

# Proxy Voting Policy for CBK SICAV Commerzbank Globale Aktien – Katholische Werte

## Introduction

Commerzbank AG Asset Management, as an investment manager, has a fiduciary duty to the asset owners. In connection with the investment management of funds of Commerz Funds Solutions S.A., it observes the Proxy Voting Policy of Commerz Funds Solutions S.A.. Proxy Voting should be exercised in a systematic and proper manner in accordance with the voting standards to preserve the interests of shareholders. Commerzbank AG Asset Management will use its influence by exercising its voting rights in accordance with the best interest of the funds and their investors and in compliance with the Fund's objectives and policies. This policy is to be used as a guideline, but each voting decision involves a unique set of facts that will need to be considered in determining whether the vote is in the best interests of the Funds and their investors. Acting on behalf of the Funds, CDFS may abstain from voting or decline to vote where, in its opinion, the cost of casting the vote exceeds the economic value of the expected effect of the vote on the investment. This may occur when the number of shares owned by the fund is insignificant, or when an extraordinary effort will be required by CDFS to interpret this policy, such as in the case of some foreign securities.

Using voting rights of managed shares plays a pivotal role in responsible investment management. As a result, we advocate shareholders' interests of a company focussed on long-term success characterised by holistic and future-oriented management approaches and sustainable business models.

For CBK SICAV Commerzbank Globale Aktien-Katholische Werte further sustainability criteria are adopted by this policy. The policy addresses a broad range of issues, and provides general voting parameters on proposals that arise most frequently. However, details of specific proposals vary, and those details affect particular voting decisions, as do factors specific to a given company. We thus decided to follow the International Corporate Governance Network (ICGN) and United Nations Global Compact (UNGC) setting both internationally respected principles for exemplary corporate management. We intended them as orientation and guidelines in cases without direct instructions issued, because governance, environmental and social issues are a window into or proxy for management and board quality.

## 1. Responsibility

### 1.1 Duties

We expect the board of directors to act on an informed basis and in the best interests of the company with good faith, care and diligence, for the benefit of shareholders, while having regard to relevant stakeholders.

### 1.2 Responsibilities

The board of directors is accountable to investors and relevant stakeholders and responsible for protecting and generating sustainable value over the long term. In fulfilling their role effectively, we expect the board members to:

- a) guide, review and approve corporate strategy and financial planning, including major capital expenditures, acquisitions and divestments;
- b) monitor the effectiveness of the company's governance, environmental impacts, and social practices, and adhere to applicable laws;
- c) embody high standards of business ethics and oversee the implementation of codes of conduct that engender a corporate culture of integrity;
- d) oversee the management of potential conflicts of interest,

such as those which may arise around related party transactions;

- e) oversee the integrity of the company's accounting and reporting systems, its compliance with internationally accepted standards, the effectiveness of its systems of internal control, and the independence of the external audit process;
- f) oversee the implementation of effective risk management and proactively review the risk management approach and policies annually or with any significant business change;
- g) ensure a formal, fair and transparent process for nomination, election and evaluation of directors;
- h) appoint and, if necessary, remove the chief executive officer (CEO) and develop succession plans;
- i) align CEO and senior management remuneration with the longer term interests of the company and its investors; and
- j) conduct an objective board evaluation on a regular basis, consistently seeking to enhance board effectiveness.

In markets where an annual discharge of director's responsibility is a routine agenda item, we vote against discharge of the Board of Directors if they do not comply with these requirements.

We expect the board of directors to meet the above-mentioned requirements. Thus, we consider withholding support on director nominees who attend less than 75 percent of the board and committee meetings without a valid excuse for the absences.

### 1.3 Dialogue

The board of directors should make available communication channels for dialogue on governance matters with investors and stakeholders as appropriate. Boards should clearly explain such procedures to investors including guidance relating to compliance with disclosure and other relevant market rules.

### 1.4 Commitment

The board of directors should meet regularly to discharge its duties and directors should allocate adequate time to meeting preparation and attendance. Board members should know the business, its operations and senior management well enough to contribute effectively to board discussions and decisions.

### 1.5 Directorships

The number, and nature, of board appointments an individual director holds (particularly the chair and executive directors) should be carefully considered and reviewed on a regular basis and the degree to which each individual director has the capacity to undertake multiple directorships should be clearly disclosed.

Thus, we vote to fix the size of the Board unless:

- (a) no specific reason for the proposed change is given; or
- (b) the proposal is part of a package of takeover defences.

We vote against proposal allowing Management to fix the size of the Board without shareholder approval.

### 1.6 Induction

There should be a formal process of induction for all new directors so that they are well-informed about the company as soon as possible after their appointment. Directors should also be enabled to regularly refresh their skills and knowledge to discharge their responsibilities.

### 1.7 Committees

Committees should be established to deliberate on issues such as audit, remuneration and nomination.

We generally support the implementation of such committees.

### 1.8 Advice

The board of directors should receive advice on its responsibilities under relevant law and regulation, usually from the company secretary or an in-house general counsel. In addition, the board should have access to independent advice as appropriate and at the company's expense.

## 2. Leadership and independence

### 2.1 Chair and CEO

The board of directors should have independent leadership. As long as there are no local regulatory requirements about composition, size or ratios of board management, there should be a clear division of responsibilities between the chairmanship of the board and the executive management of the company's business.

### 2.2 Lead independent director

The chair should be independent on the date of appointment. If the chair is not independent, the company should adopt an appropriate structure to mitigate any potential challenges arising from this, such as the appointment of a lead independent director. The board should explain the reasons why this leadership structure is appropriate and keep the structure under review. A lead independent director also provides investors and directors with a valuable channel of communication should they wish to discuss concerns relating to the chair.

We generally consider withholding support from or voting against the chair if deviate from such a practice.

### 2.3 Succession

We consider withholding support from or voting against nominees if the board of directors decides that a CEO should succeed to become chair. In this case, the board should communicate appropriately with investors in advance setting out a convincing rationale and providing detailed explanation in the annual report. Unless extraordinary circumstances exist there should be a break in service between the roles, (e.g. a period of two years).

### 2.4 Effectiveness

We generally support proposals that promote the companies' effectiveness. The chair should ensure a culture of openness and constructive debate that allows a range of views to be expressed. This includes setting an appropriate board agenda and ensuring adequate time is available for discussion of all agenda items. There should also be opportunities for the board to hear from an appropriate range of senior management.

### 2.5 Independence

We expect the independence of the directors of the board, if subsequent steps are executed:

First, the board of directors should identify in the annual report the names of the directors considered by the board to be independent and who are able to exercise independent judgement free from any external influence. Second, the board should state its reasons if it determines that a director is independent notwithstanding the existence of relationships or circumstances which may appear relevant to its determination, including if the director:

- is or has been employed in an executive capacity by the company or a subsidiary and there has not been an appropriate period between ceasing such employment and serving on the board;
- is or has within an appropriate period been a partner, director or senior employee of a provider of material professional or contractual services to the company or any of its subsidiaries;
- receives or has received additional remuneration from the company apart from a director's fee, participates in the company's share option plan or a performance-related pay scheme, or is a member of the company's pension scheme;
- has or had close family ties with any of the company's advisers, directors or senior management;
- holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;

- is a significant shareholder of the company, or an officer of, or otherwise associated with, a significant shareholder of the company;
- is or has been a nominee director as a representative of minority shareholders or the state;
- has been a director of the company for such a period that his or her independence may have become compromised.

### 2.6 Independent meetings

The chair should regularly hold meetings with the non-executive directors without executive directors present. In addition, the non-executive directors (led by the lead independent director) should meet as appropriate, and at least annually, without the chair present.

## 3. Composition and appointment

### 3.1 Composition

As long as there are no local regulatory requirements about composition of the board of management, the board of directors should comprise a majority of non-executive directors. The majority of whom are independent, noting that practice may legitimately vary from this standard in controlled companies where a critical mass of the board is preferred to be independent. There should be a sufficient mix of individuals with relevant knowledge, independence, competence, industry experience and diversity of perspectives to generate effective challenge, discussion and objective decision-making.

### 3.2 Board Size

Board size should be appropriate to the size and complexity of the company. We will exercise its voting powers in favour of reducing excessively-large boards wherever possible. Boards with more than 15 directors are usually deemed excessively large, whereas less than 5 directors may be too small to provide sufficient levels of independence for key committees.

### 3.3 Diversity

There should be a policy on diversity which should include measurable targets for achieving appropriate diversity within its senior management and board (both executive and non-executive) and report on progress made in achieving such targets. Aspects of diversity include gender, nationality, and special skills required by the board. We generally support proposals extending existing processes especially strategies to improve female representation.

### 3.4 Tenure

Non-executive directors should serve for an appropriate length of time to properly serve without compromising the independence of the board. The length of tenure of each director should be reviewed regularly by the nomination committee to allow for refreshment and diversity.

### 3.5 Appointment process

We vote for the board directors and expect their aptitude if the process for director nomination and election/re-election is disclosed to its full extent. The information about board candidates should include:

- a) board member identities and rationale for appointment;
- b) core competencies, qualifications, and professional background;
- c) recent and current board and management mandates at other companies, as well as significant roles on non-profit/charitable organisations;
- d) factors affecting independence, including relationship(s) with controlling shareholders;
- e) length of tenure;
- f) board and committee meeting attendance; and

g) any shareholdings in the company.

### 3.6 Nominations

Shareholders should be able to nominate candidates for board appointment.

As long as there are no local regulatory requirements, we generally support shareholder proposals requiring that a certain percentage (up to  $66\frac{2}{3}$  percent) of the company's board members be independent directors, and promoting all-independent audit, compensation and nominating/governance committees.

### 3.7 Elections

Board directors should be conscious of their accountability to investors. Accountability mechanisms may require directors to stand for election on an annual basis or to stand for election at least once every three years. Shareholders should have a separate vote on the election of each director, with each candidate approved by a simple majority of shares voted.

In the absence of a proxy contest, we generally support the board's nominees for director as long as in line with the general proxy voting guidelines.

### 3.8 Evaluation

The nomination committee should evaluate the process for a rigorous review of the performance of the individual directors, the company secretary (where such a position exists), the board's committees and the board as a whole prior to being proposed for re-election. The board of directors should also periodically (preferably every three years) engage an independent outside consultant to undertake the evaluation. The non-executive directors, led by the lead independent director, should be responsible for performance evaluation of the chair, taking into account the views of executive officers. The board should disclose the process for evaluation and, as far as reasonably possible, any material issues of relevance arising from the conclusions and any action taken as a consequence.

We generally support management and shareholder proposals enhancing evaluation and linked undertakings.

### 3.9 Nomination committee

A nomination committee should be comprised of non-executive directors, the majority of whom are independent. The main role and responsibilities of the nomination committee should be described in the committee's terms of reference. This includes:

- a) developing a skills matrix, by preparing a description of the desired roles, experience and capabilities required for each appointment, and then evaluating board composition.
- b) leading the process for board appointments and putting forward recommendations to shareholders on directors to be elected and re-elected;
- c) upholding the principle of director independence by addressing conflicts of interest (and potential conflicts of interest) among committee members and between the committee and its advisors during the nomination process;
- d) considering and being responsible for the appointment of independent consultants for recruitment or evaluation, including their selection, and terms of engagement and publicly disclosing their identity and consulting fees;
- e) entering into dialogue with shareholders on the subject of board nominations either directly or via the board; and
- f) board succession planning.

We generally follow the nomination committee's recommended proposal for the Management board as long as they comply with the general proxy voting guidelines.

## 4. Corporate culture

We generally support management and shareholder proposals enhancing:

### a) Codes of conduct/ethics

High standards of business ethics should be adopted through codes of conduct/ ethics (or similar instruments) and oversee a culture of integrity, notwithstanding differing ethical norms and legal standards in various countries. This should permeate all aspects of the company's operations, ensuring that its vision, mission, business model and objectives are ethically sound and demonstrative of its values. Codes should be effectively communicated and integrated into the company's strategy and operations, including risk management systems and remuneration structures.

### b) Bribery and corruption

The board of directors should ensure that management has implemented appropriately stringent policies and procedures to mitigate the risk of bribery and corruption or other malfeasance. Such policies and procedures should be communicated to investors and other interested parties.

### c) Whistle-blowing

There should be an independent, confidential mechanism whereby an employee, supplier or other stakeholder can raise (without fear of retribution) issues of particular concern with regard to potential or suspected breaches of a company's code of ethics or local law.

### d) Political lobbying

In jurisdictions where corporate political donations are allowed, a policy should exist on political engagement, covering lobbying and donations to political causes or candidates where allowed under law. The policy should ensure that the benefits and risks of the approach taken are understood, monitored, transparent and regularly reviewed.

### e) Employee share dealing

There should be clear rules regarding any trading by directors and employees in the company's own securities. Individuals should not benefit directly or indirectly from knowledge which is not generally available to the market.

### f) Behaviour and conduct

A corporate culture should be fostered which ensures that employees understand their responsibility for appropriate behaviour. There should be appropriate board level and staff training in all aspects relating to corporate culture and ethics. Due diligence and monitoring programmes should be in place to enable staff to understand relevant codes of conduct and apply them effectively to avoid company involvement in inappropriate behaviour.

## 5. Risk oversight

### 5.1 Risk culture

We expect the board of directors to lead by example and foster an effective risk culture that encourages openness and constructive challenge of judgements and assumptions. The company's culture with regard to risk and the process by which issues are escalated and de-escalated within the company should be evaluated periodically.

### 5.2 Dynamic process

Risk should be reflected in the company's strategy and capital allocation. It should be managed accordingly in a rational, appropriately independent, dynamic and forward-looking way. This process of managing risks should be continual and include consideration of a range of plausible impacts.

We generally support management and shareholder proposals strengthening:

### a) Proactive oversight

The board of directors should proactively oversee, review and approve the approach to risk management regularly or with any significant business change and satisfy itself that the approach is functioning effectively. Strategy and risk are inseparable and should permeate all board discussions and, as such, the board should consider a range of plausible

outcomes that could result from its decision-making and actions needed to manage those outcomes.

#### **b) Comprehensive approach**

A comprehensive approach to the oversight of risk which includes all material aspects of risk should be adopted, including financial, strategic, operational, environmental, and social risks (including political and legal ramifications of such risks), as well as any reputational consequences.

### **5.3 Risk committee**

While ultimate responsibility for a company's risk management approach rests with the full board, having a risk committee (be it a stand-alone risk committee, a combined risk committee with nomination and governance, strategy, audit or other) can be an effective mechanism to bring the transparency, focus and independent judgement needed to oversee the company's risk management approach.

We generally support management and shareholder proposals establishing or strengthening the company's risk committee.

## **6. Remuneration**

We believe that directors' payments on termination should not exceed one year's fixed compensation.

The executive's compensation should take following issues into account:

#### **a) Alignment**

Remuneration should be designed to effectively align the interests of the CEO and other executive officers with those of the company and its investors. Remuneration should be reasonable and equitable in terms of both structure and quantum, and should be determined within the context of the company as a whole.

#### **b) Performance**

Performance measurement should integrate risk considerations so that there are no rewards for taking inappropriate risks at the expense of the company and its investors. Performance related elements should be rigorous and measured over timescales, and with methodologies which help ensure that performance pay is directly correlated with sustained value creation.

#### **c) Malus and Clawback**

Incentive plans should include provisions to withhold the payment of any sum ('malus'), or recover sums paid ('clawback'), in the event of serious misconduct or a material misstatement in the company's financial statements.

### **6.1 Disclosure**

We expect the disclosure of the company's remuneration policy. The remuneration Policy should be clear, understandable and comprehensive it should be publicly disclosed, and aligned with the company's long-term strategic objectives. It should contain keen incentives and clear and specific performance criteria, which are challenging in nature and fully disclosed to shareholders in advance.

The remuneration report should also describe how awards granted to individual directors and the CEO were determined and deemed appropriate in the context of the company's underlying performance in any given year. This extends to non-cash items such as director and officer insurance, fringe benefits and terms of severance packages if any.

### **6.2 Share ownership**

The company policy concerning ownership of shares by the CEO and other executive officers should be disclosed. This should include how share ownership requirements are to be achieved and for how long they are to be retained. The use of derivatives or other structures that enable the hedging of an individual's exposure to the company's shares should be discouraged.

### **6.3 Shareholder approval**

Shareholders should have an opportunity to vote on the remuneration policies where significant change to remunera-

tion structures is proposed or where significant numbers of shareholders have opposed a remuneration resolution. In particular, share-based remuneration plans should be subject to shareholder approval before being implemented. There should be no award for below-median performance, and awards for at-median performance should be modest. Beneficiaries should be encouraged to retain any resultant shares for a suitable time, and should not benefit from free-matching shares for no other reason than a decision to defer compensation already earned.

### **6.4 Employee incentives**

Remuneration structures for company employees should reinforce, and not undermine, sustained value creation. Performance-based remuneration for staff should incorporate risk, including measuring risk-adjusted returns, to help ensure that no inappropriate or unintended risks are being incentivised. While a major component of most employee incentive remuneration is likely to be cash-based, these programmes should be designed and implemented in a manner consistent with the company's long-term performance drivers.

We support proposals for employee equity compensation plans and other employee ownership plans, proposals for employee stock purchase plans that permit a reasonable discount and proposals for the establishment of employee retirement and severance plans, provided that approval would not be against shareholder interest.

### **6.5 Non-executive director pay**

Pay for a non-executive director and/or a non-executive chair should be structured in a way which ensures independence, objectivity, and alignment with investors' interests. Performance-based pay should not be granted to non-executive directors and non-executive chairs.

We generally oppose retirement plans and bonuses for non-executive directors, non-executive chairs or independent statutory auditors.

### **6.6 Remuneration committee**

We generally support the work of a remuneration committee. It should be established and comprised of nonexecutive directors, the majority of whom are independent. The main role and responsibilities of the remuneration committee should be described in the committee terms of reference. This includes:

- a)** determining and recommending to the board the remuneration philosophy and policy of the company;
- b)** designing, implementing, monitoring and evaluating short-term and long-term share-based incentives and other benefits schemes including pension arrangements, for the CEO and other executive officers;
- c)** ensuring that conflicts of interest among committee members and between the committee and its advisors are identified, disclosed and integrated;
- d)** appointing any independent remuneration consultant including their selection and terms of engagement and disclosing their identity and consulting fees; and
- e)** maintaining appropriate communication with shareholders on the subject of remuneration either directly or via the board.

## **7. Reporting and audit**

### **7.1 Comprehensive disclosure**

A balanced and understandable assessment of the company's position and prospects should be presented in the annual report and accounts in order for investors to be able to assess the company's performance, business model, strategy and long-term prospects.

### **7.2 Materiality**

Relevant and material information should be disclosed on a timely basis so as to allow investors to take into account information which assists in identifying risks and sources of wealth creation. Issues material to investors should be set out

succinctly in the annual report, or equivalent disclosures, and approved by the board itself.

### 7.3 Affirmation

The board of directors should affirm that the company's annual report and accounts present a true and fair view of the company's position and prospects. As appropriate, taking into account statutory and regulatory obligations in each jurisdiction, the information provided in the annual report and accounts should:

- a) be relevant to investment decisions, enabling investors to evaluate risks, past and present performance, and to draw inferences regarding future performance;
- b) enable investors, who put up the risk capital, to fulfil their responsibilities as owners to assess company management and the strategies adopted;
- c) be a faithful representation of the events it purports to represent;
- d) generally be neutral and report activity in a fair and unbiased way except where there is uncertainty. Prudence should prevail such that assets and income are not overstated and liabilities and expenses are not understated. There should be substance over form. Any off-balance sheet items should be appropriately disclosed;
- e) be verifiable so that when a systematic approach and methodology is used the same conclusion is reached;
- f) be presented in a way that enables comparisons to be drawn of both the entity's performance over time and against other entities; and
- g) recognise the 'matching principle' which requires that expenses are matched with revenues.

### 7.4 Solvency risk

The board of directors should confirm in the annual report that it has carried out a robust assessment of the state of affairs of the company and any material risks, including to its solvency and liquidity that would threaten its viability. The board should state whether, in its opinion, the company will be able to meet its liabilities as they fall due and continue in operation for the foreseeable future, explaining any supporting assumptions and risks or uncertainties relevant to that and how they are being managed. In particular, disclosure on risk should include a description of:

- a) risk in the context of the company's strategy;
- b) risk to returns expected by investors with a focus on key consequences;
- c) risk oversight approach and processes;
- d) how lessons learnt have been applied to improve future outcomes; and
- e) the principal risks to the company's business model and the achievement of its strategic objectives, including risks that could threaten its viability.

### 7.5 Non-financial information

An integrated report that puts historical performance into context should be published and portray the risks, opportunities and prospects for the company in the future, helping investors and stakeholders understand a company's strategic objectives and its progress towards meeting them. Such disclosures should:

- a) be linked to the company's business model;
- b) be genuinely informative and include forward-looking elements where this will enhance understanding;
- c) describe the company's strategy, and associated risks and opportunities, and explain the board's role in assessing and overseeing strategy and the management of risks and opportunities;
- d) be accessible and appropriately integrated with other information that enables investors to obtain a picture of the whole company;
- e) include environmental, social and governance related information that is material to the company's strategy and performance;
- f) use key performance indicators that are linked to strategy and facilitate comparisons;
- g) use objective metrics where they apply and evidence-

based estimates where they do not; and

h) be strengthened where possible by independent assurance that is carried out annually having regard to established disclosure standards.

### 7.6 Internal controls

The board of directors should oversee the establishment and maintenance of an effective system of internal control which should be measured against internationally accepted standards of internal audit and tested periodically for its adequacy. Where an internal audit function has not been established, full reasons for this should be disclosed in the annual report, as well as an explanation of how adequate assurance of the effectiveness of the system of internal controls has been obtained.

### 7.7 Independent external audit

The report from the external auditor should provide an independent and objective opinion whether the accounts give a true and fair view of the financial position and performance of the company. The engagement partner should be named in the audit report and the company should publish its policy on audit firm rotation. If the auditor resigns then the reasons for the resignation should be publicly disclosed by the resigning auditor. We will vote against the appointment of re-appointment of auditors who are not perceived as being independent. Independence results inter alia from the time and the depth of cooperation.

In order to safeguard the independence of the audit, companies should regularly rotate their auditor. It seems reasonable to us to tender the external audit contract at least every ten years.

### 7.8 Non-audit fees

The audit committee should, as far as practicable, approve any non-audit services and related fees provided by the external auditor to ensure that they do not compromise auditor independence. The non-audit fees should be disclosed in the annual report with explanations where appropriate. Non-audit fees should normally be less than the audit fee.

### 7.9 Audit committee

The audit committee should be comprised of non-executive directors, the majority of whom are independent. At least one member of the audit committee should have recent and relevant financial experience. The chair of the board should not be the chair of the audit committee, other than in exceptional circumstances which should be explained in the annual report. The main role and responsibilities of the audit committee should be described in the committee's terms of reference. This includes:

- a) monitoring the integrity of the accounts and any formal announcements relating to the company's financial performance, and reviewing significant financial reporting judgements contained in them;
- b) maintaining oversight of key accounting policies and accounting judgements which should be in accordance with generally accepted international accounting standards, and disclosing such policies in the notes to the company's accounts;
- c) agreeing the minimum scope of the audit as prescribed by applicable law and any further assurance that the company needs. Shareholders (who satisfy a reasonable threshold shareholding) should have the opportunity to expand the scope of the forthcoming audit or discuss the results of the completed audit should they wish to;
- d) assuring itself of the quality of the audit carried out by the external auditors and assessing the effectiveness and independence of the auditor each year. This includes overseeing the appointment, reappointment and, if necessary, the removal of the external auditor and the remuneration of the auditor. There should be transparency in advance when the audit is to be tendered so that investors can engage with the company in relation to the process should they so wish;
- e) having appropriate dialogue with the external auditor without management present and overseeing the interaction

between management and the external auditor, including reviewing the management letter provided by the external auditors and overseeing management's response; and  
f) reporting on its work and conclusions in the annual report.

## 8. General meetings

We generally support management and shareholder proposals establishing or strengthening the company's:

### a) Shareholder identification

The company should maintain a record of the registered owners of its shares or those holding voting rights over its shares. Registered shareholders, or their agents, should provide the company (where anonymity rules do not preclude this) with the identity of beneficial owners or holders of voting rights when requested in a timely manner. Shareholders should be able to review this record of registered owners of shares or those holding voting rights over shares.

### b) Notice

The general meeting agenda should be posted on the company's website at least one month prior to the meeting taking place. The agenda should be clear and properly itemised and include the date and location of the meeting as well as information regarding the issues to be decided at the meeting.

### c) Vote deadline

A date by which shareholders should cast their voting instructions should be clearly published. The practice of share blocking or requirements for lengthy share holdings should be discontinued.

### d) Vote mechanisms

Efficient and accessible voting mechanisms should be promoted that allow shareholders to participate in general meetings either in person or remotely (preferably by electronic means or by post) and should not impose unnecessary hurdles.

### e) Vote disclosure

Equal effect should be given to votes whether cast in person or in absentia and all votes should be properly counted and recorded via ballot. The outcome of the vote, the vote instruction (reported separately for, against or abstain) and voting levels for each resolution should be published promptly after the meeting on the company website. If a board endorsed resolution has been opposed by a significant proportion of votes, the company should explain subsequently what actions were taken to understand and respond to the concerns that led shareholders to vote against the board's recommendation.

Furthermore, minority shareholders should be protected from abusive actions by, or in the interests of, controlling shareholders, acting either directly or indirectly, and should have effective means of redress. Shareholders should also have the right to formally approve material related-party transactions at Annual General Meetings.

## 9. Shareholder rights

### 9.1 Share classes

Sufficient information about the material attributes of all of the company's classes and series of shares should be disclosed on a timely basis. Ordinary or common shares should feature one vote for each share. Divergence from a 'one-share, one-vote' standard which gives certain shareholders power disproportionate to their economic interests should be disclosed and explained. Dual class share structures should be kept under review and should be accompanied by commensurate extra protections for minority shareholders, particularly in the event of a takeover bid.

### 9.2 Major decisions

Shareholders should have the right to vote on major decisions which may change the nature of the company in which they have invested. Such rights should be clearly described in the company's governing documents and include:

a) amendments to governing documents of the company such as articles or by-laws;

b) company share repurchases (buy-backs);

c) any new share issues. The board should be mindful of dilution of existing shareholders and provide full explanations where pre-emption rights are not offered;

d) shareholder rights plans ('poison pills') or other structures that act as anti-takeover mechanisms. Only non-conflicted shareholders should be entitled to vote on such plans and the vote should be binding. Plans should be time limited and put periodically to shareholders for re-approval;

e) proposals to change the voting rights of different series and classes of shares; and

f) material and extraordinary transactions such as mergers and acquisitions.

While certain fundamental changes to a company's business, Articles of Association, or share capital should require a supermajority vote, voting on routine business should require a simple majority only (51%) unless the provisions protect minority shareholders where there is a large shareholder. In the absence of a large shareholder we support reasonable shareholder proposals to limit supermajority voting requirements and entrenching management.

### 9.3 Conflicts of interest

Policies and procedures on conflicts of interest should be established, understood and implemented by directors, management, employees and other relevant parties. If a director has an interest in a matter under consideration by the board, then the director should promptly declare such an interest and be precluded from voting on the subject or exerting influence.

### 9.4 Related party transactions

The process for reviewing and monitoring related party transactions should be disclosed. For significant transactions, a committee of independent directors should be established to vet and approve the transaction. This can be a separate committee or an existing committee comprised of independent directors, for example the audit committee. The committee should review significant related party transactions to determine whether they are in the best interests of the company and, if so, to determine what terms are fair and reasonable. The conclusion of committee deliberations on significant related party transactions should be disclosed in the company's annual report to shareholders.

### 9.5 Shareholder approval

Shareholders should have the right to approve significant related party transactions and this should be based on the approval of a majority of disinterested shareholders. The board should submit the transaction for shareholder approval and disclose (both before concluding the transaction and in the company's annual report):

a) the identity of the ultimate beneficiaries including, any controlling owner and any party affiliated with the controlling owner with any direct/indirect ownership interest in the company;

b) other businesses in which the controlling shareholder has a significant interest; and

c) shareholder agreements (e.g. commitments to related party payments such as licence fees, service agreements and loans).

### 9.6 Shareholder questions

There should be a reasonable opportunity for the shareholders as a whole at a general meeting to ask questions about or make comments on the management of the company, and to ask the external auditor questions related to the audit.

### 9.7 Shareholder resolutions

Shareholders should have the right to place items on the agenda of general meetings, and to propose resolutions subject to reasonable limitations. Shareholders should be enabled to work together to make such a proposal.

### 9.8 Shareholder meetings

Shareholders, of a specified portion of its outstanding shares or a specified number of shareholders, should have the right to call a meeting of shareholders for the purpose of transacting the legitimate business of the company.

At large-cap companies, we generally support efforts to establish the right of holders of 10 percent or more of shares to call special meetings. We thus vote for proposals that remove restrictions on the right of shareholder to act independently of management.

### **9.9 Thresholds**

Any threshold associated with shareholder resolutions, shareholder proposals or other such participation, should balance the need to ensure the matter under consideration is likely to be of importance to all shareholders and not only a small minority.

### **9.10 Equality and redress**

Shareholders of the same series or class should be treated equally and afforded protection against abusive or oppressive conduct by the company or its management, including market manipulation, false or misleading information, material omissions and insider trading. Minority shareholders should be protected from abusive actions by, or in the interest of, controlling shareholders acting either directly or indirectly, and should have effective means of redress. Proper remedies and procedural rules should be put in place to make the protection effective and affordable. Where national legal remedies are not afforded the board is encouraged to ensure that sufficient shareholder protections are provided in the company's by-laws.

## **10. Environmental, Social, and Governance Issues**

We are convinced that the company's long-term financial success is linked with its environmental and social performance. We thus expect the company to respect laws on international and national level, take part in initiatives elaborating and improving standards and incorporate ESG-criteria into business models, risk-assessments and due-diligence procedures.

We encourage a level of reporting that is not unduly costly or burdensome and which does not place the company at a competitive disadvantage, but which provides sufficient information to enable shareholders to evaluate the company's environmental policies and performance.

We expect Companies to respect the UNGC and embolden Companies to sign them or in case of financial services provider to sign the UNPRI.