



LYXOR ASSET MANAGEMENT

Voting and Dialogue Policy
Fiscal Year 2018

Voting and Dialogue Policy 2018

LYXOR Asset Management

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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 its role as an engaged and responsible shareholder.

Convinced of the environmental, social and governance challenges, LYXOR has defined – as an extension of its approach as a responsible investor and in line with its adherence to the United Nations Principles for Responsible Investment (PRI) – a shareholder engagement policy attached to the securities held by the CISs (AIFs and UCITS) which it manages.

This shareholder engagement policy is reflected in two complementary areas: a **constructive dialogue policy** between LYXOR and companies; and a **voting policy**, thereby fulfilling the fiduciary obligations to LYXOR's clients.

The voting policy lists the main principles of corporate governance to which the asset management company adheres. General meetings of shareholders cover a wide range of topics, this document therefore establishes LYXOR's voting policy on key issues (not all issues of voting can be known in advance).

This voting policy takes into account the regulation of the French Financial Market Authority (AMF) no. 319-21 to 319-26 for AIFs and 321-132 to 321-134 for UCITS relating to voting policies of asset management companies as well as the Recommendations on Corporate Governance of the French Asset Management Association (AFG).

This policy, and especially, the dedicated part to the exercise of the voting rights, is annually reviewed to take into account legal developments, changes in corporate governance codes and market practices that may have occurred throughout the year. LYXOR's voting policy is validated by an internal Governance Committee and has been developed in the context of LYXOR's policy for Socially Responsible Investments.

I. DIALOGUE POLICY

Convinced that the performance of a company is not solely based on its financial performance, LYXOR today expects companies in which it invests to take into account, and be transparent, on extra-financial issues.

Taking into account these environmental, social, societal and governance issues, is beneficial to the long-term performance of companies and therefore is in the long-term interest of investors.

In order to promote best practices in this area, LYXOR has defined a policy of dialogue with companies that can be translated into two distinct and complementary actions:

1. A PROACTIVE DIALOGUE BEFORE THE GENERAL MEETINGS

As the representative of the shareholders UCIs that it manages, LYXOR undertakes to exercise the voting rights attached to the shares held by these UCIs in order to promote best practices in corporate governance (see Part II: Voting Policy). To do so, LYXOR will use its influence before General Meetings, in order to initiate a constructive dialogue with the companies with a double objective:

- a) Enrich the analytical work and vote in perfect knowledge: these dialogues (meetings or conference calls) are an opportunity to better understand the motivations of companies and the nature of draft resolutions.
- b) Encourage companies to adopt best practices in terms of corporate governance.

2. A THEMATIC ENGAGEMENT

LYXOR may define one or more thematic relate to an environmental, social, societal or governance issue and will engage a dialogue with the main companies in its portfolio. This action aims to improve the Corporate Social Responsibility practices of companies.

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II. VOTING POLICY

1. IMPLEMENTATION OF THE VOTING POLICY

Internal Governance Committee

An internal governance committee oversees the implementation of the LYXOR's Voting Policy. The committee is composed of the following members:

- Chief Investment Officer (CIO)
- General Secretary
- Head of Legal Affairs
- Chief Compliance Officer (RCCI)
- Head of Risk New Products & Head of SRI
- SRI Analyst

Voting process

LYXOR uses the services of an external provider to support it. This proxy advisor establishes analysis and provides voting recommendations. LYXOR relies on these recommendations, but decides on the basis of its own voting policy and retains the final decision.

After conducting a market survey of the different providers, LYXOR currently uses the services of ISS (Institutional Shareholder Services) for the implementation of its voting policy.

Internally, the coordination of votes (analysis and decision) is ensured by the dedicated SRI team, integrated within the General Secretary. In the event of a sensitive item for which the SRI team considers that the application of the voting policy is not in the interest of LYXOR, the following process will apply: (i) analysis and presentation to the internal governance committee, (ii) decision by the Chief Compliance Officer, (iii) ultimately, if necessary, the decision will rest with the Chairman of LYXOR.

Where electronic vote is possible, voting is cast through a Proxy Exchange Platform on which LYXOR inputs its voting instructions. In exceptional cases where electronic voting is not possible (notably for some French companies) proxy voting forms are filled out according to LYXOR's voting policy 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.

Voting scope

In 2018, the voting scope is the following:

- French Funds (Fonds Communs de Placement – FCP)¹, French and Luxembourgish SICAV
- European issuers
- Issuers selection criteria: in order to prevent the excessive costs inherent in the voting process, LYXOR attends general meetings when the consolidated holding represents more than 0.10% of the company's share capital

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.

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- Securities of dedicated client mandates will eventually be added to the above scope in 2018

The voting principles presented below are applicable to General Meetings held from April 1st, 2018.

Voting restrictions

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

- Voting in companies that require blocking share
- Voting at general meetings of companies whose shares are listed on markets involving excessive formalities or administrative costs
- Voting on loyalty shares
- Voting in countries for which custodians used by LYXOR do not offer proxy voting services

2. LYXOR'S VOTING PRINCIPLES

In the long term, good corporate governance must result in an improvement in the company's performance, and therefore in shareholder engagement. By exercising its voting rights, LYXOR can contribute to improve the economic and financial performance of the companies in which it invests on behalf of its clients, with the aim of encouraging the adoption of best practices and mitigate the risk of business 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 of directors to avoid conflicts of interests and to foster optimal effectiveness and efficiency.
- Balance of the financial structure of the company allowing it both to have the essential conditions to deploy its strategy while preserving the position of the shareholder.
- Fair and transparent executives' remuneration policy 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.

The following chapters address the most frequent governance issues presented to shareholder's vote. 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.

In general, LYXOR reserves the right to derogate from the principles set out below if the situation is deemed to be contrary to the interests of its clients. In this case, these situations will be set out in the annual report on the exercise of the voting rights (see Part III - Reporting).

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A. ONE SHARE, ONE VOTE

LYXOR adheres to the principles of 'one share – one vote'. A dual-class structure can allow a group of shareholders with voting power not corresponding to their ownership level 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.

Directors' 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 companies 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 the offices of Chairman and CEO: Separation of the offices of Chairman and CEO 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 only 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.

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 Chairman and CEO. In general, LYXOR is in favour of the principle of separation of the functions of Chairman of the Board and CEO. A combined Chairman/CEO role

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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 Chairman/CEO, but counterbalancing mechanisms such as 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, 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 way, 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 committees 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 in listed companies.
- 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 in listed companies.
- Non-executive directors who do not hold executive or chairmanship positions in listed companies may hold up to four other non-executive directorships in listed companies.

LYXOR will also follow the provisions prescribed in local best practice governance codes on this matter, when they are stricter.

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.

Executives' Compensation Related Proposals: Remuneration policies should be linked to the company's strategy and the amounts granted should reflect the company's performance. LYXOR votes on executives' 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:

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- 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-Executives’ 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 committees duties without compromising their ability to act independently of the management.

D. SHARES 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.

Pre-emptive right is a fundamental shareholder right and when companies issue new shares, they should generally offer first these shares to existing shareholders. It is recognized though, that companies should also be granted some flexibility to issue shares without pre-emptive rights to address company’s financial needs.

General Capital Issuances with Pre-emptive Rights: LYXOR supports capital issuance with pre-emptive rights to a maximum of 50 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 practices on this matter, where relevant.

General Capital Issuance without Pre-emptive Rights: LYXOR supports capital issuance without pre-emptive rights to a maximum of 10 percent (or lower if provided in local market best practices recommendations).

LYXOR will examine specific issuances, with or without pre-emptive rights, on a case-by-case basis. With respect to shares buyback programs, LYXOR will ensure that there are limited in terms of amount and duration and used in the best interests of the company.

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 uncertainty 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 auditors reports as well as the appointment of auditors (and auditors 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. With regard to the Statutory Auditors’ special report on regulated agreements (specificity of the French market), LYXOR will examine the agreements on a case-by-case basis and ensure that they are concluded in the shareholders’ interest.

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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: Company's articles of association are a key element of corporate governance and consequently of considerable interest to investors. Proposals to amend a company'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. MISCELLANEOUS

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

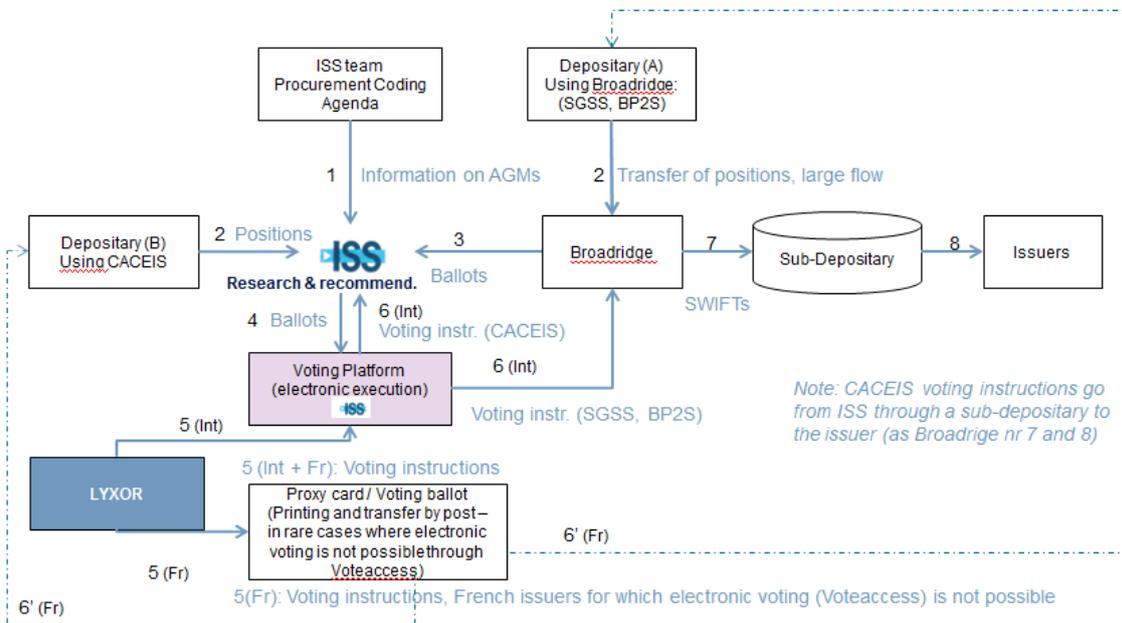
- Valuation – Is the value to be received by the target shareholders reasonable?
- Market reaction – How has the market responded to the proposed deal?
- Strategic rationale – Does the deal make sense strategically? From where is the value derived?
- Conflicts of interest – Are insiders benefitting from 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.

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3. LYXOR VOTING PROCESS



4. 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.

5. CONFLICTS OF INTERESTS

Our voting guidelines are intended to identify the best interest of all clients and principals. LYXOR may have cases of conflicts of interests related to the implementation of its Voting Policy. Potential cases could include voting of resolutions of companies that are part of the Société Générale Group. As with all our holdings, 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 following process will be applied: (i) analysis and presentation to the internal governance committee, (ii) decision by the Chief Compliance Officer, (iii) ultimately, if necessary, the decision will rest with the Chairman of LYXOR.

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III. REPORTING

In order to provide its clients with the greatest transparency and to meet legal obligations, LYXOR publishes every year on its website a report presenting the results of its voting and dialogue policy.

This report, usually available in the first quarter of the calendar year, will include, among other things, the following information:

1. The details of the pre-General Meeting dialogues and – as far as possible – the outcome of these dialogues.
2. The details of the voting decisions of the past general meeting season including, among others:
 - Number of companies and of general meetings on which resolutions were voted during the voting period
 - The proportion of companies on which LYXOR has voted compared to the total number of companies included in LYXOR voting scope
 - The proportion of companies on which LYXOR has voted compared to 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
3. The results of the thematic engagements that would have been carried out during the past year, including – as far as possible – changes in business practices.

DISCLAIMER

This document was produced for information purposes only. It does not constitute any sort of contractual obligation nor an investment advice. LYXOR Asset Management SAS shall not be held liable for any decisions made on the basis of this document.

LYXOR Asset Management shall not be liable for the non exercise or partial exercise of voting rights due to delays, negligence or failures of external providers to LYXOR in transmitting or making available information and documents necessary for LYXOR to exercise its voting rights.

LYXOR Asset Management reserves the right to update this document at any time.

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