FONDS DE RESERVE
POUR LES RETRAITES

GUIDELINES
ON
THE EXERCISE OF VOTING RIGHTS

Dated 1st December 2022

Contents

INTRODUCTION

PRELIMINARY REMARK:

- In accordance with its founding documents, the FRR's voting rights are exercised, in its sole interests, by its selected asset managers. The management mandates awarded to these managers reiterate this two-fold obligation relating to the exercise of voting rights and independence in analysing draft resolutions submitted for voting by shareholder general meetings having regard to the guidance set forth in these guidelines on the exercise of the FRR's voting rights.
- The FRR may not hold more than 3% of the share capital of any company. It is intended therefore that it remain a minority shareholder whose equity holding levels change in line with the investment decisions made by its managers. Accordingly, it is not represented on the management board of any company.

THESE VOTING GUIDELINES HAVE BEEN ADOPTED BY THE FRR's SUPERVISORY BOARD, UPON PROPOSAL BY THE EXECUTIVE BOARD. They are founded upon the following general principles:

1) It is in the FRR's interests to actively contribute towards improving governance in the companies in which it invests. Indeed, the aim is to promote clarity and a balance of power between the governing bodies as well as quality in terms of the information supplied to shareholders, respect for their rights and voting integrity. This is, therefore, one of the factors that contributes greatly to the sustainability of the business community, to the continuity of the strategy they pursue, to the manner in which they exercise their responsibilities vis-à-vis all of their stakeholders. All of these elements contribute directly to their future worth.

2) **The FRR is a long-term investor.** It has elected, in structuring its portfolios and in its management mandates, and in accordance with the asset allocation strategy adopted by the Supervisory Board, to prioritise an active approach based upon an analysis of the fundamental valuation prospects of the equity and debt securities issued by the various categories of issuers. It therefore makes sense for this approach also to be taken into account by the managers in their case-by-case implementation of the voting guidelines contained herein, in particular when considering the appropriateness of financial transactions affecting a company's share capital.

3) **Efforts to improve corporate governance**, whether by the companies themselves, by the legislator or by the regulatory bodies, have increased in recent years. These must continue. The active exercise of the FRR's voting rights as desired by the Supervisory Board, must however take a pragmatic view of the actual conditions on the ground in each market, or as between companies depending on their relative size, and also of the significant differences in company law and practice in terms of corporate governance in the relevant countries, including within the European Union.

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These guidelines have been established having regard to existing French and international voting guidelines, issued by investors and professional or international organisations (OECD). They are sufficiently wide to enable each asset manager to take account of the existing customs and practices in each relevant financial market. Managers may also refer to such practices on matters not covered by the FRR's guidelines. These guidelines will be clarified or amended, from time to time and as necessary for the purpose of their implementation on which the Executive Board shall submit an annual report to the Supervisory Board.

I. PRINCIPLES RELATING TO SHAREHOLDER RIGHTS

1.1. SHARE CAPITAL AND VOTING RIGHTS STRUCTURE AND THE PRINCIPLE OF SHAREHOLDER EQUALITY

The structuring of share capital and voting rights has a direct and decisive impact on respect for shareholders' fundamental rights.

From this point of view, equality amongst shareholders, both majority and minority, in particular with respect to information and the exercise of voting rights is a fundamental principle of corporate governance. In principle, the FRR's stated preference is for a share capital structure comprising one single share category, and the principle of "**1 share = 1 vote**".

The FRR recommends limiting the use of double voting rights which disregards this principle and causes technical problems and significant costs for investors when registering shares. Nevertheless, double voting rights may be acceptable in cases where the State as shareholder, and in the general interest, benefits from these double voting rights.

Where the intention is to stabilise the shareholder structure or establish a strategic long-term partnership, the FRR is favourable to an increased dividend, within the limits of an increase of 10% and <0.5% holding of the share capital.

For share capital increases through the issuance of new shares, when combined with the cancellation of pre-emption or preferential subscription rights, the company will be requested, under the principle of transparency, to explain the reasons and appropriateness: for example, an unexpected strategic operation requiring transactions on share capital, a specific opportunity for raising funds not compatible with the usual procedures and timetable for exercising this property right. In any event, the consequences in terms of dilution for minority investors must be explained and limited to 10% of the share capital where the pre-emption period is not guaranteed, and 20% in other cases.

1.2. ADVANCE NOTICE TO SHAREHOLDERS OF ANY GENERAL MEETING

All financial and non-financial information supplied to investors must be made available within the statutory time limits. It must be sincere, comprehensive and consistent. The individual company and consolidated financial statements must be certified without qualification by the statutory auditors.

Extra-financial performance reporting (*Reporting extra-financier-DPEF* in France) must be sufficiently detailed and credible. For high climate impact sectors, the strategy of alignment with the Paris Agreement (*Accord de Paris*) and resources deployed must be presented.

For the extractive industries sector, payments to governments of over €100,000 are expected to be reported. For the financial sector, country-by-country financial reporting is expected.

A vote against will be recommended in all cases where the business pursues an aggressive tax optimisation strategy.

Finally, resolutions must be clearly and fully explained by the Board, in particular concerning the reasoning behind and consequences of such resolutions, especially in the case of requests for authorisation to increase share capital.

Finally, voting results on resolutions and the minutes of the General Meeting must be promptly and systematically made available to all shareholders, on the issuer's website in particular.

1.3. RESOLUTIONS SUBMITTED FOR VOTING BY THE SHAREHOLDERS

1.3.1. RELATED RESOLUTIONS

The practice of "related" resolutions which involves combining several decisions, even where they are of a similar nature, within one and the same resolution is not satisfactory. These decisions must be submitted separately for voting by the general meeting. This applies in particular to proposals for the appointment of members of the Board of Directors and also the presentation of regulated agreements (*conventions réglementées*). A vote "against" will be recommended for such related resolutions.

1.3.2. CHANGE IN SHAREHOLDER STRUCTURE

The introduction a priori of mechanisms whose aim is to render it very difficult to make significant changes to shareholder structure, through takeover bids (OPA/OPE) in particular, may prejudice minority shareholder rights and adversely affect the value of the company.

Assessing any such measures should have regard to the following criteria:

- they must be justified in the long-term interests of the company, its shareholders and employees and not by a desire to strengthen the position of the company's management;
- they must be in compliance with the provisions of Directive 2004/25/CE on takeover bids and with the arrangements for transposition into the domestic law of European Union member States, and must more specifically respect the general principles of equality of treatment and protection of shareholders, transparency and availability of information, and the paramount interests of the company as a whole; and any applicable reciprocity clauses;
- it is in principle desirable that the implementation of such mechanisms, when already in existence, and in particular any authorisation to issue shares or share warrants or any share buyback programme, be subject to the prior authorisation of a general meeting during the offer period. Where local laws and regulations permit the general meeting to delegate its authority to the board of directors, such delegation must strictly comply with the conditions laid down by such regulations and must be precisely framed with regard in particular to the maximum authorised amount of securities to be issued and duration.

The FRR encourages companies to amend their constitutional documents in order to restore the principle of neutrality of management bodies during public offer periods. In the absence of this statutory clause, financial resolutions not suspended in the event of a public offer will be opposed. Documents signed in blank (*blancs-seings*) authorising management to protect themselves in the event of a potential public offer will systematically be voted against.

1.3.3. APPOINTMENT AND RE-APPOINTMENT OF STATUTORY AUDITORS

The sincerity of a company's accounts and of the financial information supplied to shareholders contributes to the essential investor trust in the markets. The procedure for selecting statutory auditors, their independence and objectivity, are of particular importance with regard to the mission they are required to perform. For this purpose, it is desirable that the procedure for appointing or re-appointing statutory auditors is the responsibility of the Audit Committee which must present and justify its choices in its report to the Board of Directors before approval by the shareholders. Three essential criteria may be relied upon for this purpose:

- Entities directly connected to the statutory auditors must not be instructed by the company, or any company within its group, to provide any service of assistance or advice for amounts which would be significant for such entities compared to the total amount of

fees received by that network in the year such that the independence of the work performed by the statutory auditors may be called into question. Such work must also not concern any significant strategic issue for the company or its group.

- If the company instructs an entity of the statutory auditor's network to perform an audit and provide assistance, the statutory auditors must be in a position to warrant that the provision of such services will not impair its independence and objectivity.
- Members of the managing body or executive team of the company, or other companies within its group, must not enter into any business relationship or have any personal connection with collaborators carrying out statutory auditor functions.

A vote against will be recommended if the fees for work (excluding audits) performed represent more than 60% of the total remuneration for the year or more than 30% on average over the last 3 years. Furthermore, the maximum cumulative duration of all appointments is limited to 18 years.

Finally, a vote against will be recommended if a previous auditor is replaced without explanation or if the alternate statutory auditor is connected to any of the incumbent statutory auditors.

1.3.4. DIVIDENDS

The dividend paid by a company to its shareholders is a significant component of the remuneration on the shares that it issues and a fundamental factor in assessing the value of these shares. The share of the profits allocated for such distribution must nevertheless be in line with the setting aside of reserves consistent with the requirements for sound and sustainable development of the company.

Distribution of dividends must be analysed:

- having regard to changes in the company's wage bill to ensure fairness between employees and shareholders over the long-term,
- in line with the challenges of energy transition and associated investments.

Finally, the FRR, as a long-term shareholder, accepts not receiving any dividend during loss-making periods.

a) Distribution of dividends

Distribution of dividends must be approved by an annual vote, under a separate resolution.

b) Conditions for the granting of special benefits for certain equity securities

Under the principle of shareholder equality, the granting of special benefits for certain shares such as the right to a priority dividend or increased dividend is only acceptable in the circumstances specified in point 1.1. (shareholder loyalty schemes, use of special types of financing, for which a full explanation must be provided).

II. GENERAL PRINCIPLES RELATING TO THE BOARD OF DIRECTORS

2.1. COMPOSITION OF THE BOARD OF DIRECTORS

2.1.1. ROLE OF THE BOARD

The fundamental duties of the Board of Directors are to protect the interests of shareholders whilst respecting the company's other stakeholders, such as its employees and customers, to decide and implement the company's long-term strategy. In addition to these essential functions, the Board also has three main responsibilities, for which it is accountable to the shareholders' general meeting:

- to determine, and implement, the company's business strategies, in particular by recruiting and renewing the senior management team, controlling management and establishing a senior management remuneration policy;
- to ensure the quality of the information supplied to shareholders or the financial markets as well as compliance with accounting standards;
- to ensure that general meetings are duly and properly held and to execute the decisions taken by the shareholders.

Respect for values that promote balanced economic, social and environmental development must also be treated by the Board of Directors as integral to improving corporate governance.

2.1.2. ASSESSMENT OF THE BOARD

Given the importance of the Board, it is essential that it regularly assesses its mode of operation, its work, its results and the contribution of each of its members. This assessment must be carried out regularly to ensure that the Board performs its role effectively and that its resources and mode of operation are at all times fit for the purpose of discharging its responsibilities.

The Board must also inform shareholders in the annual report of the number of meetings it has held, the presence and attendance record of its members, of its organisational and operational structure and of the work of any special committees.

2.1.3. BOARD DIVERSITY

The competence and independence of its directors are fundamental factors for the effective management of any company. It is also essential that the Board be a space for debate where members are free to express their varying experiences in terms of the strategic vision for the company and the conduct of the business. A balanced representation of men and women, a diversity of professional careers, experience and age are factors that enrich the Board's discussions, to which attention should be paid when appointing or renewing the appointment of directors. This applies in particular to the representation of women on boards of directors, which should be at least 40% in all companies within OECD member states. A vote "against" the appointment or renewal of the appointment of members of the Board or the Appointments Committee will be recommended where this target has not been reached.

2.1.4. NUMBER OF DIRECTORS

It is desirable that not too large a number of directors be appointed in order to avoid excessively diluting the responsibility of each director and their commitment to their office. Furthermore, the number of directors should be reviewed periodically having regard to the strategy of the business and the appropriateness of the size of the Board in terms of the company's future operations, or the need to bring on board new skills or experience, without however letting its size become a hindrance to its operational effectiveness.

In this regard, it is desirable that a Board of Directors have a minimum of 7 and a maximum of 15 members.

2.1.5. EMPLOYEE REPRESENTATIVE DIRECTORS

The FRR wishes to promote the inclusion of employee representative directors, whether shareholders or otherwise, provided that candidate nominations follow a democratic process.

These directors, although not free of conflicts of interest, do not count towards the percentage of non-independent directors.

2.1.6. SEPARATION OF THE FUNCTIONS OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The separation of the functions of Chairman of the Board of Directors and Chief Executive Officer strengthens the collegial nature of important company decisions and avoids too much power being concentrated in one single person. It also helps to share the responsibilities for long-term corporate strategy and day-to-day management.

The FRR is therefore opposed to combining the functions of Chairman and Chief Executive Officer, except in the case of a founding Chairman-CEO, on a transitional basis, if the Board is sufficiently independent and that effective counterbalancing powers have been put in place. A vote "against" will be recommended if such is not the case.

2.1.7. INDEPENDENT DIRECTORS

a) Principle and definition

The diverse structures and operating rules for Boards of Directors in different jurisdictions leads to a variety of approaches in terms of understanding the notion of independence of board members. The FRR adopts a common basis by considering that "*a director is independent when they have no relationship of any kind whatsoever with the company, its group or management, that may compromise the free exercise of their judgement"*.

Whatever definition may be adopted by each company and which must be publicly disclosed, the Board's independence and ability to analyse and decide require there to be a sufficient number of directors that have no links with the company or any of its management bodies that may compromise their objectivity in performing their duties or place them in a position of conflict-of-interest.

The Appointments Committee must assist the Board in assessing the independence of all directors.

The following criteria, in particular, should be taken into consideration both by the Appointments Committee and by the Board of Directors in assessing the independence, or lack of independence, of a director:

- not being an employee or corporate officer of the company or any group company within the last 5 years;

- not being an employee or corporate officer of a reference shareholder of the company or any group company;
- not holding more than 10% of the voting rights in or being a reference shareholder of the company;
- not being a corporate officer of a company in which the company holds directly or indirectly a directorship or in which an employee appointed as such or a corporate officer of the company (currently or having been so for less than 5 years) holds a directorship;
- not receiving any remuneration from the company, a group company or its executive management other than that associated with their function as a director;
- not being connected to a client, supplier, banker, adviser or more generally any significant financial or commercial partner of the company, any group company or its executive management, or for which the company, any group company or its executive management represents a significant proportion of their turnover;
- not having any close family ties with a corporate officer;
- not having been a statutory auditor of the company during the previous 5 years;
- not having been a director of the company for more than 12 years.

At the time of the election or renewal of the appointment of a director, shareholders must be fully informed, on the categorisation of independence adopted by the Board of Directors upon proposal by the Appointments Committee (cf. infra). Furthermore, conflicts of interests must be closely monitored in order to be disclosed and managed with the utmost vigilance including when they arise during the course of a director's term of office.

b) <u>Number of independent directors</u>

The proportion of independent members required for the Board to function properly takes into account the shareholder structure and the existence or otherwise of reference shareholders. Indeed, in companies with dispersed share capital and with no controlling shareholders, at least one half of the members of the Board must be independent or free of any potential conflicts of interest. In controlled companies, at least one third of board members must be free of conflicting interests. A vote "against" shall be recommended if such is not the case.

2.1.8. INFORMATION SUPPLIED TO SHAREHOLDERS UPON THE APPOINTMENT OF DIRECTORS

It is essential that full and transparent information is prepared for the attention of shareholders called to vote upon the appointment or renewal of the appointment of a member of the managing body in order to explain the appropriateness of such appointment.

A separate resolution must be submitted for voting by the shareholders in general meeting for each appointment or renewal of the appointment of a director.

2.1.9. CHARACTERISTICS OF DIRECTORSHIPS

a) <u>Appointment or renewal of the appointment of directors</u>

Proposals for the appointment or renewal of the appointment of directors must be assessed with regard to the following criteria:

- the appointment procedure has been conducted by a special Committee of the Board of Directors, for example the Appointments Committee and adequate information shall be supplied on the expertise, availability and, if relevant, independence of the director;
- the number of directors must not be too high (less than 15) ;

- the number of independent directors must form a significant proportion of the membership of the Board and between one-third and one-half of the directors in listed companies;
- information appropriate to the function must be supplied concerning the director;
- the director does not hold an excessive number of directorships in companies outside the group (cf. infra) ;

b) Multiple directorships

The involvement of directors in the long-term development of the company and regular attendance at Board meetings require that each director is able to devote sufficient time to the discharge of their duties.

Having a seat on too large a number of Boards of directors is prejudicial to the engagement and effectiveness of their members. There is no intention to recommend an absolute maximum number of directorships, because such an assessment depends on numerous factors such as the size of the company or the functions performed within each one. It is nevertheless strongly recommended that the special Committee responsible for the appointment of directors ensures that the total number of directorships is compatible with the availability necessary for each such directorship, and must be vigilant where a single director holds more than three directorships in companies not forming part of the same group.

c) Duration of directorships

Directors are responsible for defining and implementing the company's strategy and are accountable for this mission to all shareholders. A balance must therefore be found between the need to form a Board capable of implementing a long-term strategy, and the right of shareholders to control the performance by the directors of their duties and therefore to regularly submit their directorship to the approval of the general meeting.

It is desirable that directorships have a duration of no more than 4 years. With the aim of maintaining a consistent long-term corporate strategy, it is the responsibility of the Appointments Committee and the Board of Directors to ensure that the renewal of directorships is staggered over time, to avoid any simultaneous renewal of the entire Board of Directors.

The FRR is opposed to directorships of a total cumulative duration of more than 18 years. Once this duration exceeds 12 years, a director may no longer be considered as independent.

d) Reciprocal directors

The practice of reciprocal directorships (other than intra-group) is not satisfactory unless it is the result of an effective strategic alliance of which shareholders have been informed, or where there are significant share capital links between the companies concerned.

e) Regular attendance

The rate of attendance of members at Board and committee meetings must be disclosed on an individual basis. A vote "against" will be recommended upon re-appointment of a director if their rate of attendance is not above 75%.

2.2. FUNCTIONING OF THE BOARD OF DIRECTORS AND ESTABLISHMENT OF SPECIAL COMMITTEES

Special committees established by the Board of Directors are an essential element of corporate governance, and of the effective operation of and assistance to the Board of Directors. The levels of competence and independence required of board members mean that they have to entrust matters that are complex or involve a risk of conflict of interest to various directors' Committees, without detracting from the overall responsibility of the Board in its collegial form.

The number and structure of these Committees depends on the size of each company and how it is organised. Whatever the remit bestowed on each Committee, it is nevertheless essential that matters concerning (i) the appointment of directors, (ii) the structure and terms of their remuneration, (iii) reviewing the companies financial statements, and (iv) the selection of statutory auditors, are studied by a special Committee, at least two thirds of whose members must be independent directors.

Whenever possible, at least three different Committees must be established, namely an Appointments Committee, a Remuneration Committee and an Audit Committee. The functions of the appointments and remuneration committees may be performed by one body.

a) Appointments committee

This Committee is responsible for finding competent candidates and conducting the process for the appointment of Board members. Its role is essential in ensuring that the training and expertise of its members, their availability and re-appointment improve the quality of the company's management.

It is desirable that the majority of the Appointments Committee's members are independent directors and that there are no executive directors. It may consult the chairman of the Board whenever necessary.

The Appointments Committee must establish strict rules for selecting potential directors to be sure of their competence, independence having regard, for example, to the above-mentioned criteria and potential contribution to the collegial body.

b) Audit Committee (or Accounts Committee)

The Audit Committee plays an essential role in the transparency of corporate financial statements and their ability to explain all of the economic and financial risks faced by the companies concerned.

Given the requirements for competence and independence of the Audit Committee, its membership must necessarily be restricted to a limited number of directors, two thirds of whom must be independent. There must be no corporate officers on the Committee. At least one member of the committee must have specific financial or accounting expertise and be independent. The Audit Committee has three particular functions:

- To monitor the company's accounts in their entirety. For this purpose, the Audit Committee examines all accounting decisions underlying the preparation of the company's accounts such as, for example the scope of consolidation.
- To monitor the effectiveness of the company's internal audit function, and internal control and risk management systems. The Audit Committee must in particular examine off-balance sheet items, the impact of any rating downgrade on the company's cash flow and liabilities, resulting in particular from the use of forward financial instruments especially when traded over-the-counter, which may be significant for the company and, finally, must give its opinion on the internal audit and risk management departments' organisation.

- To monitor the work of the company's statutory auditors and make proposals on the appointment, re-appointment and/or termination of the functions of the statutory auditors.

It is essential for the Audit Committee to have access, for the purpose of its control function, to all of the company's internal documents and to be able to communicate with the statutory

auditors and, without their hierarchical superiors being present, with the heads of the accounting, financial and internal audit departments.

Finally, it is desirable that the Board communicates as widely as possible the existence and the work of these various Committees through the internal control report or the annual report submitted to the general meeting.

c) Remuneration committee

The Remuneration Committee must have a limited number of members the majority of which are independent directors. The Chairman of the committee must be an independent director. No corporate officer may be a member of the Remuneration Committee.

Its operating rules and powers must be set forth in an internal regulations document approved by the Board of Directors.

Its role is to propose to the board the bases necessary for determining the overall remuneration policy for corporate officers (fixed salary, variable element, benefits in kind, pension scheme, stock options and/or free share award schemes, termination payments). It may also be given power to issue recommendations on the structure and level of remuneration of the executive team.

For this purpose, it establishes a working methodology and principles that are explained to the shareholders both in a special chapter of the annual report and, where appropriate, by the Chairman of the committee at a general meeting. To help in its mission it may appoint external consultants.

d) CSR (Corporate Social Responsibility) Committee

The FRR encourages the establishment of a dedicated CSR committee. As a minimum, companies must describe how their governance is structured for the purpose of dealing with climate-related risks and opportunities: supervision, risk management and transparency.

The Board of Directors is responsible for supervising the defining of the company's climate risks and opportunities and overseeing the strategy implemented by management to manage these risks and opportunities.

If it is considered that climate issues are not adequately covered having regard to the company's business sector, a vote "against" will be recommended when the chairman of the board is up for reappointment.

2.3. REMUNERATION OF SENIOR EXECUTIVES AND DIRECTORS

2.3.1. TRANSPARENCY

A vote against will be recommended if the information disclosed on remuneration policy is not sufficiently transparent having regard to local recommendations and standards of good practice. In such case, the re-appointment of the chairman of the remunerations committee may be rejected.

The remuneration of senior executives will also have to be determined and evolve in a manner consistent with the staffing situation within the company, for example where there is a significantly large scale redundancy plan or limited salary increases. A vote "against" will be recommended if such is not the case.

2.3.2. COMPANY PERFORMANCE AND REMUNERATION

The Board of Directors and Remuneration Committee must as a minimum have regard to four key principles when drawing up the remuneration policy for a company's senior executives, which must be measured, balanced and contribute to the internal cohesion of the company:

- the remuneration awarded must always be justified and justifiable with respect to relevant and objective criteria and take into consideration actual risks incurred, given that risks exist for all employees not only senior executives; The FRR encourages the publication of a pay fairness ratio, including in countries where this is optional. This ratio indicates the ratio between the company's highest remuneration and the average and median remuneration of employees. In order to maintain corporate cohesion within the company, it is desirable that the overall annual remuneration of senior executives be capped at 100 times the minimum salary in the country where the head office is located, or where there is no minimum salary, 50 times the median remuneration calculated at Group level.
- the overall amount of remuneration must be consistent with the company's situation, the practices followed in the relevant country and sector, and in companies of an equivalent size;
- the relationship between the fixed element and variable element of the remuneration must encourage senior executives to achieve high targets but without taking any imprudent actions. The variable element may represent a maximum of 3 times the target fixed element. This cap may be increased to 4 times the fixed element for exceptional performance. The performance criteria on which the variable element is based must be transparent and verifiable;
- the level of remuneration of senior executives and directors should bring their interests into alignment with the long-term performance of the company and long-term interests of the shareholders; in this regard, it is preferable that the variable element of the remuneration is not linked solely to the company's fluctuating share price, which would encourage a short-term outlook, but conversely should be founded upon criteria for assessing the company's long-term performance. A significant part (15% at least) of the variable element of senior executives' remuneration should incorporate precise and verifiable criteria measuring the extra-financial performance of the company;

A vote "against" shall be recommended if the above conditions are not met.

Finally, it is usual that directors receive, in consideration of their commitment and regular attendance, payment of a fixed annual amount by way of attendance fees. The annual amount of these fees should be set having regard to the company's situation, its growth outlook, the sector in which it operates and its competitive environment. Payment of attendance fees must be conditional principally upon actual attendance at board and committee meetings. It is desirable for the amount allocated by the Board to each director to appear in the annual report for the financial year following that during which the directors' fees were approved.

2.3.3. STOCK-OPTIONS, FREE SHARE AWARDS

The main criteria for the granting of these schemes may be as follows:

- the authorisation and award of these options are subject to the submission of resolutions to the general meeting for approval, upon special report of the statutory auditors, and

notification each year to the general meeting in a special report on these schemes (summary table setting forth relevant details on current stock option schemes);

- the extent to which the scheme benefits employees and corporate officers and the timing of the award must be defined in advance; it is important that schemes aiming to expand employee share ownership in the company be clearly explained and distinguished from those reserved for senior executive corporate officers; Separate resolutions must be submitted to the General Meeting for each of the employee scheme and the senior executive scheme. In order to promote corporate cohesion within the company, the FRR expects free share distributions to be extended to all employees.
- the award of options to senior executive corporate officers must be subject to performance conditions, the criteria for which must be expressly set forth in the request for approval, free awards without performance conditions being reserved for employees only;
- the ability to modify the exercise price during the life of the option should remain exceptional, precisely framed and subject to the prior consent of the shareholders;
- no discounted stock options, in particular when granted to corporate officers and the main senior executives;
- ban on the use of option hedging instruments;
- regular frequency of awards to avoid any opportunistic award, in particular in periods when the company's share price has fallen;
- establishing closed windows during which options may not be exercised to avoid insider information being used, in particular during periods preceding the publication of financial statements;
- in the case of stock options, the holding period prior to exercise of the options must be significant and the dilution effect for other shareholders very limited. In particular, corporate officers should be required to hold a significant percentage of their shares until their term of office expires;
- in the case of free share award schemes, the same principles apply, all other things being equal.

In all of the above cases, the arrangements for the award of stock options or free shares, the percentages awarded to senior executive corporate officers as well as the performance criteria upon which the award is conditional must be described together with their impact on the company's share capital, at the time of their submission for the general meeting's approval. Approvals for stock options or performance share schemes must not exceed 1% of the share capital per year. A vote "against" shall be recommended if the above conditions are not met.

2.3.4. TERMINATION PAYMENTS

Termination payments must be specified in the relevant agreements for corporate officers and in the employment contract for other senior executives. They must also be brought to the attention of shareholders in resolutions separate from those on regulated agreements.

No termination payments may be made in the following circumstances:

- departure of a senior executive who has failed or caused the company to fail;
- resignation of the senior executive;
- retirement of the senior executive.

The termination payment must not exceed 2 years' total remuneration (fixed plus variable). This cap must include potential payments under a non-compete clause.

In this regard, it is desirable that the Remuneration Committee ensures that termination payments for senior executives are proportional to the length of their service and performance of the company during their term of office.

2.3.5. SUPPLEMENTAL PENSION SCHEMES

The FRR does not favour defined-benefit "voluntary supplemental" pension schemes for senior executives.

Defined contribution schemes are considered acceptable if the split between company and beneficiary contributions is balanced.

III. GENERAL PRINCIPLES APPLICABLE TO RESOLUTIONS ON ENVIRONMENTAL OR SOCIAL MATTERS.

Where resolutions are submitted, either by the Board of Directors or the shareholders, on environmental or social matters, they should be analysed having regard to:

- The FRR's **Principles for responsible investment** as adopted by the FRR's Supervisory Board and published on its website (**http://www.fondsdereserve.fr/fr/investissement-socialementresponsable**):
  - respect for human rights and fundamental labour rights;
  - developing employment by improving the quality of human resource management;
  - assuming environmental responsibilities;
  - respect for the consumer and market functioning rules;
  - promoting rules of good corporate governance.

- The FRR's **Responsible investment strategy (https ://www.fondsdereserve.fr/fr/investissement-socialement-responsable)**

In order to reconcile the drive for economic performance with contributing to the public interest, the FRR encourages companies to adopt a raison d'être that takes account of the social, societal and environmental impact of their activities.

3.1. CLIMATE RELATED RESOLUTIONS

The FRR favours the introduction of a regular vote at General Meetings on climate goals and climate reporting.

In line with the commitments made by the FRR within the framework of the Net Zero Asset Owner Alliance, particular attention must be paid:

- to the strategy of alignment with the Paris Agreement (*Accord de Paris*), the objective of carbon neutrality by 2050 (at the latest), and the compatibility of investments with this strategy,
- to the appropriateness of the short, medium and long-term emission reduction targets and the scope covered,
- to the level of transparency and the indicators for monitoring commitments,
- to the governance of climate issues and compliance with the TCFD recommendations,
- to consideration for stakeholders in accordance with the principles for fair transition,
- to the quality of shareholder dialogue.

A vote in favour may be recommended even if not all of the above criteria have yet been met, in cases where the company is making clear progress, or has made significant advances compared to its business sector.