

Exercise of Voting Rights Report

2015



In compliance with Article 314-101 of the FMA’s General Regulations, Mirova has produced the “Report on Voting Rights” document, describing how it has exercised its voting rights as shareholder of the UCITS/ AIF1 it manages.

CONTENTS

- Foreword 3
- 1. 2015 Voting perimeter 5
- 2. 2015 Voting results..... 5
- 3. Analysis of 2015 voting results 6
- 4. Detailed analysis of the main factors of opposition 8
 - 4.1. Financial and extra-financial transparency 9
 - 4.2. Control structure and balance of power..... 11
 - 4.3. Distribution of value..... 12
 - 4.4. Financial structure..... 14
 - 4.5. Bylaw amendments 15
 - 4.6. Shareholder resolutions 16
- 5. Cases in which Mirova might have deviated from its voting policy 17
- 6. Conflicts of interest..... 17



Foreword

In accordance with Article 314-101 of MFA's General Regulations and beyond its mere fiduciary responsibility, exercising its voting rights is an integral part of Mirova's socially responsible investment strategy. Mirova believes that bringing its voting policy principles in line with its investment strategy¹¹ is essential to promoting value creation for its clients. This supposes, however, that principles of good governance are critically re-examined in order to take into account long-term issues that companies are facing, first and foremost environmental and social issues.

In this context, Mirova has undertaken an in-depth critical reflection on conventional and emerging governance issues, aiming at identifying a model more in line with a corporate and sustainable overall view on companies. This reflection has resulted in initiating a new voting policy, firmly supportive of the development of innovative companies that address sustainability issues. These companies' principles can be described according to four major pillars:

- the establishment of a long-term shareholding, capable of supporting the companies' sustainable growth;
- the creation of a Committee that considers the companies' stakeholders in a balanced way and takes CSR issues into account in its strategic planning;
- the balanced and fair distribution of value created between the various stakeholders, and the consideration of environmental and social issues in incentive mechanisms and alignment of interests;
- the transparency and quality of financial and extra-financial information, with the setting up of a reporting procedure that considers sustainable issues.

Furthermore, this partnership view of corporate governance implies a more balanced distribution of power between the various stakeholders, in order to better associate environmental and social issues with strategic decisions. It redefines the shareholders' role and places responsibility for decisions on long-term issues back at the centre of the Committee.

Consequently, Mirova has decided to abstain on resolutions that do not fall under its expertise, i.e. dividends, ex-ante remuneration policies, and executive top-up pension plans. However, Mirova is fully aware of its fiduciary responsibility and reserves the right² to disapprove submitted propositions it judges to be detrimental to the companies' sustainability.

¹[http://www.mirova.com/Content/Documents/Mirova/publications/VF/Vote%20et%20engagement/Politique%20de%20vote%20Mirova\(1\).pdf](http://www.mirova.com/Content/Documents/Mirova/publications/VF/Vote%20et%20engagement/Politique%20de%20vote%20Mirova(1).pdf)

² Taking into account the delays for implementing the 2015 voting policy, some votes may have been expressed at the beginning of the season, according to the version of the previous voting policy, which explains why votes may diverge on specific topics.



Given the strength of the currently prevailing shareholder governance model, effectively applying this policy and taking these good practices to the companies will necessarily be a long process. Mirova has consequently decided to simultaneously deploy an engagement strategy around these issues so as to encourage companies to take them into account. This strategy is developed in a variety of ways: through direct dialogue, cooperative engagement, and targeted lobbying.

Mirova is also convinced of the necessity to create a theoretical framework for developing new models of governance which include environmental and social issues. Mirova has therefore decided to support academic research and has joined the Mines Paristech chair *Théorie de l'entreprise. Modèles de gouvernance et création collective* (The theory of companies. Models of governance and collaborative creation). This strategic cooperation will be crucial for developing new ways of thinking about developing viable, value-creating companies for all stakeholders.



1. 2015 Voting perimeter

In accordance with MFA regulations regarding the exercise of voting rights of asset management companies and following the principles defined in its voting policy, Mirova has exercised its voting rights as shareholder of the UCITS and AIF it manages.

The 2015 voting perimeter covered **207** companies held in **11** UCITS and AIF, all of which are managed by Mirova.

Within this voting perimeter, **229** general meetings (GM) were held in 2015. Mirova has exercised its voting rights at **221** general meetings, that is to say its participation rate reached 97%. Mirova did not exercise its voting rights at **8** general meetings due to technical problems such as fund migration into proxy systems or administrative systems, and validity of powers of attorney.

Geographical Breakdown of the 2015 Voting Perimeter

	Number of companies	%
Americas ³	60	29%
Asia ⁴	6	3%
Europe ⁵	140	68%
Oceania ⁶	1	0%
Total	207	100%

2. 2015 Voting results

Out of **221** general meetings that were cast and confirmed, Mirova voted on **3176** resolutions.

- We voted for **2049** resolutions (**64.5%**)
- We voted against of **884** resolutions (**28%**)
- We abstained on **243** resolutions (**7.5%**)

Out of the **3176** resolutions submitted to votes, **3121** were proposed by companies' management or boards of directors. Mirova voted against **865** resolutions (**28%**) and abstained on **243** resolutions (**8%**).

Out of the **55** shareholder resolutions, Mirova supported **36** resolutions (**65%**).

Mirova cast one vote 'against' at **205** general meetings, i.e. **93%** of the general meetings at which votes were cast.

3 The American area comprises 5 countries including the United States and Canada.

4 The Asian area comprises 2 countries, includes Japan.

5 La zone Europe comprend 14 pays dont la France, l'Allemagne, la Grande-Bretagne, les Pays-Bas, la Suisse, etc.

6 The Oceanian area comprises Australia.



3. Analysis of 2015 voting results

Our average opposition rate (votes "against" and "abstention") reached **36%** in 2015, **12 points** up from 2014. This progression can essentially be traced back to Mirova's new voting policy definition which aims to encourage the emergence of a new model of partnership-based governance centring on long-term value creation.

Geographical Breakdown of Votes Cast

	Number of resolutions	%	For	%	Against	%	Abstention	%
Americas	686	22%	468	68%	166	24%	52	8%
Asia	67	2%	29	43%	33	49%	5	7%
Europe	2418	76%	1551	64%	681	28%	186	8%
Oceania	5	0%	1	20%	4	80%	0	0%
Total	3176	100%	2049	65%	884	27%	243	8%

There are great differences according to different regions. These vary between **32%** for the Americas and **80%** for Oceania.

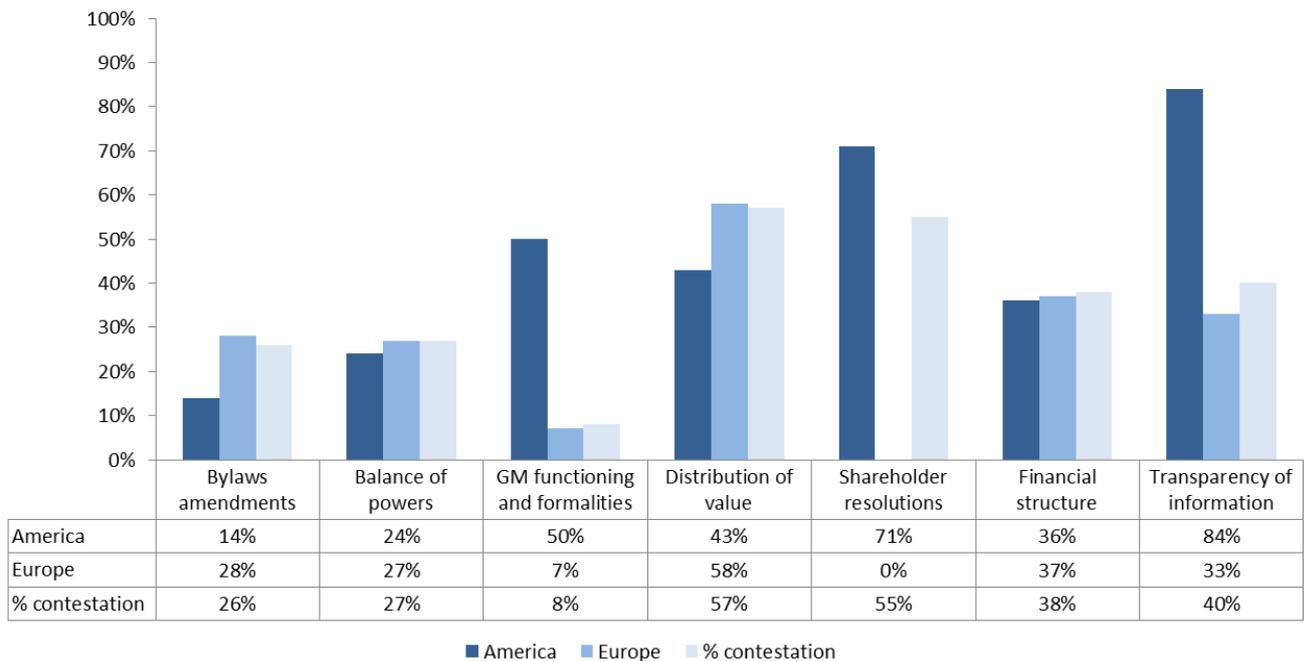
The differences can be traced back to several factors, including:

- differences in the voting perimeter according to geographical areas;
- the diversity of topics submitted to shareholder votes according to geographical areas and countries;
- the importance of certain themes in the agendas of general meetings in specific countries;
- local practices still inferior to the standards encouraged by the Mirova voting policy.

Taking into account the fact that these factors create significant bias, our analysis focuses on geographical areas that are relevant to Mirova's voting perimeter, i.e. Europe and the Americas.



Figure 1: Level of opposition by theme and by region



Generally speaking, the level of opposition seems particularly high for the themes “distribution of value” and “shareholder resolutions” with levels of 57% and 55% respectively, followed by the themes “transparency” and “financial structure” with levels at 40% and 38% respectively, and then the themes “balance of power” and “bylaws amendments” at 27% and 26% respectively and, lastly, the theme “GM functioning and formalities”, with a level of opposition of 8%.

In Europe, the average opposition level is at around 35.9%. Levels of opposition are highest in Italy, at 58%, while they are at around 18% in Denmark. In France, Germany, and the United Kingdom, the main countries for the voting perimeter in Europe, levels of opposition are at 35%, 30%, and 38% respectively. Average opposition is relatively high on most themes, with the exception of “shareholder resolutions” and “GM functioning and formalities”. However, opposition is particularly high on the “distribution value” theme, at 58%. This is due to two essential factors: 1/ the importance of resolutions on directors’ and shareholders’ remuneration, 2/ the failure to include CSR issues into remuneration.

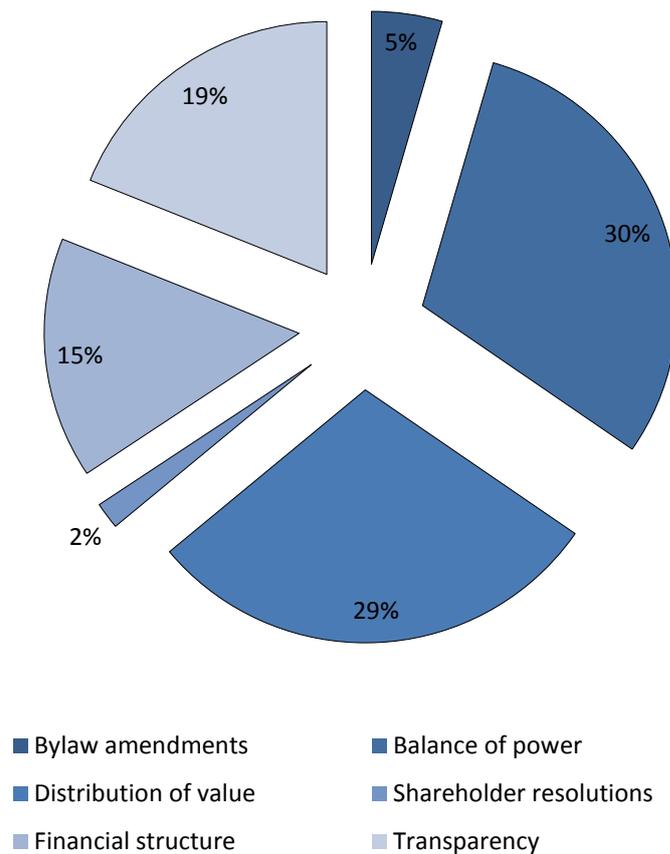
In America, which includes mainly the United States and Canada, average opposition lies at around 32%. It is relatively high mainly on three themes: “transparency” (84%), “shareholder resolutions” (71%), “GM functioning and formalities” (50%). At 43%, “distribution value” also shows a high level of opposition due to a failure to include in CSR issues.



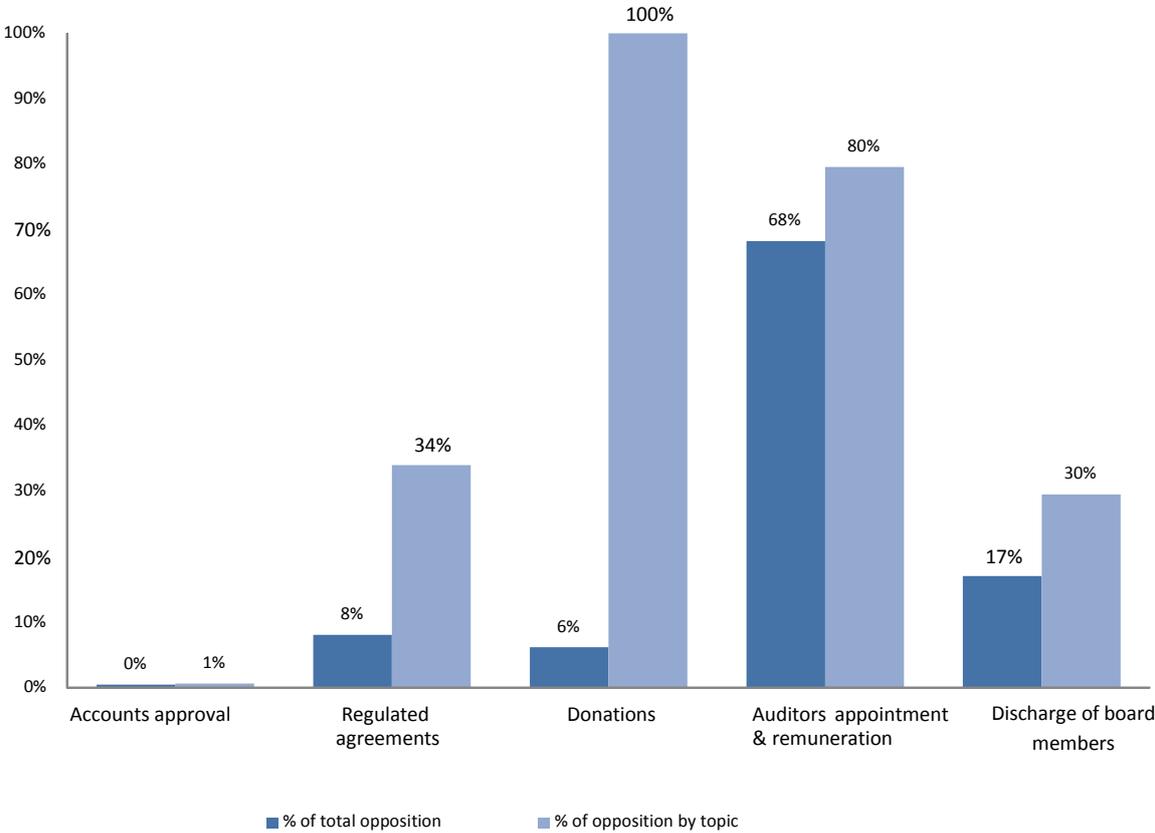
4. Detailed analysis of the main factors of opposition

Opposition (votes “against” and “abstention”) on resolutions submitted to shareholders’ votes breaks down as follows:

Figure 1: Breakdown of opposition by topic



4.1. 4.1. Transparency of financial and extra-financial information



Issues concerning the transparency of information represent nearly 19% of opposition votes.

The **appointment/ remuneration of auditors** accounted for over two thirds of opposition votes cast on the “transparency” theme. Opposition votes account for 80% of the resolutions submitted on this issue. This high level of opposition is due mainly to the persisting considerable disparities between company practice and Mirova’s voting policy recommendations concerning the separation of auditing and consulting services. This practice is mandatory in France but does not seem to be mandatory in several other countries. Nevertheless, the stricter European regulations on auditing services should progressively counter this tendency and bring it in line with the practices recommended by Mirova.

The **discharge of board members** continues to attract a high level of opposition (17% of total opposition, and 30% of opposition by topic). Essentially, this can be traced back to Mirova’s position which aims to sanction this type of resolutions in countries where it limits shareholders’ possibilities of taking legal action later on.

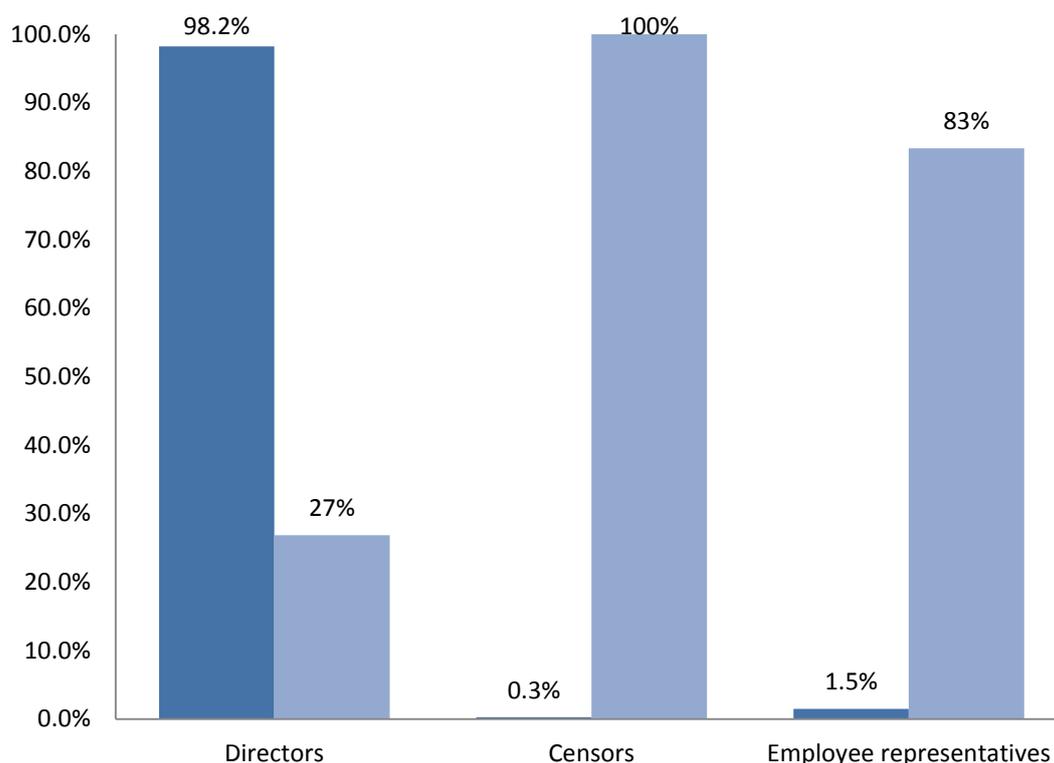


The third theme of opposition is **regulated agreements**, which make up for 8% of total opposition and 34% of total opposition. This can essentially be traced back to Mirova's abstention on agreements concerning post-mandate indemnities and executive top-up pension plans.

As for **political donations**, Mirova votes against 100% of the cases because of the potential conflict of interest that is inherent in this type of practice, especially in the United States.



4.2. Control structure and balance of power



Resolutions on the **balance of power** represent **30%** of opposition votes.

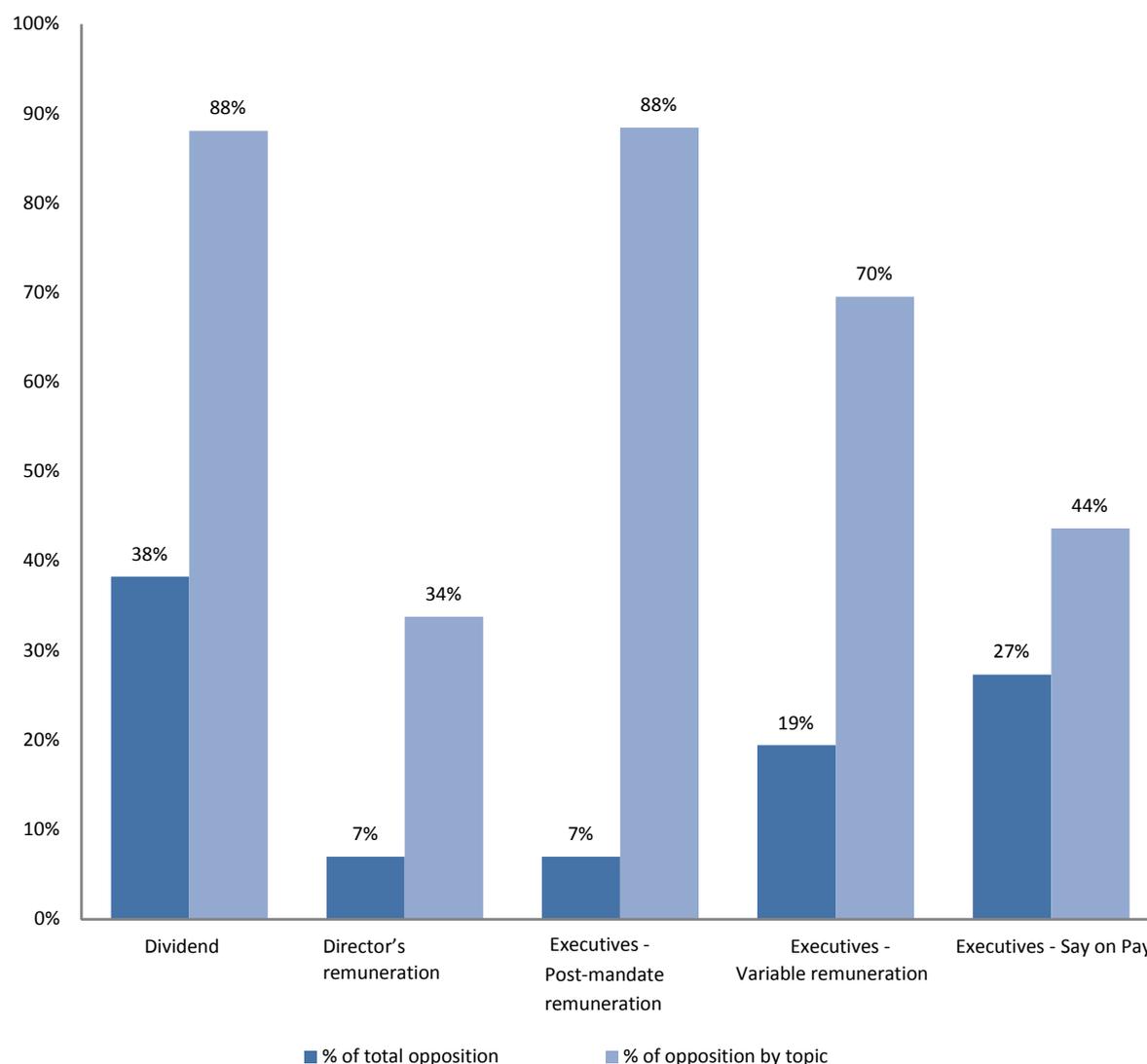
Nearly all opposition votes on this theme concern the **appointment of directors**. The main motive driving opposition is the distribution of powers among directors, shareholders, employees and independent members on the board. Mirova encourages representation among strategic stakeholders to be evenly distributed within the board since this encourages decision-making that focuses on long-term value creation. Yet current practice tends to primarily privilege shareholder representatives through independent or non-independent administrators to the detriment of employee administrators. While this tendency is reverting to the opposite in France as new regulations are forcing some companies to elect employee administrators to the board, this does not seem to be becoming more widespread in other European countries. There remains, then, significant room for improvement on this strategic aspect of good company governance.

As for the **nomination of censors**, Mirova systematically opposed this practice, except when the censor's presence is temporary, exceptional and justified and the board is sufficiently independent by the standards of our principles; this was not the case for the proposals submitted to voting.

The opposition concerning the **appointment of employee representatives** concerns cases where several administrators have been put forward for one single post on the board; this explains the 83% opposition rate for the resolutions proposed.



4.3. Distribution of value



Resolutions on value distribution represent **29%** of total opposition votes.

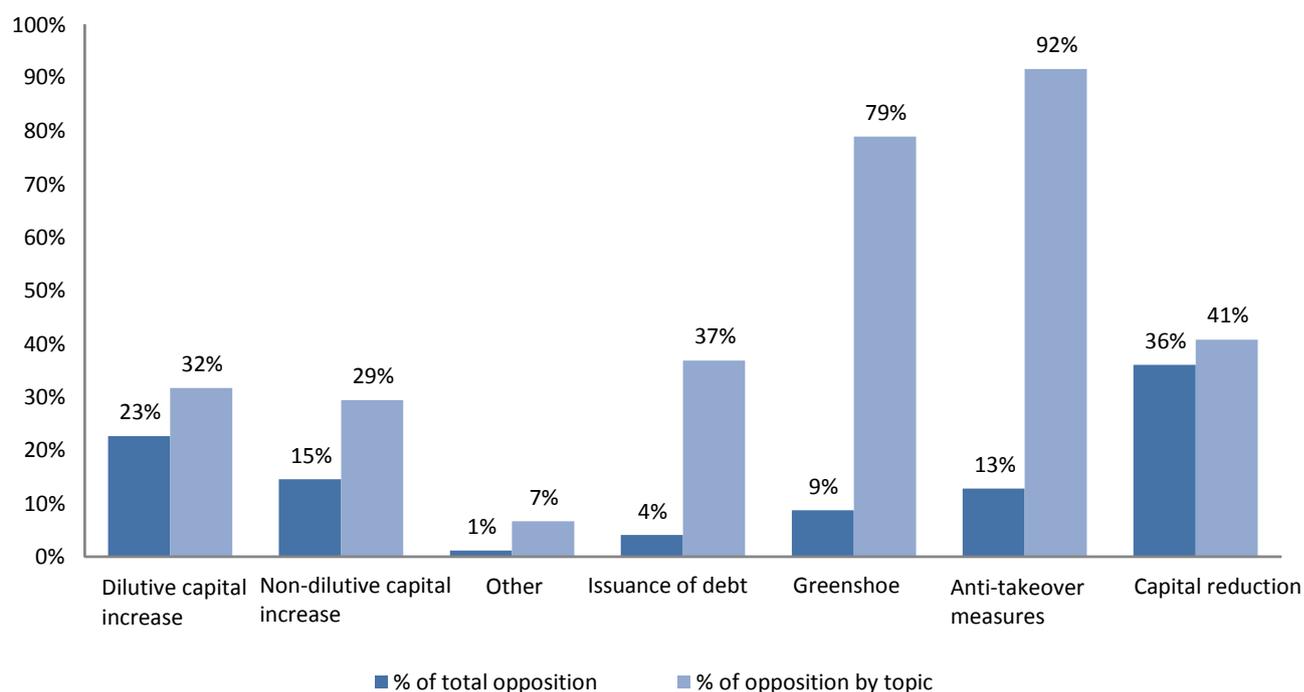
This theme includes both directors' and shareholders' remuneration and represents a relatively high level of opposition by topic, with opposition rates reaching 70% and 88% on dividends, post-mandate indemnities (executive pension plans and severance packages) and variable executive remuneration (free shares, stock options and equivalent payments).

The level of opposition can essentially be traced back to Mirova's systematic abstention on these two topics. Mirova is convinced that within a partnership-based approach that privileges long-term value-creation for all the company's stakeholders, it should be the board of directors' responsibility to define a policy on the distribution of value; the board of directors is the only organisation capable of reconciling all of the stakeholders' interests. This presupposes that the board is balanced and representative of all of the company's strategic stakeholders, i.e. the directors, shareholders, and employees.



Opposition on topics related to **variable remuneration and ex-post remuneration** is mainly due to the fact that environmental and social criteria are not integrated into remuneration mechanisms. This is a strategic pillar in Mirova's voting policy: Mirova aims to encourage companies to make these long-term issues a more integral factor in their strategic decisions.

4.4. Financial structure



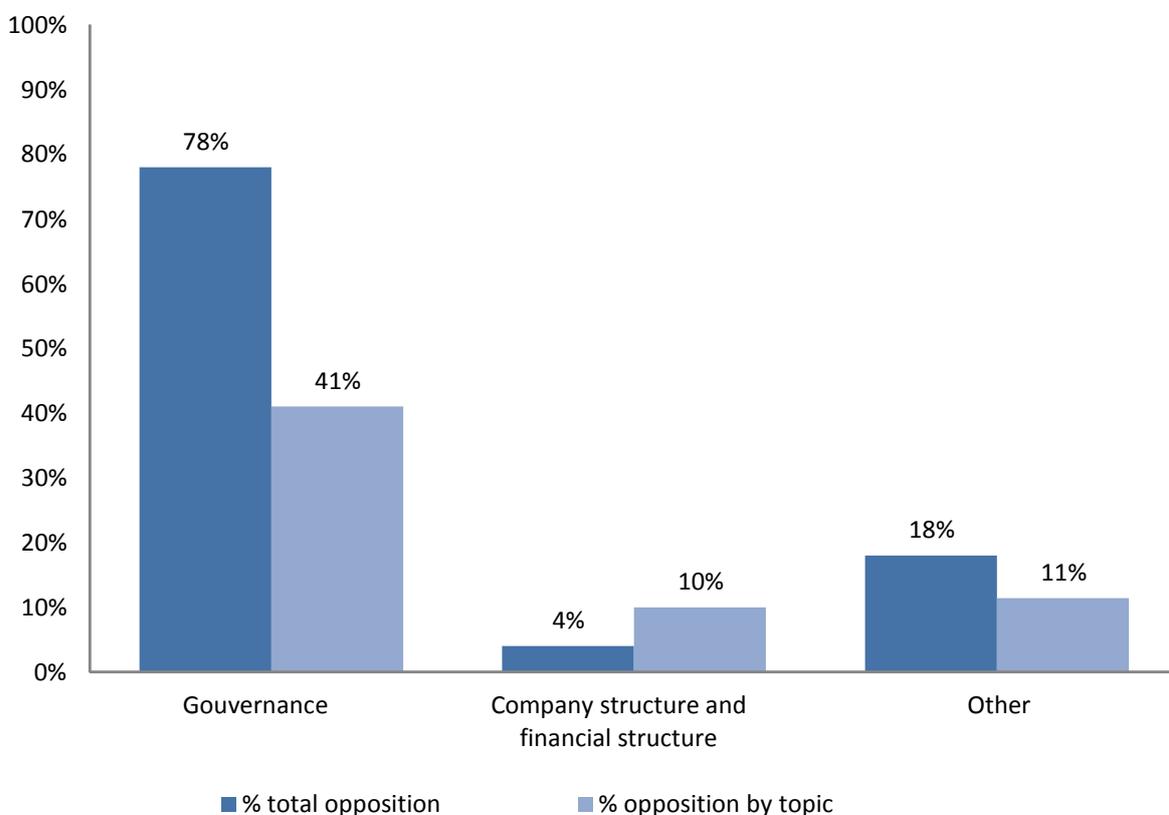
Resolutions pertaining to the **financial structure** of companies represent **15%** of total opposition.

Opposition votes concerned:

- **capital reductions** whose benefits are often contested within a sustainable capital allocation approach that is sustainable for the company in the long term,
- **dilutive and non-dilutive capital increases** whose thresholds exceed the limits set by Mirova's voting policy,
- financial authorizations that are seen as equivalent to **anti-takeover measures** and which could constitute a risk for the company and its stakeholders,
- the **issuing of debt securities** due to the potential risk they pose for the company's financial stability



4.5. Bylaw amendments



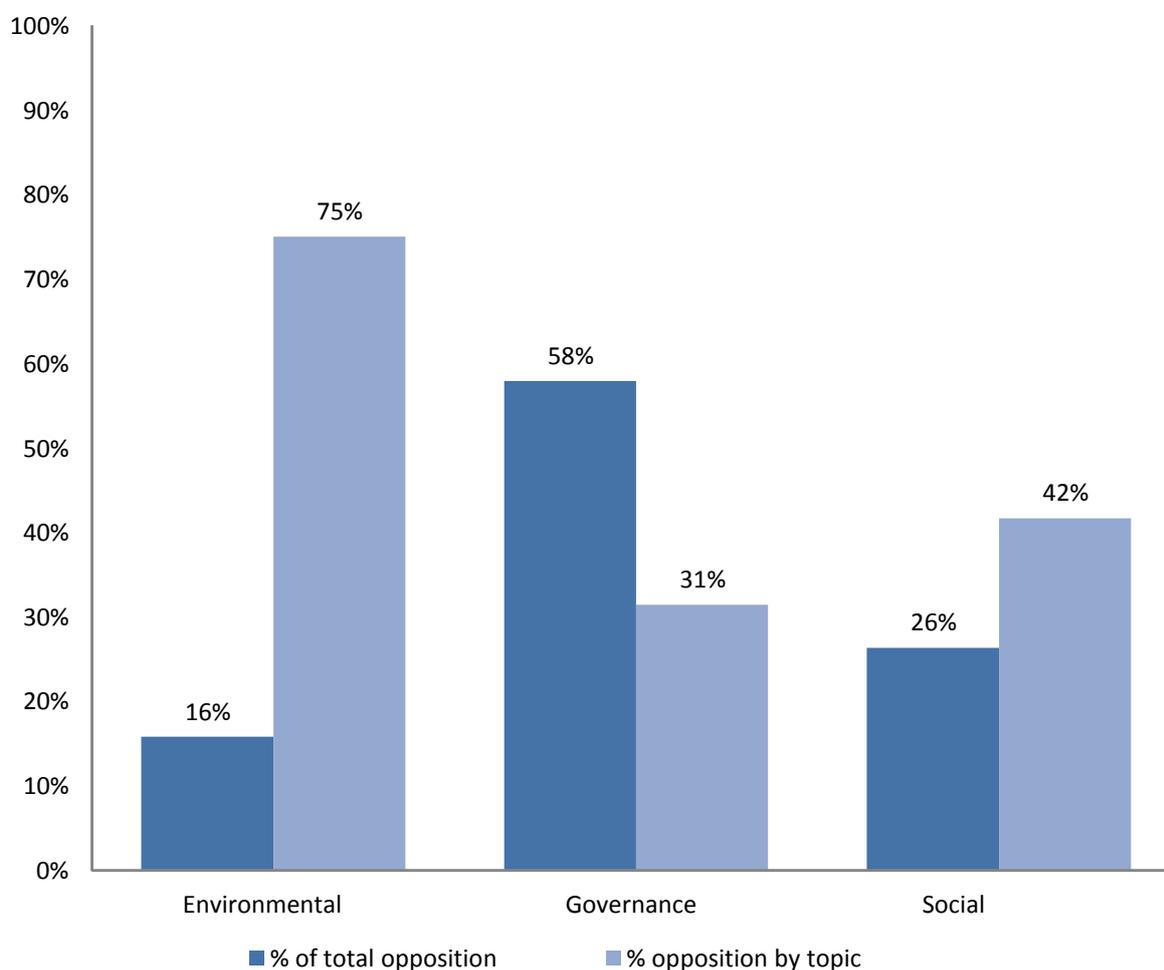
Bylaw amendments represent **4%** of the contested topics and concentrate on questions of governance.

Opposition votes primarily concern those proposals which could change shareholders' rights, aiming to reduce the timeframe for calling an extraordinary general meeting in the United Kingdom, or reducing the ownership disclosure requirements.

Furthermore, Mirova has also cast opposition votes on resolutions aiming to eliminate double voting rights and to introduce the "1 share – 1 voice" principle. Its aim is to encourage the long-term development of shareholders' role in the companies it invests in.



4.6. Shareholder resolutions



Shareholder resolutions represent **1%** of total opposition and essentially concern questions of governance. Votes were cast against the management recommendation and in support of shareholder proposals, especially when these aimed at improving shareholder rights (for example: the right to call an extraordinary general meeting, the right to submit a resolution or to put forward administrators for election) and at encouraging environmental and social factors being taken into account, i.e. at putting in place a sustainable development report or a report on climate-change-related risks.

Mirova opposed shareholder proposals when they seemed unsuitable or unjustified with regard to the quality of company practice.



5. Cases in which Mirova might have deviated from its voting policy

Mirova exercises its voting rights in the exclusive interest of unit-holders; within this framework, Mirova respects the principles set out in its voting policy.

6. Conflicts of interest

In compliance with its voting policy, Mirova exercises its voting rights in the exclusive interest of unit-holders and does not participate in the general meetings of entities of the BPCE Group or BPCE Group's subsidiaries/ holdings, the securities of which are traded on the market.

No conflict of interest came up during the exercise of voting rights in 2015.



DISCLAIMER

This document is provided for information purposes only. It does not constitute a contractual element or investment advice. MIROVA shall not be held liable for any decisions made on the basis of this document. MIROVA shall not be held liable for partial or absence of exercise of voting rights, due to delays, negligence or errors in relation to the publication or transmission of information or documents necessary for voting.

This document may be updated at any time by MIROVA. A detailed version of this document is available on request from MIROVA, 21 quai d'Austerlitz 75634 Paris Cedex 13, and on MIROVA's website: www.mirova.com

Mirova. Responsible Investing

MIROVA

Mirova is a subsidiary of Natixis Asset Management
Limited liability company - Share capital € 7 461 327, 50
Regulated by AMF under n°GP 02-014
RCS Paris n°394 648 216
Registered Office: 21 quai d'Austerlitz - 75 013 Paris

NATIXIS ASSET MANAGEMENT

Limited Company - Share Capital: €50 434 604,76
Regulated by AMF: GP 90-009
RCS Paris n°329 450 738
Registered Office: 21 quai d'Austerlitz - 75634 Paris

