Last update May 23rd 2016

Lyxor Asset Management SAS
Voting Policy

Summary

Introduction

Lyxor Asset Management SAS (hereafter referred to as “Lyxor”) is a fully-owned subsidiary of Société Générale Group. This document outlines how Lyxor, on behalf of its clients, exercises the rights attached to the equity in which their funds are invested.

This is a summary of Lyxor’s full voting policy and therefore, does not cover all areas of voting but provides a comprehensive overview of Lyxor’s key voting principles.

Background

Lyxor is a signatory to the UN Principles of Responsible Investment (PRI) and is committed to exercising its voting rights with the aim of promoting good corporate governance for the benefit of its clients and other shareholders.

This voting policy takes into account the regulation of the French Financial Market Authority (AMF) no. 314-100 - 314-104 concerning voting policies of asset management companies as well as the Recommendations on Corporate Governance of the French Asset Management Association (AFG).

Lyxor’s voting policy has been developed in the context of Lyxor’s policy for Socially Responsible Investments.

Lyxor’s Vision on Good Corporate Governance

Lyxor is convinced that good corporate governance should in the long term result in improved corporate performance and therefore improved shareholder value. In exercising its voting rights Lyxor can contribute to the enhancement of the economic and financial performance of the companies of which shares it manages on behalf of its clients, with the aim of driving best practice and reducing the risk of corporate failure.

The key areas of good corporate governance in the context of Lyxor’s Voting Policy are the following:

- Protection of the long term interests and rights of shareholders, supporting the “one share, one vote” principle, where shareholders have voting rights in direct proportion to their economic interest in a company.
- Independence and diversity of boards to avoid conflicts of interests and to foster optimal effectiveness and efficiency of boards.
- Fair and transparent executive remuneration in line with the performance of the company.
- Quality and integrity of financial information and related communication to shareholders.
- Integration of corporate environmental and social responsibility in the company’s operations for the benefit of the company, its shareholders and other stakeholders.

Implementation of the Voting Policy

Governance Committee

A governance committee oversees the implementation of Lyxor's Voting Policy. The committee is composed of the following members:

- Chief Investment Officer (CIO)
- Head of Risk, Internal Control and Compliance
- Head of Legal Affairs
- Chief Compliance Officer (RCCI)
- Head of CRCO Office
- SRI Manager

Voting Process

Lyxor uses the services of an external provider for implementing its Voting Policy. The provider provides recommendations for voting directions for the resolutions on which Lyxor votes, based on Lyxor's Voting Policy. The final decision of voting is always made by Lyxor.

Where electronic voting is possible, voting is cast through a Proxy Exchange Platform. In exceptional cases where electronic voting is not possible (notably for some French companies) proxy voting forms are filled out and sent to the relevant issuers by post.

The formalization of voting decisions takes into account global corporate governance standards and local governance regulations and codes of the different countries.

Lyxor currently uses the services of ISS (Institutional Shareholder Services) for the implementation of its voting policy.

Scope

The scope for voting of 2016 is the following:

- French Funds (*Fonds Communs de Placement* – FCP)[1], limited to French securities and securities belonging to the Euro Stoxx 50 index.
- Issuers selection criteria: to prevent excess cost resulting by the voting process, Lyxor votes only where its consolidated holdings represent at least 0.10% of the company's equity capital.
- Securities of dedicated client mandates will eventually be added to the above scope during the course of 2016.

[1] *Except the vehicles using a method of synthetic replication which are designed to track a financial exposure through a performance swap. Therefore, the returns of the vehicles do not depend on the return on the shares held by these funds. All dividends and profits are swapped with a market counterparty.*

Restrictions to Voting

The following are the key cases which are excluded from Lyxor's voting process:

- Voting in countries that require share blocking.
- Voting in markets with excessive administrative burdens/costs.
- Voting on loyalty shares.
- Voting in countries for which custodians used by Lyxor do not offer proxy voting services.

Updates of the Voting Policy

The Voting Policy is updated on a regular basis (at minimum on an annual basis) to reflect evolution in the regulatory environment and corporate governance landscape as well as to reflect the evolutions of the voting scope.

Reporting

Reporting on the voting decisions will be published on Lyxor's website on an annual basis following the closing of the annual voting period.

The report will include the following information, amongst other:

- Number of companies on which resolutions were voted during the voting period and the proportion of those companies of the total number of companies for which Lyxor holds voting rights.
- Share of votes that were cast against recommendation of the company's management.
- Cases where the principles of the Lyxor Voting Policy were not followed.
- Cases of conflicts of interests that came up during the voting period.

Lyxor's Voting Principles

The following chapters address governance issues included in the most frequent proposals presented for shareholder's vote. Lyxor's general voting principles on these resolutions reflect commonly accepted best global corporate governance practices.

In cases where resolutions fall outside of the areas covered in the voting policy, a case by case analysis will be made.

A. One Share One Vote

Lyxor adheres to the principles of 'one share – one vote'. A dual-class structure can provide a group of shareholders with voting power not corresponding to their level of equity ownership and entrench management against shareholder pressure for change. Lyxor believes that each share of common stock should have one vote and companies not abiding by this principle should periodically assess the efficacy of such a structure and provide shareholders with a rationale for maintaining it.

B. Board of Directors

The Board of Directors is the most powerful governing body of a company and should not pursue individual shareholders' separate interests but act in the interests of all the company's different constituencies. All actions taken by the Board are expected to be governed by the principles of transparency, accountability, effectiveness and availability.

The primary objective of the Board is to provide independent oversight and evaluation of management and to monitor the performance of the business in a way that promotes the long-term sustainable growth of the company, while ensuring that appropriate risk management systems and controls are in place.

The following are the key principles regarding Lyxor's voting directions on resolutions concerning the Board of Directors.

Board Diversity: Lyxor recognizes the importance of board diversity in a company's success, as a diverse board of directors can bring a range of perspectives to address strategic challenges. When considering an individual's potential contribution to the board, factors such as cultural and geographical background, gender, age, education etc should be taken into consideration. Resolutions on proposed new directors should be accompanied with a biography and information on the experience and qualities that the candidate would bring to the board.

Director Independence: Lyxor recommends that the board include a majority of independent directors and will generally vote in favor of increasing the share of independent directors. In some cases, such as where there is a majority shareholder or where the board is required to include a certain proportion of employee representatives, such as in France or in Germany, a lower share of independent directors could be accepted.
Recommendations on optimal board independence level are informed by local corporate governance codes and international best practices. For example, a majority of independent directors is an established practice in markets such as the UK and the USA.
In all markets Lyxor expects the company to disclose the information necessary for shareholders to determine whether directors qualify as independent.

Board Size: Lyxor considers that a board should have no fewer than 4 and no more than 18 members. The board should be large enough to maintain the needed expertise and independence, and small enough to function efficiently.

Separation of Powers: Separation of powers is one of the fundamental principles of good corporate governance and can be expressed in different ways. In countries that have adopted a two-tier board structure such as Germany, the Netherlands, Finland and China, companies have two separate boards, a management board consisting of executive directors responsible for the day-to-day management of the company and a supervisory board comprising non-executive directors responsible for monitoring the management function. However, the one-tier board structure, whereby both executive and non-executive directors are part of the same board, remains the most prevalent structure. The role of the

chairman of the management board corresponds to that of a CEO in the one-tier structure, with the role of the chairman of the supervisory board corresponding to that of a non-executive chairman.
A separation of powers mitigates the risk of an over-concentration of power in the hands of one person, and the board's ability to exercise judgment independently of management can be weakened if one person fills both the roles of Chair and CEO in the one-tier structure. Lyxor is in favor of the general principle of separation of the functions of CEO and Chairperson of the Board. A combined Chair/CEO role may, nevertheless, be accepted given certain conditions, such as a lead independent director of the board or a high overall board independence level, whereas market practice will also be taken into consideration. In the US, for instance, it is fairly common for companies to have a combined Chair/CEO, but counterbalancing mechanisms such a high proportion of independent directors and the presence of an independent Lead Director are equally common.

Board Committees: Lyxor recommends that the Board delegate key oversight functions to the following three committees: remuneration committee, nomination committee and audit committee. The roles of these committees should be clearly defined and communicated to shareholders. Since board committees carry out crucial functions, it is important for them to be sufficiently independent from management. Ideally, more than half of the members of the remuneration committee and audit committee should be independent and at least one-third of the members of the nomination committee and the chairperson of the audit and remuneration committees should be independent. However, Lyxor will follow the provisions prescribed in local law or best practice governance codes when they are stricter.

Term of office: The term for board members should not exceed 4 years. Lyxor will generally vote against proposals to extend board terms.

Bundling of elections: Where a resolution can be presented as a separate voting item, it should not be bundled together with other resolutions. In particular, the elections of directors should be proposed on an individual director basis and not as a slate of candidates, as board may use a bundled proposal in order to protect individual directors or prevent the change of certain board practices. Lyxor however recognizes that bundling together election proposals is still the prevalent practice in some countries, such as in the Scandinavian markets. In those markets, Lyxor will not necessarily vote against elections for the only reason that they are presented in a bundled fashion, but strongly encourages companies to abandon this practice.

Multiple directorships: Lyxor is not in favor of board members holding an excessive number of board appointments, as directors should be able to commit an appropriate amount of time to exercise their duties. Although it is important for directors to broaden their skills and knowledge, they should be mindful of the time commitment required for board and committee matters on multiple boards and the risk of not being sufficiently involved in the long-term development of each company. Lyxor may vote against the election of a director if he holds an excessive number of mandates. As a general rule:

- Executive directors are expected not to hold other executive or chairmanship positions. They may however hold up to two other non-executive directorships.
- Non-executive chairmen are expected not to hold executive positions elsewhere or more than one other chairmanship position. They may however hold up to two other non-executive directorships.
- Non-executive directors who do not hold executive or chairmanship positions may hold up to four other non-executive directorships.

Lyxor will also follow the provisions prescribed in local best practice governance codes on this matter, when they are stricter. Exceptions to the rule above can also be made on the basis of compelling explanations or temporary situations.

C. Remuneration and Benefits

Remuneration policies should be designed in such a way that will attract, retain and appropriately incentivize directors with the skills required to run a company successfully in the long term. Transparency regarding remuneration is essential in order for shareholders to judge whether potential rewards are fair and aligned with their interests.

Executive Compensation Related Proposals: Remuneration policies should reflect performance and be linked with the company's strategy. Lyxor votes on executive compensation-related items on a case-by-case basis, while taking into account global corporate governance best practice. In particular, Lyxor believes that a board of directors should abide by the following general principles:

- Provide shareholders with clear and comprehensive disclosure and justification of chosen remuneration structures and levels in a timely manner;
- Maintain appropriate pay-for-performance alignment with emphasis on long-term shareholder value;
- Avoid arrangements that risk "pay for failure";
- Maintain an independent and effective compensation committee.

Non-Executive Compensation Related Proposals: As far as non-executive directors are concerned, their compensation should be consistent with their responsibilities and the time they devote on executing board and committee duties without compromising their ability to act independently of the management.

D. Share Capital - Issuance and Structure

Lyxor supports a company's entitlement to issue shares in order to raise capital, but directors should not be given unlimited discretion. Capital raising should be limited to what is necessary to maintain business operations and not lead to excessive dilution or cash-calls for existing shareholders.

Preemptive rights are a fundamental shareholder right and when companies issue new shares, they should generally offer these shares to existing shareholders first. It is recognized though, that companies should also be granted some flexibility to issue shares without preemptive rights so as to address a company's financial needs.

General Capital Issuances with Pre-emptive Rights: Lyxor supports capital issuance with pre-emptive rights to a maximum of 100 percent over currently issued capital as long as the share issuance authorities' periods are clearly disclosed and in line with market-specific practices or recommended guidelines. However, Lyxor will also align its position with stricter local best practice on this matter, where relevant.

General Capital Issuance without Pre-emptive Rights: Lyxor supports capital issuance without pre-emptive rights to a maximum of 20 percent (or lower if provided in local market best practice recommendations).

Lyxor will examine specific issuances, with or without preemptive rights, on a case-by-case basis.

E. Integrity of Accounting and Financial Management - Operational Items

Shareholders have the right to accurate, concise and transparent accounts in order to be able to assess the financial standing of the company and take informed voting decisions.

The financial information should be accompanied with contextual information explaining key changes between reporting periods. Reporting to shareholders should include information on risks and incertitude facing the company and elements that contribute to long term value creation.

Financial Statements / Auditor Reports: Lyxor emphasizes the importance of good quality financial reporting and encourages companies to adhere to the highest international standards regarding disclosure of information to the market. Lyxor generally votes for the approval of financial statements and auditor reports as well as the appointment of auditors (and auditor fees) unless particular concerns have been raised as to the independence of the auditors, the integrity of the information provided or the level of non-audit related fees paid.

Allocation of Income: Lyxor generally votes for approval of the allocation of income and distribution of dividends, unless the dividend payout ratio is unusually low or excessive given the company's financial situation and the company has not provided a suitable explanation.

Changes in Company Fiscal Term: Lyxor votes for resolutions to change the company fiscal term unless a company's motivation for the change is to postpone its AGM.

Changes to Articles of Association: A company's Articles of Association are a key element of corporate governance and consequently of considerable interest to investors. Proposals to amend a corporation's articles of association are often made in response to changes in the rules, laws, or regulations affecting the corporation, such as changes in stock exchange listing rules. Most of these changes may relate to technical or administrative matters, however, they should be carefully considered because they could have a significant effect on corporate governance. Lyxor votes on amendments to the articles of association on a case by case basis.

F. Social/Environmental Shareholder Proposals

The board of directors should be able to determine the environmental and social impact of the company's operations and identify the potential business and reputational risks, while ensuring that appropriate controls and procedures are in place to manage them. Lyxor will generally vote in favor of social and environmental proposals that seek to promote good corporate citizenship, while enhancing long-term shareholder and stakeholder value. In determining votes on shareholder social and environmental proposals, the following factors are considered:

- If the issues presented are more appropriately dealt with through legislation or government regulation;

- If the company has already responded in an appropriate and sufficient manner to the issue(s) raised in the proposal;
- Whether the proposal's request is unduly burdensome (scope, timeframe or cost) or overly prescriptive;
- The company's approach compared with any industry standard practices for addressing the issue(s) raised by the proposal;
- If the proposal requests increased disclosure or greater transparency, whether or not reasonable and sufficient information is currently available to shareholders from the company or from other publicly available sources;
- If the proposal requests increased disclosure or greater transparency, whether or not implementation would reveal proprietary or confidential information that could place the company at a competitive disadvantage.

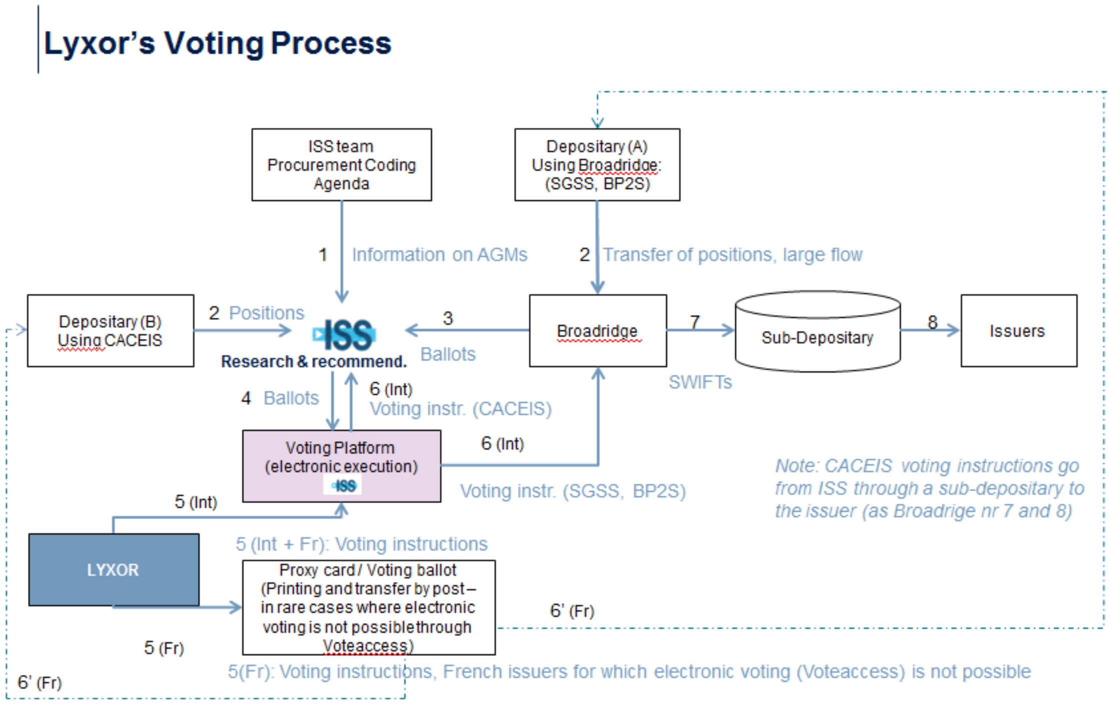
G. Other Items

Mergers and Acquisitions: Voting decisions on resolutions concerning mergers and acquisitions are taken on a case by case basis, considering the following factors:

- Valuation – Is the value to be received by the target shareholders reasonable?
- Market reaction – How has the market responded to the proposed deal?
- Strategic rationale – Does the deal make sense strategically? From where is the value derived?
- Conflicts of interest – Are insiders benefitting from the transaction disproportionately and inappropriately as compared to non-insider stakeholders?
- Governance – Will the combined company have a better or worse governance profile than the current governance profiles of the respective parties to the transaction?

Anti-takeover Mechanisms: Lyxor generally votes against anti-takeover proposals unless they are structured in a way that they give shareholders the ultimate decision on any proposal or offer.

H. Lyxor 's Voting Process



Policy on securities lending

Securities lending will be repatriate on a best effort basis to the extent allowed by legal, technical constraints and clients' economic interests.

Conflicts of interests

Lyxor may have cases of conflicts of interests related to the implementation of the Voting Policy. Potential cases could include voting of resolutions of companies that are part of the Société Générale group.

The general rule in cases for which there may be a conflict of interest is to vote in accordance with the Voting Policy.

In exceptional cases where a conflict of interest prevents an effective application of the Voting Policy, the final decision on the voting will be taken by the governance committee. Should the governance committee be unable to reach a consensus, the decision goes to the CEO.

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