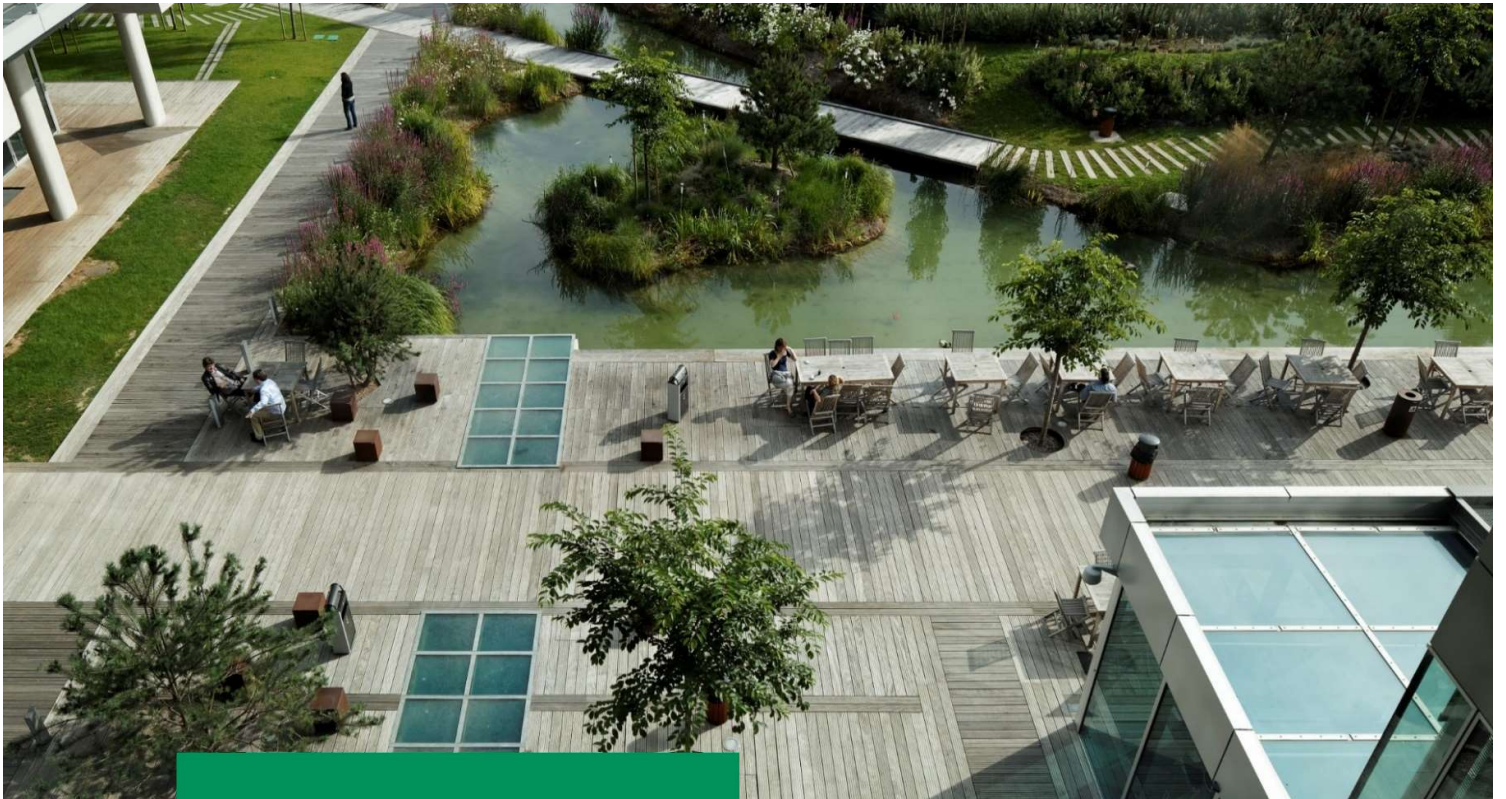


# SHAREHOLDER ENGAGEMENT POLICY

## Cardif Retraite



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### 1. Scope of this document

This document applies to the legal entity "Cardif Retraite", a subsidiary of BNP Paribas Cardif, in respect of its general funds.

### 2. Cardif Retraite and the role of investor

As an institutional investor for BNP Paribas Cardif, Cardif Retraite follows a long-term investment strategy. In order to achieve the desired performance, the investment strategy takes into account financial and non-financial criteria, which are closely linked.

Cardif Retraite's responsible investment strategy takes into account requirements in terms of exclusion of countries and activities as well as minimum standards in terms of environmental, social and governance ("ESG") risk management. . Applying these rules helps to protect the value of investments made and to promote better non-financial practices:

- Upstream of the investment, these requirements restrict Cardif Retraite's investment universe;
- Through the asset holding period, Cardif Retraite votes at Annual General Meetings.

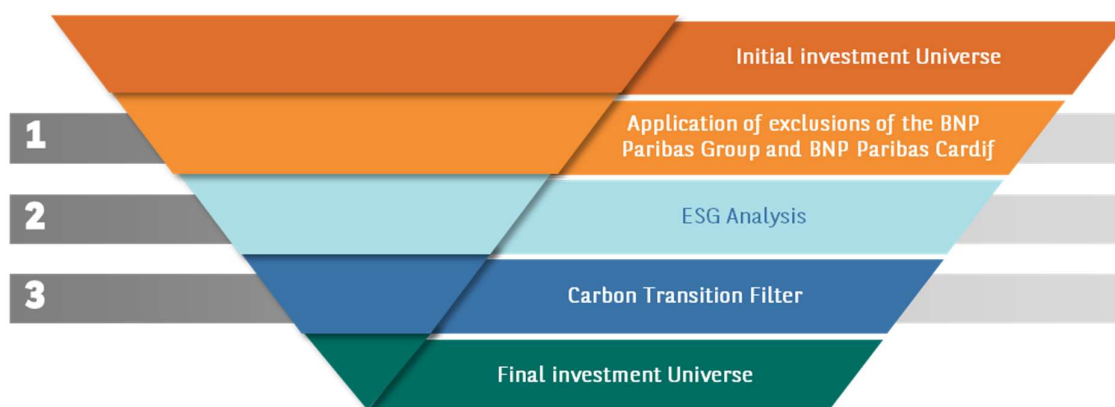
These different aspects are part of Cardif Retraite's responsible investment strategy, which is structured around 4 principles:

- **Contributing to the development of the real economy:** the financial sector is a key player in the transformation of the economy towards a more sustainable model. Insurers play an important role in financing the economy and participates in investment plans to support companies and individuals in the economic and energy transition. In this respect, Cardif Retraite directs part of its investments towards activities that contribute to the energy and environmental transition and the protection of ecosystems, as well as to social and societal themes.
- **Being an economic player with a long-term investment horizon,** limiting the impact of short-term financial market fluctuations, as Cardif Retraite's investments are backed by long-term commitments.
- **Being a responsible investor:** thanks to the integration of ESG criteria from the selection of vehicles and throughout the whole investment process.
- **Being an "active" investor:** Cardif Retraite votes at the general meetings of listed companies in which it is a shareholder and engages with certain issuers on specific issues.

### 3. Integration of non-financial criteria

The responsible investment process for corporate securities held directly by Cardif Retraite follows the following pattern:

#### The extra-financial analysis process of BNP Paribas Cardif's corporate shares and bonds



The investment universe is thus reduced and made compatible with Cardif Retraite's responsible investor approach.

More details on the integration of ESG criteria, the carbon transition filter, as well as the extra-financial analysis of other asset classes are available in Cardif Retraite's extra-financial reports, available on the following website: [Our CSR Policy - BNP Paribas Cardif](#).

## 4. Voting rights

Good corporate governance is a key criterion for Cardif Retraite's investments. The implementation of this dynamic involves exercising voting rights at Annual General Meetings.

The following principles describe the expectations of Cardif Retraite regarding the companies invested, with the aim of creating value in the long term:

- Alignment of the interests of different stakeholders, including society and the environment;
- Alignment of compensation structures with long-term performance, including non-financial objectives;
- The quality and independence of managers and supervisory bodies;
- Protection of shareholders' rights.

The main types of resolutions to be voted on can be grouped into five themes:

1. Approval of financial statements and corporate management;
2. Appointment of directors;
3. Compensation policies;
4. Financial transactions and shareholders' rights;
5. Other resolutions, including approval of related-party agreements and shareholder's proposals.

The following paragraphs set out the guiding principles to which Cardif Retraite refers when exercising voting rights on these resolutions.

For each type of resolution, these guiding principles highlight criteria that reflect market best practices and justify a vote in favor of management's proposals, as well as situations that may result in a vote not in favor. A vote in no favor of management may take the form of an opposition or abstention, taking into account the particular circumstances of each resolution and each company.

Any issues that are not covered by these guidelines will be assessed on a case-by-case basis.

### 4.1 Climate-specific resolutions

The "Say-on-climate" resolutions are proposals submitted by companies to their general meetings' agenda. The aim is to give shareholders the opportunity to vote on the company's

climate policy. In voting on these resolutions, Cardif Retraite takes the following factors into consideration:

- Publication of greenhouse gas emissions on scope 1, scope 2 and scope 3<sup>1</sup> where applicable;
- The setting of a “net-zero” emissions target no later than 2050, as well as the establishment of intermediate targets to achieve this goal;
- Reporting on climate-related objectives, measures and risk management, in line with the standards of the Task Force on Climate-related Financial Disclosures (TCFD).

## 4.2 Approval of the company's financial statements and corporate management

Regarding the approval of the financial statements, Cardif Retraite follows the recommendations of the Board of Directors, except in the cases of:

- Unavailability of accounts at the voting deadline;
- Refusal of accounts certification by statutory auditors;
- Reservations issued by the statutory auditors;
- If the board of directors has not set up an accounting or audit committee.

Discharge is given to the directors if none of the following cases has arisen:

- One or more directors suspected of having committed, or having committed mismanagement and/or a violation of the law or the articles of association, or subjected to high controversy;
- A violation of the United Nations Global Compact;
- Insufficient management of environmental, social or governance risks, including inadequate disclosure of the company's carbon emissions, or a lack of engagement with all stakeholders regarding the strategies put in place to mitigate the company's direct and indirect environmental impact;
- Ongoing legal actions against the board or auditors;
- Market consensus to protest against an unsatisfactory composition of the board and a non-renewal of directors;
- Reservations on financial statements or a refusal to certify them by auditors.

With regard to the allocation of income, Cardif Retraite does not vote in favor of a dividend payout ratio that is excessive in relation to the company's financial situation. Proposals are considered

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<sup>1</sup> The 3 levels of Scope 1,2,3 (GHG Protocol, <https://ghgprotocol.org/>) :

Scope 1: direct greenhouse gas emissions (from the company's fixed or mobile facilities)

Scope 2: associated indirect emissions (consumption of electricity, cooling and heat)

Scope 3: all other indirect emissions. Scope 3 offers a more comprehensive analysis but is more difficult to estimate according to available data.

on a case-by-case basis and special attention is paid to distribution proposals that are significantly higher than the previous year in order to understand the reasons for this modification. The increase in the preferred dividend compared to the ordinary dividend is also analyzed.

Cardif Retraite does not vote in favor of the proposed appointments and/or remuneration of the statutory auditors in the event of a:

- Lack of transparency on remuneration, or insufficient separation and balance between the audit engagement and any other service provided;
- Absence of an audit or accounting committee;
- Term of office of more than 6 years, or cumulative consecutive terms of office for more than 24 years;
- Doubts about the methods and procedures used by the auditors.

### 4.3 The Board of Directors

Management's proposals to ratify appointments to the board of directors are not voted on if the company does not provide the necessary information regarding the ability of the nominees to act in the best interests of shareholders.

The election or re-election of an advisor, a committee or the entire board, depending on the specific case, is not subject to a favorable vote in the event of an insufficient participation rate at board meetings without satisfactory justification (below 75%) or in the event of non-compliance with fiduciary duties towards shareholders, in particular in the case of mismanagement of ESG risks.

In the context of the election or re-election of a director: if the proportion of women directors is less than 35%, the election or re-election of a male councilor will not be subject to a favorable vote. If this proportion is between 20% and 35%, Cardif Retraite could support male directors if, for example, the company has made significant efforts in terms of diversity over the past year, in the event of a small board (8 directors maximum) or if there is a commitment to reach the said threshold within a short period of time.

Particular attention is paid to the accumulation of mandates: directors must be able to devote themselves fully to their function. As a result, non-operational and independent directors will be able to hold up to 4 terms, executive directors up to 2.

The length of time an independent director has been in the position may affect his or her status. After 12 years (or less depending on local practices), he or she should no longer be considered an independent director. As a result, if the listed company proposes re-election, it must specify that he or she will no longer be independent.

Taking these factors into account, Cardif Retraite wants at least 33% of the directors to be independent (or a minimum of 50% excluding employee representatives). A different percentage of independence may be applied depending on local codes and practices.

All directors are appointed for a maximum term of 4 years; Resolutions proposing a longer term will not be voted in favor. Exceptions to this rule are examined on a case-by-case basis, such as the renewal of the CEO at the head of a company in a "difficult situation".

The roles of President and Chief Executive Officer must be separate, and the President must be independent. However, a tolerance period of up to 2 years may be accepted. Any resolution to appoint a Chair of the Board of Directors shall be voted against if, after the election of the Chair, the criterion of independence of the Board is not met.

#### 4.4 Committees of the Board of Directors

Companies have specialized committees, including an audit committee, a compensation committee and a selection or nomination committee.

These committees must be composed of at least 50% independent directors, excluding employee representatives and an independent chairman. Compensation and audit committees must not include an executive director. The composition of these committees must also be detailed in the company's annual report.

If these conditions are not met, Cardif Retraite will not vote in favor.

For small and medium-sized listed companies, a more flexible approach is possible in the application of these recommendations. For example, in the case of companies with a small board of directors, there are board committees (audit, selection, remuneration) whose functions could, in the first instance, be carried out by independent directors who are particularly competent in the field concerned.

#### 4.5 Remuneration Policies

The company's compensation policy must be defined by the remuneration committee. The Board of Directors communicates to shareholders the philosophy and reasoning behind the establishment of remuneration policies, in a clear and comprehensive manner, including the link between remuneration, performance and long-term value creation for stakeholders.

Cardif Retraite is calling for transparency on the amounts and all forms of remuneration for corporate officers, whether direct or indirect, immediate or deferred, paid by the company or its subsidiaries. This remuneration includes stock options, free shares, pension schemes specifying if those are identical to the pension schemes enjoyed by other executives in the group, severance pay and special benefits. The allocation and changes between the different remuneration components must also be clearly identified.

Regarding severance pay, Cardif Retraite believes that "failure should not pay off": there cannot be both a high remuneration that includes a risk premium and a high indemnity if the risk is proven.

As a result, Cardif Retraite does not vote in favor of a remuneration policy that does not include, in a clear and exhaustive manner, the information mentioned above. Particular attention is paid

to the relevance and requirement of the performance criteria, their weighting and achievement rate, as well as the measurement periods.

The remuneration policy must also include non-financial criteria.

It must be in line with industry standards and must not lead to the destruction of shareholder value due to its excessive generosity. Therefore, Cardif Retraite does not vote in favor of a remuneration policy that is disproportionate to the median remuneration of the company's employees or market practice.

### ***Remuneration of Executive Directors and Members of the Executive Committee***

Regarding short-term remuneration, the rules for establishing the amount of the fixed salary and these changes must be justified and reasonable. The bonus must be subject to performance conditions that are relevant, transparent and demanding for the company's industry and strategy. It must be limited to a certain percentage of the fixed salary.

Thus, Cardif Retraite is not in favor of a significant increase in remuneration without justification in relation to the company's performance.

For medium and long-term compensation plans such as stock options or free shares, these programs must also include ESG performance criteria. The vesting and performance condition period must be at least 5 years.

Cardif Retraite does not vote in favor in the specific cases below:

- Projects offering senior executives option plans at a discount; The absence of a discount must be mentioned in the resolution in order to be accepted. These plans must also be spread out over time.
- Grants of free shares or options not subject to the fulfilment of transparent and documented conditions and performance over a long period of time.
- Increase in the volume of free shares or options without justification and unrelated to the performance of the company.
- Vesting period of less than 3 years, or conditions of exercise that can be modified.
- Free share plans when the cumulative volume of stock options (existing and proposed) exceeds 10% of the issued capital. The annual volume of the stock option distribution programs must not exceed 2.5% of the share capital and the annual volume of the distribution of free shares must not exceed 1% of the issued share capital. Different caps may apply on a case-by-case basis for small capitalizations.

Regarding other forms of remuneration, severance payments for the benefit of an executive corporate officer or the Chairman of the Board may be granted only in the event of forced departure, without exceeding 2 years of fixed and variable remuneration, stock options and other remuneration excluded. They must be linked to seniority in the function or performance criteria. Cardif Retraite is not in favor of maintaining or compensating the benefit of stock options and free shares not exercised at the time of departure from the company.

Beneficiaries of supplementary pensions must meet the conditions of seniority in the company and still be present on the date of their departure. Potential entitlements should only represent



a reasonable limited percentage of the beneficiary's remuneration. The reference period used to calculate benefits must be several years, and the group of potential beneficiaries must be broader than just the director/member of the executive committee.

Cardif Retraite is not in favor of combining severance pay and supplementary pension.

#### ***Remuneration of non-executive directors***

Cardif Retraite wishes board members who do not have an executive role in the company to receive directors' fees as remuneration for the work they do. The amount of these tokens and their evolution must be consistent with the standards and practices prevailing in the country and the sector of activity of the company concerned and be proportionate to the capacity of the company. The general remuneration transparency rules are applicable. In particular, Cardif Retraite will not vote in favor of resolutions if the remuneration is not linked to attendance, if it is excessive in relation to the placement practices or if the individual amount is not disclosed when market practice requires it.

#### **4.6 Shareholders' rights – Share issuance and buyback programs**

Shareholders' rights must be protected. Any financial transaction should not create significant imbalances between the different categories of shareholders and should avoid risks of dilution for existing shareholders. Cardif Retraite does not vote in favor of any "anti-takeover" (takeover bid) mechanism.

Cardif Retraite is in favor of the "one share, one vote" principle. Admittedly, the practice of double or even multiple voting rights may be a way of rewarding the loyalty of certain shareholders, but Cardif Retraite believes that this practice might allow access to control of a company with a minority holding of shares and may therefore lead to abuses. In this case, Cardif Retraite does not vote in favor. As an exception, this practice can be tolerated for a period of 5 years following the Initial Public Offering (IPO).

Cardif Retraite does not vote in favor of the limitations on voting rights and the use of premium shares, as well as the practice of "proxy vote", which constitutes an obstacle to the active participation of shareholders, especially since these powers are favorable to management decisions as a matter of principle.

When strategically justified, mergers and acquisition transactions can create value for stakeholders over the long term. They are analyzed on a case-by-case basis. Similarly, votes relating to corporate restructuring are considered non-ordinary and are assessed on a case-by-case basis.

Regarding new share issue programs, Cardif Retraite is in favor of non-dilutive increases of up to 50% of the existing share capital for all cumulative authorizations, provided that they are well argued, and that the subscription period is clearly defined.

Cardif Retraite does not vote in favor of resolutions proposing to carry out a capital increase with cancellation of preferential subscription rights in excess of 5% of the existing share capital. This threshold is increased to 20% in the case of capital increases with a priority period or a specific

objective<sup>2</sup>. All proposals are considered on a case-by-case basis in order to consider the specificities of the program and local best practices.

Regarding the share buyback plans, Cardif Retraite examines the merits of the resolution, in particular the proposed price levels. As a general rule, Cardif Retraite votes in favor of projects unless they exceed 10% of the capital. In this case, each proposal is considered individually. Permission should only be granted for 18 months, or less, depending on local regulations and best practices. Once this deadline has passed, a new share buyback authorization will have to be requested from shareholders. Cardif Retraite does not vote in favor of projects that can be carried out through derivatives or for which the price discount limit is not specified.

#### 4.7 Other Resolutions and Shareholder Resolutions

For any other resolution, the information must be exhaustive and allow an objective assessment. Otherwise, Cardif Retraite will not vote in favor. Similarly, there will be no vote in favor in the event of group resolutions, at least one of which is contrary to one or more of the principles of Cardif Retraite's voting policy.

Under certain conditions, a minority shareholder may request draft resolutions to be placed on the agenda of the meeting. These are so-called "external" resolutions because they do not emanate from the board of directors. Cardif Retraite will support these proposals when they reflect the principles of its voting policy, in particular when they contribute to improving social and environmental performance while protecting the long-term interests of stakeholders. Otherwise, Cardif Retraite's vote will not be in favor.

### 5. Engagement with issuers

Cardif Assurance Vie's investment approach is long term. This responsibility is reflected not only through the votes during the Annual General Meeting of companies in which it is a shareholder, but also in engaging with these companies.

In 2021, BNP Paribas Cardif joined the signatories of Climate Action 100+. Signatories aim to collectively call on the world's largest greenhouse gases emitters to take the necessary measures to combat climate change. *Climate Action 100+* fosters dialogue with relevant companies to achieve three objectives:

- Establish a governance framework that sets out boards' commitments to address climate change risks;
- Set emission reduction targets consistent with the Paris Agreement;
- Disclose information in line with the recommendations of the Task Force on Climate-related Financial Disclosures (*TCFD*).

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<sup>2</sup> Capital increases to finance external growth operations, a conversion, or share or bond warrants are permitted up to 20% of the existing capital.

This initiative is in line with the BNP Paribas Group's climate strategy and the responsible approach of Cardif Retraite, which has long been engaged in dialogue with the companies in which it is a shareholder.

## 6. Policy for the prevention of conflicts of interest

The strict separation of Cardif Retraite's entities and asset management activities from the other entities and activities of the BNP Paribas Group prevents the asset management of the insurance business from being in a position to benefit from inside information the disclosure and/or use of which would generate conflicts of interest.

Asset managers, heads of the Insurance Asset Management department and their line managers must declare to Cardif Retraite's Head of Ethics the mandates of directors of listed companies and the direct securities they may hold for their own account, in particular in order to avoid any conflict of interest when exercising voting rights.

## 7. Communication with stakeholders

As an insurer, BNP Paribas Cardif offers investment and retirement solutions to its clients and helps them build up savings throughout their working lives. The company helps its clients understand the issues related to retirement in order to enable them to anticipate this new stage of their lives.

Cardif Retraite also takes part into external discussions to promote responsible investment, is involved in interest groups and supports initiatives that contribute to better consideration of ESG considerations in investment decisions. The company is actively involved in the work of France Assureurs. BNP Paribas Cardif has also been a signatory of the PRI (Principles for Responsible Investment) since 2016 and participates in the dissemination of best responsible investment practices.

## 8. Monitoring strategy, financial and non-financial performance

Cardif Retraite regularly monitors the strategy and financial and non-financial performance of its investments through a large number of financial and non-financial data obtained from the main international providers. The monitoring of investments is reinforced by exchanges with issuers and specialized financial analysts.

On the financial side, Cardif Retraite's teams monitor the relationship between the financial performance of portfolios and their risks in terms of volatility, Value At Risk ("VaR") and maximum loss.

On the non-financial side, Cardif Retraite uses several indicators to assess the performance and environmental impact of the assets under management. These indicators have made it possible

to integrate non-financial issues into investment decisions. As a result, Cardif Retraite has reduced its exposure to so-called "brown" assets, in particular through the application of a carbon transition filter and the implementation in 2020 of a timetable for phasing out thermal coal. It provides a definitive exit from the sector by 2030 for the countries of the European Union and the OECD and by 2040 for the rest of the world.