comparisons. Remuneration is not restricted to salary, bonus, share options and restricted stock, but also includes pensions, termination payments, perks and other types of cash award and incentive. Shareholders should have a clear view of remuneration levels and a good understanding of the total packages paid to members of the Board. Nevertheless, it is important to recall that disclosure standards regarding remuneration can significantly vary depending on the regions. The following principles represent Candriam's view of Best Practice.

Remuneration should comprise a fixed and a variable element (for executives). Remuneration levels should be in line with national and sector standards. Variable remuneration should reward performance and relevant performance criteria should be attached to incentives. Performance should be compared against a disclosed peer group benchmark. The remuneration of the CEO should be set out separately.

Any significant change in the remuneration structure and/or levels should be explained.

The remuneration policy should be implemented by the Remuneration committee. Levels of remuneration elsewhere in the

company as well as the company's financial situation should also be taken into consideration. No executive director should be able to set their own remuneration.

Basic salary

Basic salaries should be in line with market and industry levels. The rationale behind any significant increase in salary should be clearly explained.

Performance criteria

Stringent performance criteria form a key part of the remuneration report as they enable a better assessment of the variable remuneration scheme.

The performance criteria must be quantifiable, measurable and sufficiently challenging.

Short-term incentives

Maximum potential awards should be disclosed, as should performance targets. Any increase in the maximum potential awards should be justified. Candriam welcomes the introduction of share awards as part of the range of short-term incentives.

Long-term incentives

Maximum potential awards should be disclosed and any increase in them justified. Long-term incentives should be linked to performance conditions, the choice of which should be clearly justified. A relevant comparison group should be used. Appropriate vesting scales should be established to reward superior performance. Candriam also welcomes the use of quantifiable, objective and non-financial performance targets, in addition to financial targets. The rationale behind the choice of the performance criteria should be made clear (for both long- and short-term schemes).

Stock Option Plans

Candriam analyses the stock option plans by calculating the stock dilution associated with their issue.

Pension arrangements

Contributions to the pension plan or equivalent are an integral part of executive remuneration. The structure and operation of the pension plan should be consistent with the pension plan for all members of staff. Contributions to the pension plan should be based solely on the fixed remuneration of the executives. If the contributions to the pension plan are calculated on a different basis, the reasons should be disclosed and justified.

Excessiveness

Total remuneration amounts and their potential excessiveness will depend, for instance, on the company's financial situation and the sector in which it operates. Candriam pays particular attention to significant increases in salary, bonus equity-based awards and one-off payments that are not directly linked to performance.

Recruitment incentives

Candriam understands the need for corporations to attract high-quality executives but will pay particular attention to recruitment incentive payments or "golden hellos". This kind of award undermines the justification of long-term schemes which encourage executives to achieve long-term performance targets; their generalisation, however, might be counter-productive. In addition, such upfront payments run counter to the pay-for-performance philosophy enshrined in Candriam's policy.

Other non-performance-related cash awards

These non-performance-related cash awards include: relocation awards, school fees and ex gratia payments and will be carefully scrutinised.

Termination provisions

Whilst Candriam can understand the rationale for such provisions, it will ensure that such payments are not excessive (one-year salary). We consider that the inclusion of other parts of the remuneration will depend on the circumstances of the individual's eventual departure and the remuneration policy.

Compensation recovery policies

Candriam welcomes the introduction of compensation recovery ("claw-back") policies, which enable companies to recoup, *a posteriori*, all or part of the incentive-based remuneration in the case of restatements, for instance, or if an executive commits an act detrimental to the company.

Non-executive remuneration

The fees paid to non-executive directors should be disclosed. What is expected from them has increased in recent years and they should receive a fee commensurate with their time commitment and responsibilities. They should not participate in stock options and restricted stock, bonus or pension plans as this may create improper incentives.

3.4. Audit and financial reporting

The efficient operating of the capital markets depends, to a great extent, on the accuracy of, and confidence in, the financial statements. In this regard, one of the most important duties of the directors is to ensure that the annual report and other publications provide a true and fair view of the company's financial situation.

Accurate financial disclosure

Financial statements should be drafted, audited and disclosed to high-quality standards of accounting. An annual audit should be conducted by an independent auditor to provide external and objective assurance on the way in which the financial statements are drafted and presented. Channels for disseminating information should afford users fair, timely and cost-effective access to relevant information.

Company reports and accounts must contain the following elements:

- a determination of the perimeter covered;
- a description of the organisation, including a definition of the management bodies, and the company's field of operation;
- a clear description of its strategy and prospects;
- a report on the management of the human resources;
- the statutory financial information, including the company's off-balance-sheet situation; information on any current court actions and an overview of the risks facing the company;
- the aspects of internal audit;
- a description of the company's stakeholder-management policy, together with any corporate, environmental and social risks and opportunities.

The statutory financial information must be accessible, coherent and provide a true and fair view of the company's financial situation.

Any refusal to approve the management report and/or the accounts can be justified only if the statutory auditors express reservations or refuse to certify the accounts after discovering, for instance, serious irregularities.

Independence of the audit process

External auditors carry out a rigorous and objective statutory audit for the benefit of shareholders. The auditors must be independent from the management of the company and should not provide services that could jeopardise their independence. Threats to independence include advocacy threats, familiarity threats and self-interest threats.

Candriam welcomes the election of external auditors unless:

- The fees charged for services other than audits exceed the audit fees. Candriam applies this rule 1 :1 as the fees charged for an advisory mission could jeopardize the independence of the audit;
- There has been a change of auditor during the fiscal year without any reasonable explanation;
- The auditors can be considered affiliated to the company;
- Fees charged for services other than auditing and the audit fees themselves are not published separately;
- The auditing company's name is unknown at the time of the election;
- The rotation principle has not been respected.

Statutory audit fees should be linked to group structure and turnover. The amount earmarked for auditor remuneration (for the statutory audit, consultancy services or other services, including fiscal advice) should be clearly set out.

The Audit committee should regularly assess the objectivity and independence of the auditor and clearly set out the company's policy (in terms of prohibitions, restrictions, procedures, rotation of auditor and audit partners) and safeguards with regard to the auditor's independence. The policy for the provision of non-audit services should be clearly disclosed.

The auditor should be appointed or re-appointed by the general meeting of shareholders. On independence grounds, the auditing companies are subject to the principle of rotation (any given auditing company cannot render service to the same company for more than 6 years). In addition, the auditors ought to be elected for a reasonable period of time: the election of the auditing company for a period of less than a year is not to be supported.

Should the original statutory auditor be replaced, the reasons behind the change should be clearly explained.

Internal audit

The Audit committee should ensure that an efficient internal control system is in place to assess the effectiveness and efficiency of operations, the reliability of financial reporting, as well as compliance with all applicable laws and risk management systems. The internal auditor should be in regular contact with the Chairman and the Audit committee, which should receive periodic reports on the results of the audit. The efficiency of the internal control process should be regularly reviewed by the Audit committee.

3.5. Share capital

The decision to increase the share capital through the issue of new shares or other financial instruments such as warrants, convertible bonds and options should be taken at the Annual General Meeting. The authorities sought should not exceed two years. However, if the authorization slightly exceeds the forecast lifetime of 24 months (e.g., 26 months), Candriam will vote in favor of this resolution.

Issue of shares with pre-emptive rights

Any planned increase should attribute subscription rights to existing shareholders. Candriam attaches importance to existing shareholders' pre-emption rights in order to avoid the unnecessary dilution of value and control. Share capital increase with pre-emptive rights should be limited to 50% of the issued share capital. The reason for any superior authority should be justified and explained by the company. The authority sought should not exceed two years. However, if the authorization slightly exceeds the forecast lifetime of 24 months (e.g., 26 months), Candriam will vote in favour of this resolution.

Issue of shares without pre-emptive rights

A degree of flexibility for company financing and any "pre-emptive rights" can be waived in exceptional circumstances or if the company explains the rationale for the issue without pre-emptive rights. These should be limited to 20% of the existing issued share capital and a valid reason given. The authority sought should not exceed two years. However, if the authorization slightly exceeds the forecast lifetime of 24 months (e.g., 26 months), Candriam will vote in favour of this resolution.

Share repurchases

Share repurchases are usually regulated by law or by the listing rules. They can be used to distribute surplus cash efficiently, to enable the Board of directors to indicate a severe under-valuation of the share on the market, to optimize the company's capital structure or to compensate for the dilution of capital associated with the issue of stock options or shareholding plans for company members of staff. Candriam will approve share repurchase provided that:

- There is no repurchase of own shares during periods of result announcement;
- There is no repurchase of own shares on the market, at market close;
- Information relating to the reason for the transaction is given ex-ante and ex-post;
- There are no "own-share" buybacks for trading reasons. Nonetheless, Candriam will issue a positive voting recommendation if the "own-share" buyback programme is entrusted to a third party (one that will thus guarantee the security's liquidity).

Control-enhancing mechanisms

Although Candriam understands the need for companies to stabilise their shareholder base, we are, in principle, opposed to control-enhancing mechanisms which create a discrepancy in the proportionality between ownership and control. Consequently, Candriam will recommend voting against any mechanism that might violate the principle of "one-share, one-vote" by (a) favouring any one shareholder or a specific group of shareholders or (b) by restricting their rights through the installation of mechanisms such as those listed below (list not exhaustive):

- Multiple voting shares: such shares can exist in the form of two different classes of share with either:
  - Equal par value or no par values but with different voting rights; or
  - In the form of shares with dissimilar par-values (and different market prices) and yet the same voting rights.
- Ownership ceilings: where the number of shares that a shareholder can own directly or indirectly, and thus vote, is restricted.
- Voting right ceilings: where a shareholder can hold any amount of shares but voting rights are capped, or progressively reduced, through a series of thresholds that curb the right to vote by requiring that a certain number of shares be aggregated in order to cast a vote.
- Priority shares: priority shares grant certain privileges to one or more shareholders. The holder of any such shares may have the possibility of appointing directors directly to a Board, casting multiple votes with one share or giving their consent to a director's appointment.
- Golden shares: golden share holders (typically a public sector entity) may be entitled to veto a particular resolution such as a merger, a foreign participation in the share capital and the appointment of Directors.

Anti-takeover provisions

Candriam does not consider the introduction of anti-takeover devices (or any existing anti-takeover devices) to be in the interests of the owners of the company, i.e., the shareholders. We will, in principle, vote against the introduction of such devices.

3.6. Other issues

Mergers & Acquisitions

Mergers and acquisitions are important corporate events that have a long-term impact on shareholder value. When voting for a merger or an acquisition, Candriam assesses whether the transaction creates value for the company and shareholders in the medium and long term and whether the proposed form of the transaction upholds the principle of equal treatment of shareholders.

Related-party transactions

Related-party transactions, that is, the rationale and terms of such transactions, should be fully disclosed and justified. Most related-party transactions (inter-company loans, guarantees from parent to foreign subsidiary) do not, in theory, raises serious governance concerns as long as they are executed in accordance with normal market terms. Particular attention will be paid when these involve major shareholders or directors.

Employee share schemes

Candriam welcomes the introduction of employee share schemes to encourage the alignment of employees' interests with those of shareholders.

Shareholder resolutions

Shareholder democracy is one of the basic tenets of corporate governance. Candriam considers the threshold of 3% of capital (or less) to launch a shareholder resolution to be appropriate.

Sustainability disclosure and CSR-related resolutions

Candriam is a signatory of the UN Principles for Responsible Investment initiative and believes that Environmental, Social and Governance (ESG) issues and their integration into companies' long-term strategy are of paramount importance.

In line with PRI Principles, Candriam seeks appropriate reporting on ESG issues by entities in which it invests. Companies should disclose their sustainability strategy/policy together with any key performance indicators.

Social, Environmental and Governance proposals

In analysing these proposals, Candriam will take into consideration the added-value for shareholders. Incrementing shareholder value is an important criteria while evaluating the proposals.

When Candriam votes on ESG resolutions, it takes into account the company's management (e.g., does it have efficient policies and management systems in place) and any explanations that answer investors' queries. Moreover, Candriam will also vote accordingly its SRI philosophy.

4. ANNUAL AND EXTRAORDINARY GENERAL MEETINGS

Shareholders need sufficient time to assess the agenda of a General Meeting in order to be able to vote in the best informed way as possible. In addition, voting procedures should be made as flexible, efficient and confidential as possible to facilitate proxy voting by both national and foreign shareholders.

Candriam considers that:

- The complete agenda of the General Meeting should be available at the latest 21 days before the meeting. The relevant information should be available on the company's website in the national language and (should that language not be English) in English;
- The resolutions should not be bundled;
- The voting procedures should be based on the principle of the record date: any measure that might make the exercise of voting rights subject to the blocking of shares during a certain period before the general meeting should be removed[5];
- The shareholders should have the opportunity to submit remote votes, by electronic means, by correspondence or via a proxy;
- The shareholders should be able to vote confidentially;
- The shareholders who have used electronic means must be kept informed of the manner in which their vote has been cast; the results of the meeting, furthermore, should be made public.

5. CANDRIAM PROXY VOTING COMMITTEE

The Proxy Voting Committee — the "guardian" of the policy — is responsible for its implementation. The committee assesses Candriam's voting decisions both *a priori* and *a posteriori.* This committee is also in charge of reviewing and adapting these guidelines to any new corporate governance developments.

The Proxy Voting Committee also decides to send letters to company chairmen whenever the rationale behind a controversial voting recommendation requires further explanation. The Committee strongly believes it can be useful for companies to better understand Candriam voting philosophy. This is a way to enter into dialogue with companies and promote Candriam's proxy voting principles.

The Committee is currently composed of seven members: five representatives of Candriam and two independent members, appointed for their corporate governance and business knowledge. The Committee meets monthly during the AGM season and holds *ad hoc* meetings.

[5] EU Directive 2007/36/EC of July 2007 on the exercise of certain rights of shareholders in listed companies.

6. PRINCIPLES TO WHICH CANDRIAM ADHERES IN ORDER TO DETERMINE THE SCOPE FOR THE EXERCISE OF VOTING RIGHTS

Selection of funds on whose behalf Candriam is going to cast a vote.

The proxy voting policy will be applied to “traditional funds” i.e., “equity funds”, “global balanced fund” and “sustainable funds” alike. The policy will also be applied to dedicated funds txtent that the underlying client has given his agreement to the application of Candriam’s proxy voting policy. It applies to funds under Belgian, Luxembourg and French law.

The following funds are excluded from the proxy voting activities:

- Alternative investment funds whose positions are subject to rapid change;
- Funds of funds;
- Traditional funds for which the Proxy Voting Committee believes that the Proxy Voting costs are too high with respect to the fund’s NAV.

Selection of stocks at whose AGM Candriam is going to vote.

Every year, in December, the scope of stocks for which votes will be cast in the course of the next financial year is defined.

Stock selection is determined by taking into account the following factors:

- stocks in the funds covered by the scope of the proxy voting;
- unwieldiness of the voting and recording procedures in the issuer’s country of origin;
- cost linked to exercising voting rights in a given country or for a given company;
- profits of the fund to which the voting rights have been assigned.

The scope is submitted to Candriam’s Executive Committee in order to be approved.

Identification and management of potential conflicts of interests linked proxy voting for US Clients.

In reviewing proxy issues to identify any potential material conflicts between Candriam’s interests and those of its US Clients, Candriam will consider:

- Whether Candriam has an economic incentive to vote in a manner that is not consistent with the best interests of its clients. For example, Candriam may have an economic incentive to vote in a manner that would please corporate management if Candriam were in the process of seeking a client relationship with a company and wanted that company’s corporate management to direct business to Candriam. Such business could include, among other things, managing company retirement plans or serving as sub-adviser for funds sponsored by the company;
- Whether there are any existing business or personal (including familial) relationships between a Candriam employee and the officers or directors of a company whose securities are held in client accounts that may create an incentive to vote in a manner that is not consistent with the best interests of its clients; or
- Whether the shareholder proposing a resolution on a proxy of a company whose securities are held in client accounts is also a client of Candriam.

- In the absence of established Guidelines (e.g., in instances where the Guidelines provide for a “case-by-case” review), Candriam may vote a proxy presenting a potential conflict of interest in any of the following manners:
- Refer Proposal to the Client – Candriam may refer the proposal to the client’s governing body (e.g., the Board of Directors of a US Registered Fund) and obtain instructions on how to vote the proxy relating to that proposal.
- Obtain Client Ratification – If Candriam is in a position to disclose the conflict to the client (i.e., such information is not confidential), Candriam may determine how it proposes to vote the proposal on which it has a conflict, fully disclose the nature of the conflict to the client, and obtain consent to how Candriam will vote on the proposal (or otherwise obtain instructions on how the proxy on the proposal should be voted).
- Use an Independent Third Party for All Proposals – Subject to any client imposed proxy voting policies, Candriam may vote all proposals in a proxy according to the policies of an independent third party (or have the third party vote such proxies).
- Use an Independent Third Party to Vote the Specific Proposals that Involve a Conflict – Subject to any client imposed proxy voting policies, Candriam may use an independent third party to recommend how the proxy for specific proposals that involve a conflict should be voted (or to have the third party vote such proxies).
- Abstain from voting

The method selected by Candriam to resolve the conflict may vary from one instance to another depending upon the facts and circumstances of the situation, but in each case, consistent with its duties to its clients.

7. INFORMATION FOR INVESTORS

Candriam’s voting policy can be consulted by investors on the Candriam website.

In addition, investors can request, free of charge, the detail of the measures taken to execute these strategies.