

The background of the page is a photograph of a crowd of people with their hands raised, suggesting a public meeting or a vote. The image is slightly blurred, focusing on the hands in the foreground. The bottom half of the page is overlaid with a dark blue and purple gradient graphic.

actiam

Voting policy

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1. Introduction

As a responsible and sustainable fund and asset manager, we combine a solid understanding of investment and risk fundamentals with a clear vision of environmental, social and governance factors. We believe that:

- The key to successful investing is creating value;
- We have to create value for more stakeholders than the providers of capital alone to ensure good financial performance;
- Any enterprise that considers the interests of all stakeholders is a well-managed company, and therefore represents a natural investment proposition for long-term investors.

A company's stakeholders are not just its investors, but also its employees, customers, suppliers, the community and the environment. Companies earn their license to operate by taking into consideration their financial and non-financial interests.

ACTIAM's sustainable investment policy gives a holistic and forward-thinking view on the roles of investors to guide the transition towards a sustainable society in which companies and sovereigns can prosper while respecting social and environmental limits, now and in the future. ACTIAM considers how the transitions are material to the entities in which it invests and focusses on behavioural change. It stimulates them to prosper while operating within the planet's safe and just operating zone for humanity.

Active ownership is therefore central to ACTIAM's sustainable investment strategy. By identifying financially material environmental, social and governance (ESG) issues, ACTIAM tries to understand and manage the natural capital risks and opportunities of the companies we invest in and simultaneously play our part in addressing the major challenges confronting our world.

Proxy voting represents the most basic form of ACTIAM's engagement activities. Accordingly, ACTIAM exercises the voting rights attached to our clients' holdings to reflect their interests and aims to vote at all shareholder meetings of the companies in our clients' portfolios.

Accordingly, ACTIAM has developed a voting policy, which is based on internationally recognised best practice guidelines in the areas of corporate governance and responsible investment and shaped by our Fundamental Investment Principles and view on Fundamental Material ESG Drivers.

2. Executive Summary

As a shareholder of a company, ACTIAM has the right to vote at Annual General Meetings (AGM) or Extraordinary General Meetings (EGM). ACTIAM exercises this right to vote and aims to vote at all shareholder meetings of the companies in clients' portfolios. ACTIAM established extensive guidelines to form the basis for voting decisions, taking into account sustainability, internationally recognised best practice guidelines and material themes for investments. Dissatisfaction with a company's practices can be communicated by voting against management proposals such as remuneration reports and re-election of directors. Because of the large amount of shareholder meetings that ACTIAM can vote at, an external service provider is commissioned to cast the votes based on ACTIAM's policies or specific instructions. All voting rights are exercised to the benefit of fund participants or clients respectively.

Voting on Management Proposals

ACTIAM has adopted the International Corporate Governance Network's (ICGN) Global Stewardship Principles and Global Governance Principles as our overarching guidelines on governance best practice. These principles are internationally recognised as the best practice standard in corporate governance circles (see www.icgn.org/policy). The ICGN principles reflect and endorse the OECD Principles of Corporate Governance, as well as additional guidance developed by the ICGN.

Based on these guidelines, ACTIAM has developed a general voting policy which covers typical shareholder meeting agenda items across the markets covered by ACTIAM's voting activity. When assessing the governance of individual companies, ACTIAM will also follow, where appropriate, market-specific best practice as presented in national codes and other recognised best practice guidelines. Annex I sets out market-specific guidelines, where ACTIAM's approach may diverge from the general voting policy. These cover a total of thirty-eight markets around the world.

To increase the impact of our active ownership activities related to our material drivers, ACTIAM will link voting choices to engagement activities in two ways. First, ACTIAM has more stringent requirements for companies in sectors considered to be financially material in terms of our material drivers. Specifically, when it comes to supporting management proposals at general meetings, ACTIAM applies additional sustainability requirements in relation to board structure, elections of directors, remuneration, risk management and corporate restructurings.

Second, ACTIAM will periodically evaluate how engagement companies are responding to our engagement efforts and how the companies are progressing on the issues identified during engagement. ACTIAM may withhold support for management resolutions when companies are insufficiently responsive or making progress too slowly.

Voting on Shareholder Proposals

We recognise and support the strong contribution that shareholders make to shaping general meeting agendas by filing proposals. We have accordingly developed wide-ranging guidelines on voting shareholder proposals. As shareholder proposals focus not only on governance topics, but also on social, environmental and ethical issues, these guidelines use our Fundamental Investment Principles as an organising framework. These principles constitute the parameters of our investments and are intended to minimise the risk that we are involved in unacceptable activities.

Among the range of subjects addressed by the guidelines, there are special sections on shareholder proposals related to ACTIAM's Fundamental Material Drivers. This mirrors not only our desire to promote best practice in these areas, but also the growth in activism on for example climate change and water management in the wider investment community.

To increase the impact of our active ownership activities, ACTIAM will publicly declare support for shareholder proposals or add our name as a co-filer. When considering co-filing, ACTIAM will take into account the following factors:

- whether the resolution is in line with ACTIAM's Fundamental Investment Principles and approach to Fundamental Material Drivers;
- whether ACTIAM has engaged with the company before or supported a similar resolution previously; and
- whether the company has been unresponsive to investor engagement efforts or made progress too slowly in addressing the issue.

ACTIAM will also consider filing shareholder resolutions on our own initiative in cases where a company has been unresponsive to engagement efforts or has made progress too slowly on an issue that ACTIAM has raised during intensive engagement.

3. General Proxy Voting Issues

ACTIAM's voting policy covers the typical proposals that appear regularly on shareholder meeting agendas across the markets in which our clients invest. These proposals are categorised as follows:

- Annual reporting and income allocation proposals
- Corporate boards
- Remuneration of directors and managers
- Audit and audit-related proposals
- Capital-related proposals
- Other major decisions

Our general and market-specific voting policies reflect ACTIAM's general position on the main proxy voting issues. All voting rights are exercised to the benefit of fund participants or clients respectively. However, as a responsible asset manager, ACTIAM aims to consider all proposals put to shareholders' vote on a case-by-case basis. Therefore, ACTIAM reserves the right to make voting decisions that may be different to those suggested by our policy, taking into consideration:

- Specific characteristics and circumstances of the company;
- Rationale provided by the board; and
- The long-term interests of the company's stakeholders.

ACTIAM expects all companies to communicate their goals, challenges, achievements and failures to shareholders and other stakeholders in a transparent and open way. We believe that companies should provide comprehensive and meaningful disclosure on their business activities and practices on a regular basis. ACTIAM reserves the right to vote against any resolution on the shareholder meeting agenda where insufficient disclosure, explanation or justification has been provided by the company to enable an informed voting decision.

To increase the impact of our active ownership activities related to our Fundamental Material Drivers, ACTIAM will link voting to engagement activities. For these purposes, we have designated the sectors in the table below to be financially material in relation to each driver.

Sectors	Business drivers							
	Fossil Fuel use	Water use	Land use	Chemicals & Waste Management		Social Capital Management	Human Capital Management	Organisational Behaviour & Integrity
Consumer discretionary	●	—	—		—	●	—	●
Materials	●	●	●		●	—	●	●
Financials	—	—	—		—	●	●	●
Consumer staples	●	●	●		—	●	—	●
Health Care	—	—	—		●	●	—	●
Real estate	●	●	—	—	●	—	●	
Industrials	●	—	—	●	●	●	●	
Communication services	—	—	—	—	●	●	●	
Information technology	●	●	—	●	—	●	●	
Energy	●	●	●	●	—	●	●	
Utilities	●	●	●	●	—	●	●	

● = Material for most companies in the sector

— = Not likely to be material for any of the companies in the sector

Note that materiality is not necessarily the same for each of the sub-sectors within a certain sector.

We refer to companies in these sectors as ‘Key Sector’ companies in the general proxy voting guidelines. When it comes to supporting management proposals at general meetings of engagement and Key Sector companies, ACTIAM applies the following additional sustainability requirements:

Election of Directors

ACTIAM will consider voting against the re-election of directors of a company when there is no board sub-committee with a remit to oversee the company’s implementation of the board policy on relevant social, environmental and ethical matters or there is a perceived weakness in board oversight in this area.

Remuneration of executive directors/management board members

ACTIAM will vote against remuneration arrangements of a company that have failed to establish a link between executive remuneration and the achievement of relevant social, environmental and ethical targets.

Equity-based remuneration plans

Where a company is exposed to material risks related to its social, environmental and ethical impacts, but such metrics are not taken explicitly into consideration in assessing executive performance pay, ACTIAM will consider voting against the remuneration report and/or a proposed executive incentive scheme. This does not apply to schemes in which both Executive Management and ordinary employees may participate.

ACTIAM will not support an equity-based scheme proposed by an engagement or Key Sector company if there is clear evidence that the proposed scheme is not in the interest of other stakeholders of the company.

Audit Committee

ACTIAM will consider voting against the reappointment of members of the audit committee or an equivalent body of the board (in particular the chairman) if the company is exposed to material risks in relation to its ethical, environmental and social impacts and the company does not (a) report on the management of such risks through its internal control framework or (b) obtain external assurance of its reporting on the management of such risks.

Anti-takeover provisions

ACTIAM will further assess the benefits and drawbacks of the board's proposal for the company's stakeholders (e.g. employees), and the consequences of the success or failure of any such takeover bid against ACTIAM's principles.

Mergers/acquisitions and asset sales, corporate reorganisation/restructuring, reincorporation and expansion of business activities

ACTIAM will assess the consequences of any such proposal against ACTIAM's Fundamental Investment Principles and the benefits and drawbacks of the proposed transaction for the company's stakeholders.

The second way in which we link voting to engagement entails periodical evaluation of how engaged companies are responding to our engagement and progressing on the issues identified. We may withhold support for management resolutions where we consider companies are insufficiently responsive or making progress too slowly.

3.1 GENERAL PROXY VOTING ISSUES

Approval of the annual report and accounts

ACTIAM will vote in favour of resolutions to approve the annual report and accounts unless:

- There are concerns about the reliability of accounts;
- The documents (or their draft versions) are not disclosed in time for review prior to the voting deadline;
- There are substantial reporting and/or disclosure issues;
- The company is unresponsive to shareholders' requests for information that is typically publicly disclosed; or
- The auditor has issued a qualified opinion.

Auditors' report

ACTIAM will vote in favour of the resolution to approve the auditors' report unless:

- There are concerns about the reliability of accounts and/or audit procedures;
- There are concerns about the integrity of the auditors; or
- The document or its draft version is not disclosed in time for review prior to the voting deadline.

Dividend/income allocation proposals

ACTIAM will vote in favour of dividend/income allocation proposals unless the pay-out is considered to be excessive given the company's financial position or the company has a track record of not returning an appropriate percentage of its earnings to shareholders.

ACTIAM will not support resolutions that would remove the requirement for shareholders to approve the allocation of dividends and profits.

Scrip (stock) dividend

ACTIAM will vote for scrip (stock) dividend proposals except where such proposals do not allow for a cash option.

3.2 CORPORATE BOARDS

Board structure

ACTIAM will evaluate all proposals to amend the existing board structure on a case-by-case basis taking into consideration local market regulations and best practice, overall corporate governance of the company and the rationale provided for such proposals.

ACTIAM will vote against proposals to amend the existing board structure if the proposed changes are deemed not to be in the interest of all of the company's stakeholders.

Board size

ACTIAM will normally support directors' proposals with respect to the size of the board provided the board is deemed to be effective. A board comprising between 5 and 15 members is generally considered to be appropriate depending on the specific characteristics and circumstances of the company.

Board balance

ACTIAM believes that there should be a strong representation of independent directors on the board. ACTIAM will take into consideration market norms and best practice guidance when assessing the balance of independence on the board.

Board diversity

ACTIAM believes that the composition of the board should be determined by the non-executive directors, taking into account the skills and expertise needed amongst the membership to support management in the realisation of the board's strategy. At the same time, ACTIAM considers that diversity is important, including in relation to skills, expertise, gender and ethnicity. ACTIAM will monitor carefully companies' efforts to diversify their boards of directors and to comply with new regulations calling for board diversity. In markets where there is no such regulation, we will consider voting against the nomination committee chairman at companies that have not made reasonable progress towards diversity. Equally, in such cases, ACTIAM will consider supporting shareholder resolutions requesting greater diversity or nominating directors whose presence on the board would achieve that end.

Board leadership

ACTIAM will vote against any proposal to combine the positions of the chairman and CEO unless it is intended for a limited duration and is deemed to be in the best interests of shareholders and other stakeholders. ACTIAM will normally vote in favour of proposals to separate the positions of the chairman and CEO.

ACTIAM will not support the (re)election of a non-independent chairman unless the company has explained the reasons why this leadership structure is appropriate and has undertaken to keep the structure under review.

ACTIAM will normally vote against the former CEO being appointed chairman of the company or a former management board member being appointed to the supervisory board without an appropriate cooling-off period.

ACTIAM will vote in favour of the appointment of a lead independent director.

Election of directors

We will normally support individuals nominated by the management and/or shareholders unless:

- No biographical information is provided by the company to enable an informed voting decision;
- The director is considered to be unqualified to serve on the board or has acted in a manner that compromises his/her ability to represent the interests of shareholders on the board;
- The director has demonstrated poor attendance at board and board committee meetings (i.e. attended less than 75 percent of meetings) without clearly disclosed and acceptable reasons;
- The nominee is not considered to be independent and there is an absence of a strong independent element on the board;
- There is clear evidence of abuses against the interests of minority shareholders and other stakeholders of the company;
or
- The board has repeatedly shown unwillingness to implement good governance standards.

ACTIAM will consider voting against a board director if he/she serves on more than four public company boards in total due to concerns about the number of outside mandates and the possibility that the director may not be able to devote enough time to the companies' affairs. If a director is a CEO at another public company and he/she serves on more than three public company boards in total, ACTIAM will consider voting against this candidate at the companies at which he/she is not the CEO. ACTIAM will vote on a case-by-case basis in these instances, considering the available talent pool in individual markets, the nature of the roles/appointments, the overall level of board independence and whether the company has provided an explanation.

ACTIAM will consider voting against the re-election of directors of an engagement or Key Sector company when there is no board sub-committee with a remit to oversee the company's implementation of the board policy on relevant social, environmental and ethical matters or there is a perceived weakness in board oversight in this area.

ACTIAM will take into consideration the composition of the main board committees and their compliance with market best practice when voting on directors' (re)election proposals.

ACTIAM will support proposals to vote on directors' elections on an individual basis.

Employee representatives

ACTIAM will normally vote in favour of appointing employee and/or labour representatives to the board.

Cumulative voting

Where a cumulative voting system is used with respect to directors' elections, ACTIAM will support candidates whose appointment is deemed to be in the best interests of shareholders and other stakeholders. Where the balance of independence or the representation on the board of minority shareholders and other stakeholders is deemed to be unsatisfactory, ACTIAM will use its votes to facilitate improvements in these areas for the benefit of shareholders and other stakeholders of the company.

Directors' independence

When assessing directors' independence, ACTIAM will take into consideration market-specific criteria and international best practice recommendations.

Age limit/term limit

ACTIAM will vote against any mandatory limits on the age of directors.

ACTIAM will normally support proposals to limit the number of terms directors are allowed to serve on the board.

Indemnification of directors and officers

ACTIAM will vote on all proposals to indemnify the company's directors and officers on a case-by-case basis taking into consideration the scope and terms of indemnification of directors and officers sought by the company.

Liability insurance for directors and officers

ACTIAM will normally support proposals to provide liability insurance to directors and officers unless it is deemed not to be in the best interests of shareholders and other stakeholders.

Discharge of board and management

ACTIAM will vote in favour of proposals to discharge the board and management of liabilities except in the following situations:

- The performance of the board in the year for which the discharge is sought is considered to be inadequate;
- There are concerns about the reliability of accounts and auditor's report;
- There are substantial reporting and/or disclosure issues;
- The company is unresponsive to shareholders' requests for information that is typically publicly disclosed;
- Material legal proceedings were instituted against the company or the directors in the year for which the discharge is sought; or
- We are aware of well-founded allegations of violations of our principles to which the board has not responded adequately.

ACTIAM will support proposals to vote on directors' discharge on an individual basis.

3.3 REMUNERATION OF DIRECTORS AND MANAGERS

Advisory/binding resolutions on remuneration committee reports

ACTIAM will vote in favour of introducing advisory shareholder votes on the remuneration arrangements of directors and managers.

Remuneration of non-executive directors/supervisory board members

ACTIAM will normally support:

- proposals to award cash fees to non-executive directors/supervisory board members unless the amounts are considered to be excessive or unjustified;
- remuneration arrangements that allow for a part of non-executive directors' fees to be paid in company shares (non-performance related), provided that directors are required to retain these shares until the end of their tenure; and
- proposals to increase the maximum aggregate level of fees the company can pay its non-executive directors unless it is considered to be excessive or unjustified.

ACTIAM will normally vote against:

- non-executive director/supervisory board member remuneration proposals which allow for performance-related incentives; and
- a remuneration policy that allows for the payment of retirement benefits to non-executive directors, other than statutory superannuation contributions (where applicable).

In general, ACTIAM will not support non-executive directors' participation in incentive plans designed for executives.

Remuneration of executive directors/management board members

ACTIAM will normally support:

- the implementation of national governments' recommendations on the maximum pay levels for executive directors/management board members if considered reasonable;
- remuneration structures for senior management that are deemed to be appropriately aligned with the drivers of value-creation over time-scales appropriate for a company's business;
- remuneration proposals that explicitly take into consideration stakeholder value (e.g. employee safety/satisfaction) as well as shareholder value;
- proposals to abolish 'guaranteed bonuses';
- proposals to defer part of the annual bonus payment over a number of years (typically three to five) and to adopt "clawback" policies that enable a company to reclaim compensation that was awarded based on earnings that were subsequently found to be erroneous, fraudulent or manipulated; and
- the introduction of individual award limits for incentive plans.

ACTIAM will normally vote against:

- the remuneration policy and/or incentive plans if material changes have been made without shareholder approval;
- executive remuneration arrangements where pay levels are considered to be excessive or unjustified compared to the market norms, the company's peers and the financial position of the company;
- remuneration proposals for executive directors where the link between performance and reward is considered to be insufficient to justify potential pay-outs under incentive plans or where performance conditions may encourage excessive risk taking;
- remuneration arrangements of an engagement or Key Sector company that have failed to establish a link between executive remuneration and the achievement of relevant social, environmental and ethical targets;
- remuneration structures that allow for the use of derivatives or other instruments to hedge director or executive share ownership or unvested equity-linked remuneration;
- any material payments that may be viewed as being ex-gratia in nature unless they are fully explained, justified and subject to shareholder approval prior to payment;
- a remuneration policy which allows for any element of executive remuneration, other than base salary, to be pensionable;
- a company's remuneration policy or report if the performance period for long-term incentives is less than three years;
- a company's remuneration policy, report or arrangements if the company lowers performance targets without providing a justification; and

- the approval of the remuneration policy or report where a company has failed to provide sufficient disclosure on its remuneration policies and practices.

ACTIAM is not supportive of transaction bonuses that reward directors and other executives for effecting transactions irrespective of their future financial consequences.

ACTIAM generally is not supportive of awards granted outside the company's usual incentive plans. When evaluating one-off awards, ACTIAM will vote on a case-by-case basis, taking into account their size, the rationale for the awards, whether there are performance conditions in place, and the nature and stringency of any performance conditions.

ACTIAM may consider voting against a company's remuneration policy or arrangements if there is not a clawback provision and the company has recently been affected by a major ESG controversy and/or accounting issue.

ACTIAM is supportive of the introduction of relative performance metrics (ie those that compare the company's performance to a relevant peer group or index) in incentive plans. However, ACTIAM believes that awards should not vest below median performance and will take this into account when evaluating whether performance conditions are sufficiently challenging overall.

ACTIAM will take into account a company's internal pay equity when evaluating the appropriateness of a company's remuneration policy or arrangements. ACTIAM will consider both the CEO's level of remuneration compared to other executives and the company's general workforce.

Equity-based remuneration plans

ACTIAM will normally support:

- the use of social, environmental and ethical key performance indicators in the incentive plans for executive management.
- equity-based all-employee savings plans provided they are within acceptable dilution limits.

ACTIAM will not normally support:

- support any equity-based scheme for senior management unless there is an explicit link between the company's performance and the reward available under the scheme;
- an equity-based scheme proposed by an engagement or Key Sector company if there is clear evidence that the proposed scheme is not in the interest of other stakeholders of the company; and
- equity-based remuneration plans that may result in substantial dilution of existing shareholders.

Where an engagement or Key Sector company is exposed to material risks related to its social, environmental and ethical impacts, but such metrics are not taken explicitly into consideration in assessing executive performance pay, ACTIAM will consider voting against the remuneration report and/or a proposed executive incentive scheme. This does not apply to schemes in which both executive management and ordinary employees may participate.

ACTIAM will vote against incentive plans allowing for executive share options to be offered at a discount.

ACTIAM does not consider re-pricing, surrender and re-grant of awards, 'underwater' share options or re-testing of performance on either a one-off or a rolling basis to be appropriate.

Termination provisions and severance packages

ACTIAM will not support remuneration policies that allow for excessive severance packages, which may contribute to outgoing executives being rewarded for failure.

ACTIAM will support proposals to subject executive director and senior management severance packages to a shareholder vote.

Remuneration Committee

ACTIAM will consider voting against the reappointment of members of the remuneration committee or an equivalent body of the board (in particular the committee chairman) where:

We have serious concerns with respect to the remuneration arrangements for directors and senior management; or

The committee has failed to respond to concerns expressed by shareholders and/or other stakeholders with respect to the existing/proposed remuneration arrangements.

3.4 AUDIT AND AUDIT-RELATED ISSUES

Appointment of external auditors and auditors' remuneration

ACTIAM will vote in favour of proposals to (re)appoint external auditors/ fix auditors' remuneration unless:

- There are concerns about the reliability of accounts or audit procedures;
- There is evidence that the auditors' failed to identify and address issues that eventually led to a significant financial restatement;
- The length of tenure of the auditors raises concern over their independence;
- The fees paid to the auditor for the provision of the audit and non-audit services during the year under review have not been disclosed in the annual report and financial statements;
- The amount of non-audit fees paid to and/or the nature of non-audit services provided by the auditors raise concerns regarding the auditors' independence; or
- There are other concerns about the independence of the external auditors or the integrity of the audit.

Auditor indemnification

ACTIAM will vote against proposals to indemnify external auditors or limit their financial liability.

Appointment of internal auditors

ACTIAM will vote in favour of proposals to (re)appoint internal auditors unless:

- There are concerns about reliability of the internal audit report or the procedures used during the internal audit;
- There are concerns about the integrity of the internal audit; or
- There is evidence that the internal auditors failed to identify and address issues that could result in financial and/or reputational damage to the company.

Audit Committee

ACTIAM will consider voting against:

- the reappointment of members of the Audit Committee or an equivalent body of the board (in particular the Chairman), if it fails to ensure the quality of the audit carried out by the auditors as well as their impartiality and independence; and
- In the case of engagement and Key Sector companies, the reappointment of members of the audit committee or an equivalent body of the board (in particular the chairman) if the company is exposed to material risks in relation to its ethical, environmental and social impacts and the company does not (a) report on the management of such risks through its internal control framework or (b) obtain external assurance of its reporting on the management of such risks.

3.5 CAPITAL-RELATED PROPOSALS

Capital issuance requests

ACTIAM will vote in favour of routine capital issuance requests with pre-emptive rights up to a maximum of 1/3 of the issued share capital, provided that such authority is renewed every year.

ACTIAM will vote in favour of routine capital issuance requests without pre-emptive rights up to a maximum of 10% of the issued share capital, provided that such authority is renewed every year.

ACTIAM will decide on any share issuance proposals other than specified above on a case-by-case basis, taking into consideration market norms (see market-specific policies) and circumstances of the company.

Private placement

ACTIAM will vote in favour of private placement proposals if shares are to be issued as part of a routine non pre-emptive share issuance proposal (please see the written guideline above) unless the discount to the share price offered by the company is considered to be excessive (10% or more).

ACTIAM will consider all other private placements on a case-by-case basis.

Increase in authorised share capital

ACTIAM will vote in favour of proposals to increase authorised share capital if such an increase is required to enable the company to use routine share issuance authorities that ACTIAM supports.

ACTIAM will vote on any proposal to increase authorised share capital other than specified above on a case-by-case basis.

Reduction of capital

ACTIAM will normally vote in favour of proposals to reduce capital for routine accounting purposes unless the terms are deemed unfavourable to shareholders; and will consider all other proposals to reduce share capital on a case-by-case basis.

Share repurchase programmes and re-issuance of shares repurchased

ACTIAM will vote in favour of routine authorities to enable the management to repurchase shares up to 10% of the issued share capital where the maximum price that may be paid for each share does not exceed 110% of the market price, unless there is clear evidence of past abuse of such authority. The 10% limit is inclusive of re-purchases made in the open market and selective buybacks (see below).

ACTIAM will vote on all proposals to repurchase shares other than specified above on a case-by-case basis.

ACTIAM will vote in favour of the authority to re-issue any repurchased shares as a part of routine share issuance authorities with or without pre-emptive rights and will consider all other proposals on a case-by-case basis.

Debt/preferred stock issuance

ACTIAM will vote on debt issuance proposals on a case-by-case basis taking into consideration the stated rationale for the issuance, the company's governance profile and its history with respect to the use of debt, the company's current financial situation and the normal debt level of the company's market and industry. For convertible debt/preferred stock, the voting powers (if any) attached to such shares/convertible stock and how these might affect the interests of shareholders will be taken into consideration.

Capitalisation of reserves for bonus issues/increase in par value

ACTIAM will vote in favour of proposals to capitalise reserves for bonus issues or to increase par value of the company's shares unless it is deemed not to be in the interests of shareholders.

3.6 AUDIT AND AUDIT-RELATED ISSUES

Anti-takeover provisions

ACTIAM will vote against all anti-takeover mechanisms unless:

- They are structured in such a way that they give shareholders the ultimate decision on any proposal or offer; or
- Shareholder approval is sought for a one-off measure of a limited duration with respect to a specific hostile takeover bid. In this case, ACTIAM's vote will be determined by the analysis of the overall benefits of the board's proposal given the specific circumstances of the company.

In the case of an engagement or Key Sector company, ACTIAM will further assess the benefits and drawbacks of the board's proposal for the company's stakeholders (e.g. employees), and the consequences of the success or failure of any such takeover bid when evaluated against ACTIAM's Fundamental Investment Principles.

Mandatory takeover bid waiver

ACTIAM will typically vote against mandatory takeover bid waiver proposals, unless the waiver is sought in conjunction with a share repurchase and there is a written assurance from the company and the conflicted-shareholder that the latter will not increase their holding in the company above either 30% or the existing level of shareholding if it is higher than 30% of the issued share capital. In addition, ACTIAM will take into consideration the history of the relationship between the shareholder and the company and past treatment of minority shareholders.

Differential voting power

ACTIAM will vote against all proposals seeking to introduce/retain differential voting powers of common shares or to issue shares with unequal voting rights.

ACTIAM will vote in favour of proposals to eliminate differential voting powers of common shares.

Voting rights restrictions

ACTIAM will vote against any proposals to restrict voting rights of shareholders and will support proposals that eliminate or alleviate existing restrictions of voting rights.

Mergers/acquisitions, asset sales, corporate reorganisation/restructuring, reincorporation and expansion of business activities

ACTIAM's vote on such proposals will be based on the analysis of the overall benefits of the proposed transactions in terms of the company's performance, governance and long-term shareholder value.

In the case of engagement and Key Sector companies, ACTIAM will assess the consequences of any such proposal against ACTIAM's Fundamental Investment Principles and the benefits and drawbacks of the proposed transaction for the company's stakeholders.

Related-party transactions

ACTIAM will vote on such proposals on a case-by-case basis, taking into consideration the company's governance, the risk involved, the actual/perceived benefit to the company, the size of the transaction and its significance for the company, as well as whether the transaction is perceived to be/have been conducted at an arm's length basis and at fair value.

ACTIAM will not support significant related-party transactions unless there is an assurance from the independent directors that they are in the best interests of the company and the terms are fair; and will vote against any significant related-party transaction if conflicted directors/shareholders are allowed to participate in the vote.

ACTIAM encourages boards to clearly disclose the process for reviewing and monitoring related-party transactions.

Amend memorandum/articles of association

ACTIAM will normally support amendments required to bring the company's articles of association in line with the norms and regulations of the market.

ACTIAM will vote against any amendments to the company's articles of association that will lead to the violation of ACTIAM's Fundamental Investment Principles, the deterioration of the company's governance or the impairment of the rights of shareholders and/or other stakeholders (e.g. employees) of the company. ACTIAM will consider all other proposals on a case-by-case basis.

Change name of corporation

ACTIAM will normally vote in favour of such proposals.

Change of company's fiscal term

ACTIAM will vote in favour of such proposals unless the reason behind the proposal is to withhold information or voting power from shareholders, for instance by postponing the annual shareholder meeting.

Change of disclosure threshold of stock ownership

ACTIAM will vote in favour of proposals:

- to disclose ownership level below statutory requirements (where law permits); and
- to raise ownership disclosure threshold to the minimum statutory level, where the company is legally required to do so, and will vote against such proposals, where the company is not legally required to do so.

Adjourn meeting to solicit additional votes

ACTIAM will support such routine proposals when the adjournment is required to achieve the necessary quorum in order to properly conduct the shareholder meeting.

Simple majority voting

ACTIAM will generally vote for a simple majority voting requirement and against a supermajority voting requirement except in situations where a supermajority voting requirement may serve to protect the interests of minority shareholders, such as, for example, where the company has a substantial or dominant shareholder.



Political & charitable donations

ACTIAM will normally vote against:

- any proposal to make donations to political parties; and
- charitable donations.

We will consider all other types of political expenditure on a case-by-case basis.

Bundled proposals

ACTIAM may vote against resolutions that contain bundled provisions that are not clearly interrelated or where some of the proposed measures are deemed not to be in the interests of shareholders and/or other stakeholders of the company.

Where the election of more than one director is proposed as a single voting item, ACTIAM will vote on a case-by-case basis but will vote against if insufficient information on the nominees is disclosed.

Any other items

ACTIAM will vote against resolutions seeking approval of “any other business” for which information has not been disclosed.

4. Shareholder Proposals

We recognise and support the strong contribution that shareholders make to shaping general meeting agendas by filing proposals. As a responsible investor, ACTIAM will tend to favour shareholder resolutions seeking policies, measures or disclosures that will have a positive impact on investee companies’ social, environmental and ethical performance. ACTIAM will normally vote in favour of shareholder proposals aimed at improving the company’s governance and encouraging the company to implement policies and measures that may prevent a possible conflict with ACTIAM’s principles. ACTIAM will vote against shareholder proposals that might lead to the opposite.

Just as with standard agenda items, all shareholder proposals will be analysed on a case-by-case basis, taking into consideration:

- The reasonableness of the demand;
- The credentials of the proponent;
- The responsiveness of the company; and
- The anticipated costs and benefits to the company and thus to shareholders of the resolution passing.

Shareholder proposals on a general meeting agenda can relate to environmental, social or governance (ESG) issues. ACTIAM has developed its own guidance regarding ESG issues, derived from our Fundamental Investment Principles. These principles constitute the parameters of our investments and are intended to minimise the risk that we are involved in unacceptable activities.

ESG issues covered by our principles are:





Icon	Principle
	Principles related to humans & humanity
	<ol style="list-style-type: none"> 1. Compliance with basic human rights 2. Compliance with basic labour rights 3. No involvement in controversial weapons, no production and sale of civilian firearms and no provision of military equipment to military regimes
	Principles related to society
	<ol style="list-style-type: none"> 4. Compliance with international sanctions 5. No systematic involvement in fraud, corruption and tax evasion 6. No significant involvement in products or businesses doing harm to human (mental) health or animal welfare
	Principles related to the environment
	<ol style="list-style-type: none"> 7. No systematic involvement in severe environmental damage

In line with these principles and our commitment to sustainability, ACTIAM supports the UN Sustainable Development Goals (SDGs). In addition, ACTIAM signed the Paris Pledge for Action, promising to ensure that the ambition set out by the 2015 Paris Agreement is met or exceeded to limit global temperature rise to less than 2 degrees Celsius.

This position underpins special guidelines on shareholder proposals related to ACTIAM’s Fundamental Material Drivers. The guidelines mirror not only our desire to promote best practice in these areas, but also the growth in activism in those areas in the wider investment community.

Financially material ESG issues covered by our drivers are:

Icon	Driver
	Fossil fuel use Management of fossil fuels use, impacting among other things climate change, air pollution, energy availability and human health.
	Water use Management of freshwater use in water scarce areas, impacting among other things water availability, water quality, health and food production.
	Land use Land conversion management especially for agricultural purposes, impacting climate change, biodiversity loss, and water flows but also local communities and inequalities.

	Chemicals and waste management	Management of toxic and long-lived chemical substances and hazardous waste and plastics, impacting the environment and human health.
	Social capital management	Actions to maintain the license to operate on which businesses and sovereigns depend, impacting human rights, community relations, social equity and access and affordability of for instance health care and finance.
	Human capital management	Activities related to labour and union rights, employee health & safety and labour practices, impacting educational opportunities and income and gender inequality.
	Organisational behaviour and integrity	Actions to create an ethical business environment, impacting community networks, justice and work conditions. For companies this refers to their own business model, but also to how they treat companies up- and downstream in their value chain. For sovereigns this refers to how they govern human, civic and political rights.

ACTIAM’s voting behaviour with respect to shareholder proposals is set out below in more detail. We explain each of the Fundamental Investment Principles and offer concrete examples of how these principles may be translated into voting behaviour. However, it should be clear that, given shareholder proposals’ diversity and topicality, such a list cannot be exhaustive. Furthermore, there might be overlap among the principles.

4.1 SHAREHOLDER PROPOSALS AND OUR PRINCIPLES

4.1.1 Compliance with basic human rights

The UN Guiding Principles on Business and Human Rights, endorsed unanimously by the UN Human Rights Council in June 2011, underline the corporate responsibility to respect human rights. This responsibility, which is also affirmed in Principles 1 and 2 of the UN Global Compact, requires companies to avoid causing or contributing to adverse human rights impacts through their own activities, and to prevent, mitigate or remedy human rights impacts directly linked to their operations, products or services.

The responsibility of companies to respect human rights refers, as a minimum, to the core internationally recognised human rights, contained in the International Bill of Rights (composed of the 1948 Universal Declaration of Human Rights, the 1966 International Covenant on Civil and Political Rights, and the 1966 International Covenant on Economic, Social and Cultural Rights). Depending on the circumstances, companies may need to consider additional universal human rights standards, for instance relating to the protection of the human rights of specific groups, such as indigenous peoples, women, persons with disabilities and migrant workers and their families.

ACTIAM supports these views on companies’ human rights responsibilities and considers violations of these international mechanisms to be in violation of our principles.

Specifically, this means that ACTIAM tends to vote for shareholder proposals that:

- Call for adopting, implementing and reporting on compliance with standards formulated in at the Universal Declaration of Human Rights, the UN Global Compact, the IFC guidelines, the OECD Guidelines, the Equator Principles, the Voluntary Guidelines on the Responsible Governance of Tenure, the Voluntary Principles on Security and Human Rights, the Indigenous and Tribal Peoples Convention and the Declaration on the Rights of Indigenous Peoples;
- Request the implementation of human rights standards and workplace codes of conduct;
- Request that companies appoint a human rights/labour rights expert to the board of directors;
- Seek publication of a “Code of Conduct” for the company’s domestic and foreign suppliers and licensees, requiring that they satisfy all applicable standards and laws protecting employees’ wages, benefits, working conditions, freedom of association and other rights;
- Call for the adoption of principles or codes of conduct relating to investment in countries with patterns of human rights abuses;
- Ask companies to report on the impact of pandemics, such as HIV/AIDS, malaria and tuberculosis, on their business strategies;
- Seek up-to-date disclosure of applicable risk assessment(s) and risk management procedures with regard to operating in fragile states;
- Request the adoption and implementation of policies regarding the sourcing of materials and minerals from conflict zones;
- Request the review and amendment, if necessary, of the company’s code of conduct and statements of ethical criteria for military contract bids, awards and execution; and
- Request reporting on foreign military sales or offset agreements.

4.1.2 Compliance with basic labour rights

Basic labour rights include the effective abolition of child labour and elimination of all forms of forced labour, as well as freedom of association, effective recognition of the right to collective bargaining and elimination of all forms of discrimination in respect to employment. ACTIAM is guided by international norms on these issues and we consider violations by entities or their key suppliers of the following international conventions to be in violation of our principles: ILO conventions 29, 87, 98, 100, 105, 111, 138, 155 and 182; the Convention on the Rights of the Child; the Slavery Convention; and Principles 3 to 6 of the UN Global Compact. This principle also addresses the right to just and favourable conditions of work as defined in Article 23 of the Universal Declaration on Human Rights and Article 7 of the International Covenant on Economic, Social and Cultural Rights.

Specifically, this means that ACTIAM tends to support shareholder proposals that:

- Call for adopting, implementing and reporting on compliance with standards formulated in the Universal Declaration of Human Rights, the UN Global Compact, the IFC guidelines, the OECD Guidelines, the Equator Principles and the fundamental principles and rights at work from the International Labour Organisation (i.e. ILO Conventions No. 182 and 138 on child labour, ILO Conventions No. 29 and No. 105 on forced labour, ILO Convention No. 87 and 98 on freedom of association and the right to collective bargaining, ILO Convention 155 on occupational safety and health, and ILO Convention No. 100 and 111 on the elimination of discrimination in respect of employment and occupation);
- Call for adopting labour standards for the company, as well as its foreign and domestic suppliers, to ensure that the company will not do business with foreign suppliers that manufacture products for sale using forced labour and/or child labour, or that fail to comply with applicable national and international laws protecting employees' wages and working conditions;
- Request that companies adopt the living wage as a minimum for all employees and/or promote the same approach by their suppliers; and
- Request that companies report on their policies and goals to reduce the gender pay gap, unless the company's existing reporting adequately demonstrates the absence of such a gap.

4.1.3 involvement in controversial weapons, no production and sale of civilian firearms and no provision of military equipment to military regimes

ACTIAM does not invest in companies directly involved in the production, development, sale or distribution of controversial weapons and/or components or services essential or specially designed for the production of such weapons. We consider weapons controversial if they are forbidden under international law and banned by international conventions or treaties, or if they violate fundamental humanitarian principles when they are used. The humanitarian principles include the principles of proportionality, which requires the prevention of unnecessary suffering, and distinction, which requires that military and civilian targets are distinguished.

This includes companies holding a stake (and/or voting powers) of 10% or more in another company that is involved in controversial weapons business.

ACTIAM also excludes investments in entities that are involved in controversial arms trade. This means not only the trade in controversial weapons, but also the trade of conventional weapons, including the provision of related services, with countries and non-state actors against which arms embargoes are imposed by the Security Council of the United Nations or the Council of the European Union.

Specifically, ACTIAM will tend to vote for shareholder proposals that request:

- Transparency on weapons production, application of weapons produced and client base;
- A statement renouncing future landmine, ABC (atomic, biological and chemical) weapons and cluster munitions production, as necessary under relevant international regulation, treaties or conventions;
- A report on involvement, policies and procedures related to depleted uranium (DU) and nuclear weapons;
- Adoption of the European Code of Conduct on Arms Exports and/or of the Arms Trade Treaty;
- Banning arms supplies which enable the destabilising accumulation of arms and fuel international aggression, internal oppression and violations of international humanitarian law; and
- Corporate compliance with national arms export regulations and international or regional arms embargoes.

4.1.4 Corruption No systematic involvement in fraud, corruption and tax evasion

Forms of corruption include bribery, extortion, fraud, collusion, money laundering, embezzlement, illegal political contributions, nepotism and certain facilitation payments. ACTIAM considers involvement in corruption, as defined by the following resources, to be in violation of our principles: UN Convention Against Corruption, 2003;

OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, 1997; and OECD Guidelines for Multinational Enterprises; Principle 10 of the UN Global Compact.

Specifically, this means that ACTIAM tends to vote for shareholder proposals that:

- Request the adoption and implementation of policies, measures and monitoring on bribery and corruption;
- Request transparency on the nature, purpose and scope of business operations that could be affected by social and/or political disruption;
- Seek disclosure of mining or other resource extraction contracts (i.e. tax and other agreements) with governments;
- Seek current disclosure of applicable risk assessment(s) and risk management procedures with regard to operating in fragile states;
- Request active policies regarding the sourcing of materials and minerals from conflict zones;
- Request disclosure on clients' application of the company's products (especially in relation to weapon production);
- Request development of supplier policies that explicitly include the aspect of transparency, so as to prevent non-transparent procurement practices contributing to high levels of corruption; and
- Ask pharmaceutical companies to report on the implementation of ethical guidelines for clinical trials in developing countries.

4.1.5 No significant involvement in products or businesses doing harm to human (mental) health or animal welfare

ACTIAM considers involvement in the following activities to be in violation of our principles:

- Withholding, falsifying or twisting information that is of essential importance to consumers, business relations, shareholders, employees, or other stakeholders; and
- Product safety or quality lapses that threaten human or environmental health.

Specifically, this means that ACTIAM tends to vote for shareholder proposals that:

- Seek reporting on company efforts to promote a fair service (e.g. fair lending policies) and reduce the likelihood of product abuses;
- Seek reporting on company efforts to improve product safety; and
- Seek greater disclosure of criteria for operations closures.

ACTIAM tends to vote for shareholder proposals that:

- Request the adoption of an animal welfare policy, including in the supply chain;
- Request the adoption of a 3R-strategy (replace, reduce, refine) for animal testing or call for a ban on the use of animal testing;
- Request a cessation of the use of fur and exotic leather; and
- Otherwise promote the welfare, health and comfort of animals.

4.1.6 No systematic involvement in severe environmental damage

ACTIAM does not wish to be involved in activities that cause serious environmental damage through pollution, biodiversity loss or the depletion of natural resources. We seek guidance from the following international environmental norms and best practices, as well as environmental laws and regulations, when determining whether an entity is in violation with our principles: the Rio Declaration, the Earth Charter, Principle 7 of the UN Global Compact, the IFC Performance Standards on Social & Environmental Responsibility and the Paris Climate Agreement under the UNFCCC, 2015.

Furthermore, we have developed distinct best practice guidelines for companies in each of the natural resources sectors, which help us determine when they are at risk of violating our principles. These guidelines prohibit us from investing in companies involved in particularly harmful activities including mountaintop removal mining, riverine tailings disposal, illegal logging and extraction activities in protected areas. Such areas include those covered by the International Union for the Conservation of Nature (IUCN) Protected Areas Categories I through IV, the 1972 UNESCO World Heritage Convention, and the 1971 Ramsar Convention on Wetlands.

Specifically, this means that ACTIAM tends to vote for shareholder proposals that:

- Seek disclosure or improved disclosure of the company's environmental practices, Environmental Impact Assessments (EIA) and/or environmental risks and liabilities;

- Refer to the implementation of the precautionary principle (Principle 15, Rio Declaration) with regard to environmental, health and safety aspects of products and production processes;
- Request an environmental expert to be appointed to the board of directors, or to have environmental expertise and accountability instilled at board level in a credible and effective manner, and/or that board members maintain such expertise through continuous education and training;
- Request that the company takes responsibility for handling hazardous substances and waste in line with relevant regulation (Stockholm convention, Rotterdam convention, Basel convention) in its own operations and/or in its supply chain;
- Request that companies reduce and report on the direct and indirect emissions of harmful or polluting substances (including but not limited to atmospheric aerosol loading such as particulate matter, nitrogen oxides (NOx) and sulphur oxides (SOx)), and report on the company's risks related to these emissions.

4.2 SHAREHOLDER PROPOSALS AND OUR DRIVERS

4.2.1 Fossil fuel use

ACTIAM tends to vote for shareholder proposals that:

- Request transparency on the company's positions on public policy relating to climate change;
- Report on the risks and opportunities related to climate change, including but not limited to physical risks, policy risks, supply chain risks, legal risks and market risks such as technology shifts;
- Request reporting on the risks and management of methane emissions and/or the adoption of methane emissions reduction targets;
- Request quantitative and/or qualitative reporting on environmental and social impacts of shale energy operations;
- Request quantitative and/or qualitative reporting on the environmental and social impacts of other operations exposed to significant climate change risk;
- Request that the board or member of the board is responsible for climate change management policies;
- Request the integration of climate change risks, including but not limited to transition risks and physical risks, in the company's strategy;
- Request the adoption and implementation of policies regarding the prevention of climate change. This may include (absolute or relative) science-based or other goals to reduce direct and indirect greenhouse gas emissions, obtaining energy from renewable sources, adopting measurable energy use reduction targets and energy efficient practices, in line with the ambitions set out in the 2015 Paris Agreement;
- Request increased investment in renewable energy sources and renewable energy product development;
- Request reporting on the company's activities regarding the technological development of low-emission and renewable energy, including R&D;
- Request the adoption of policies and targets related to the energy efficiency of production processes and the energy efficiency of products;
- Request reporting on the company's energy management policies, practices and metrics in line with the GRI;
- Request reporting on the consistency of company capital expenditure strategies with policymakers' goals to limit climate change, including analysis of risks and opportunities associated with high-cost low-demand scenarios;
- Request that companies integrate a robust carbon price into their capital expenditure approval process;
- Request increasing climate-friendly investments or dividends rather than using capital on high-cost, high-carbon fossil fuel projects with a high risk of stranding;
- Request the adoption of climate change criteria in procurement policies;
- Oppose public corporate lobbying that aims to prevent legislation addressing climate change, deforestation or renewable energy or request transparency on such lobbying;
- Request the adoption of policies to phase out or ban oil or gas exploration and production in the Arctic; nuclear power; shale gas and/or oil; oil sands; and/or thermal coal, or request a feasibility report on such steps;
- Request that financial institutions report on GHG emissions and climate change risk linked to financed activities, including exposure to fossil fuel activities; and
- Request reporting on the company's climate change adaptation plans;
- Call for adhering to the recommendations of the Task Force on Climate-Related Disclosures (TCFD).

4.2.2 Water use

ACTIAM tends to vote for shareholder proposals that:

- Seek reporting on the assessment of water risk linked to the company's operations and/or its supply chain and/or plans to mitigate such risk;
- Request that companies reduce ground and surface water extraction;
- Request that companies adopt and/or report on policies for water use that incorporate social and environmental factors;
- Request that companies adopt and/or report on policies and procedures for assessing and managing the social and environmental impact of their operations in areas of water scarcity;
- Request adoption and implementation of a policy designed to reduce risks of water contamination at the facilities of the company, its contractors and suppliers;
- Request companies respond to the CDP Water Disclosure Questionnaire;
- Request reporting on the disposal of unused or unexpired medicines or on a company's take back policy on unused or unexpired medicines;
- Request reporting on the results of company policies and practices to minimise potential adverse environmental impacts from hydraulic fracturing operations, including the impact on water resources; and
- Request that companies respect the human right to water.

4.2.3 Land use

ACTIAM tends to vote for shareholder proposals that:

- Ask companies to adopt policies banning mining, drilling and/or logging activities in UN World Heritage Sites, IUCN protected areas, wetland areas covered by the Ramsar Convention, other environmentally sensitive areas and nationally protected areas;
- Request that oil, gas and mining companies refrain from operating in locations where the environmental consequences of an accident for the environment are unmanageable;
- Request that oil, gas and mining companies put in place effective contingency plans for crisis situations;
- Ask companies who produce or process soft commodities to report on their assessment of the impact (either direct or via their supply chain) on deforestation and associated human rights and biodiversity issues and their plans to mitigate these risks;
- Request that the company promotes commodity-specific certification (i.e. FSC, RSPO, RTRS, MSC, Five Freedoms of Animals) in its own operations and/or its supply chain;
- Seek to promote the transition towards different sources of protein;
- Request the phasing-out of non-essential antibiotic use from the supply chain;
- Call for adopting, implementing and reporting on compliance with standards formulated in the Voluntary Guidelines on the Responsible Governance of Tenure, the Voluntary Principles on Security and Human Rights, the Indigenous and Tribal Peoples Convention and the Declaration on the Rights of Indigenous Peoples;
- Request that companies report on or adopt social considerations in policies for land procurement and align their policies with the principle of Free Prior and Informed Consent;
- Request that companies adopt a policy of respecting the rights of local and indigenous communities in matters affecting their environment and avoiding the destruction of their natural resources and environment;
- Request that companies and their suppliers report on displacement, resettlement and compensation policies for local communities affected by the company's business operations; and
- Request reporting on the environmental impacts of the company's activities in relation to local communities.

4.2.4 Chemicals and waste management

ACTIAM tends to vote for shareholder proposals that:

- Request that companies formulate, disclose and demonstrate performance in implementing chemical safety, environmental management and waste management related programmes, certification schemes, policies, protocols and standards, for all stages of the life cycle of chemical substances;

- Ask companies to comply with international agreements, including the Stockholm Convention on the production and the use of hazardous or toxic substances (POPs), the Montreal Protocol on the production and the use of hazardous or toxic substances that deplete the ozone layer, the Rotterdam Convention on trade in chemicals and chemical waste, and the Basel Convention on trade in chemicals and chemical waste; the European REACH Directive and the US Toxic Chemicals Act of 2011 on the use of chemicals suspected to be harmful to the environment and to health;
- Call for adopting business models that are based on circular economy principles, considering for instance packaging and waste minimization, recovery, recycling, re-use and redesign of products and processes;
- Stimulate companies to employ the best available technologies (BAT) or process improvements according to the precautionary principle to reduce the emission of toxic substances to soil, water, and air or to improve waste management (e.g. of plastics and electronic waste); and
- Request companies to report on their R&D activities in clean technologies and green chemistry.

4.2.5 Organisational behaviour & integrity

ACTIAM tends to vote for shareholder proposals that:

- Request reporting on tax payments in each country in which companies are active;
- Call for adopting a business ethics policy, including policies on fraud, money laundering, misleading claims or insider trading, oversight, whistle blower protection, independent monitoring of ethics policies, and employee training;
- Ask to report on compliance with the Wolfsberg Principles for anti-money laundering (AML), know your customer (KYC) and counter terrorist financing (CTF) policies;
- Request to report on any controversies on anti-competitive practises, price fixing, cartel agreements or collusion, or association with corrupt practises (based on Transparency International and World Bank data); and
- Call to act according to the Principles for Responsible Supply Chain Management as formulated by the Pharmaceutical Supply Chain Initiative (PSCI).

4.2.6 Human capital management

ACTIAM tends to vote for shareholder proposals that:

- Call for companies to disclose remuneration policies and provision of benefits, access to collective bargaining and associations; employee engagement programs, employee training & development programs and restructuring policies;
- Request disclosure of labour-related controversies, e.g. reductions in benefits, mistreatment of employees, controversies over wages and hours, wrongful termination;
- Request that companies disclose health and safety (H&S) policies and targets;
- Request that a company reports on H&S controversies, e.g. workplace accidents in direct operations;
- Request that companies report on any union controversies, e.g. anti-union activities, strikes, lock-outs and breaches of union contracts, and discrimination and workforce diversity controversies, e.g. instances of discrimination based on gender, race or ethnicity, gender pay differences, or instances of verbal, physical or sexual harassment.
- Request that companies disclose the supplier code of conduct requirements and training provided as well as supplier compliance audits and actions for non-compliance of suppliers with code of conduct;
- Call on companies to report on any supply chain labour standards controversies, e.g. supply chain issues related to overtime, inadequate pay, union and discrimination on gender, race or ethnicity.

4.2.7 Social capital management

ACTIAM tends to vote for shareholder proposals that:

- Request that companies disclose policies and procedures related to internationally accepted quality control, product testing, mitigation control, product and process certification (such as the latest ISO certification guidelines);
- Request that companies are transparent on incidents, quality performance, recalls & warnings, and codes of conduct on product safety & quality;
- Request that companies disclose policies restricting the collection and use of sensitive personal data;
- Request that companies disclose data protection & privacy policies and systems, including the evidence of employee training, use of widely recognized certificates or standards, technologies used, and allocation of responsibilities;
- Request companies to report on the number of privacy and data security incidents or breaches;
- Request that companies adopt policies and targets to serve underserved groups such as children, elderly, women, low-income, remote areas and SMEs;
- Call on companies to disclose controversies related to restricting access to basic services, to providing basic services that are unaffordable to underserved groups or minorities or to discriminating in providing access;
- Request pharmaceutical companies to disclose its performance on the access to medicine index;
- Call on companies to disclose activities related to access and affordability of basic services among underserved groups, and investments in capacities to advance access and affordability of basic services;

- Request to companies to disclose its policies, certifications and standards that address concerns on sourcing and procurement of controversial raw materials, including issues related to conflict minerals, ethical business conduct, gender equality, civil liberties and freedom of speech, respecting indigenous peoples and land rights;
- Request that companies disclose their code of conduct addressing forced labour, child labour, hours, minimum wage, anti-discrimination, use of security forces, and health & safety issues related to sourcing and procurement of controversial raw materials; and
- Request that companies disclose the number of controversies with regards to human and labour rights violations related to material sourcing.

4.3 SUPPORTING/FILING SHAREHOLDER PROPOSALS

To increase the impact of our active ownership activities, ACTIAM will publicly declare support for shareholder proposals or add our name as a co-filer. When considering co-filing, ACTIAM will take the following factors into account:

- whether the resolution is in line with ACTIAM's investment principles and view on material drivers;
- whether ACTIAM has engaged with the company before or supported a similar resolution previously;
- whether the company has been unresponsive to investor engagement efforts or made progress too slowly in addressing the issue.

ACTIAM will also consider filing shareholder resolutions ourselves in cases where a company has been unresponsive to our engagement efforts or has made progress too slowly on an issue that we have raised during engagement. For more information about ACTIAM's engagement activities, as well as our overall responsible investment approach, please visit our website at <http://www.actiam.nl/en/>

4.4 STOCK-LENDING, SHARE-BLOCKING POLICIES

4.4.1 Stock-lending

Stock-lending involves the transfer of title from the lender to the borrower. Accordingly, the only way a responsible share owner is able to vote is to recall lent stock. ACTIAM takes its influence as a responsible investor very seriously and will always recall stocks for voting.

ACTIAM recognises that there are (intangible) costs as well as (tangible) benefits involved in stock lending. We monitor potential losses related to stock lending and recalling on behalf of our clients to help them assess any costs that may be related to this responsible voting behaviour.

4.4.2 Share blocking

Share-blocking is a system whereby shares must be kept in a blocked security deposit and the trading of shares is prohibited during a certain period prior to and until the end of the shareholders' meeting. It is currently a requirement in a number of markets in which ACTIAM invests on behalf of its clients.

In some markets company-specific articles of association or custodial requirements may mean that share blocking is still effectively required, even if it is not a legal requirement at a market-level.

ACTIAM will generally block a percentage of its clients' holdings (normally 75%) in such companies so that it can participate in the meeting while decreasing the risk of being unable to trade at the sensitive time around the company's general meeting. However, if voting somehow does conflict with trading, the custodian will de-block shares to be able to trade, i.e. trading will be prioritised over voting.

ACTIAM will instruct its custodian to ensure that shares are not blocked at the sub-custodian level where there is no share-blocking requirement in the company's articles or at a market-level.

5. Annex 1: Market-Specific Considerations

5.1 AFRICA

5.1.1 SOUTH AFRICA

ACTIAM supports the 2016 amended South African King Report on corporate governance (King IV Report). ACTIAM recommends that listed companies disclose relevant information about their corporate governance rules and practices in accordance with the provisions of the Code and, where required, explained how the principles have been applied.

Corporate boards

ACTIAM expects:

- Boards to take account of diversity in its broadest sense when considering possible candidates for the board and other senior positions;
- Boards to comprise a majority of independent non-executive directors so as to ensure an appropriate balance of independence and objectivity; and
- A board evaluation to be carried annually by an independent provider and the board to disclose the main outcomes of the evaluation.

ACTIAM would welcome a system whereby significant shareholders had the opportunity to suggest potential directors as it would add value to the board.

ACTIAM believes that companies should amend their memorandum of incorporation to call for re-election of all directors, including executive directors, on a regular basis.

Remuneration

ACTIAM expects South African companies to provide a clear, comprehensive narrative of the company's remuneration policies and practices in the annual report. ACTIAM believes that boards should take the necessary steps to provide shareholders with mandatory remuneration disclosures.

ACTIAM notes that the King IV Code intends that the say-on-pay vote be on the remuneration policy and not on the decisions taken under that policy. Given the complexity of making a distinction in practice, ACTIAM recommends that companies allow shareholders to vote annually on their remuneration policy.

ACTIAM would expect companies to provide detailed information on the pension rights and potential additional pension rights, as well as on the cost of providing such pension benefits.

Authorities to issue shares for cash and to place unissued shares under the control of the directors

ACTIAM is supportive of general authorisations to issue shares for cash up to 5% of the current issued capital and to place no more than the same amount under the control of the directors.

Black Economic Empowerment

ACTIAM supports provisions in the 2003 South African Government's Black Economic Empowerment Act (BEE) as a means to redress the country's inequalities. The BEE requires companies wishing to contract with any government entity to comply with the Act. ACTIAM believes that all the aspects of the BEE are crucial in South Africa's development and future prosperity. ACTIAM expects all parties involved in BEE transactions to provide full transparency both on their compliance with the Act and their progress in developing aspects of the BEE.

5.2 AMERICAS

5.2.1 BRAZIL

ACTIAM endorses the recommendations of the Brazilian Institute of Corporate Governance's (IBGC) 2015 Code of Best Practice (the Code). ACTIAM recommends that listed companies disclose relevant information about their corporate governance rules and practices in accordance with the provisions of the Code. ACTIAM expects companies to comply with the disclosure provisions in the Corporate Governance Statement of their annual report.

Corporate boards

The board should be made up of members with an appropriate and diverse range of competencies. Brazilian companies have a unitary board of directors (Conselho de Administração). We understand that in many cases the board of directors includes members of the management board.

- ACTIAM understands that it is justified for major shareholders to be represented on the board but expects there to be a strong core of independent directors to ensure that the interests of minority shareholders are protected. In the case of controlled companies, the number of insiders on the board should be proportional to the controlling shareholders' economic interests.
- The Code recommends that the majority of the directors be independent, whereas the BM&F BOVESPA Stock Exchange Listing Rules require companies in the differentiated market segments - Novo Mercado and Nivel 2 - to have at least 20% board independence, with no requirement for companies in the other segments. ACTIAM recommends that companies comply with the Code and exceed the independence standards required by BM&F BOVESPA. At least one third of all members, ideally the majority of the members of the board, should be independent.
- Whenever the roles of chairman and CEO are combined, ACTIAM supports the existence of a senior independent director.
- Brazilian law allows for the establishment of a supervisory council (conselho fiscal). Members of the supervisory council should be independent from the company. ACTIAM believes that such entities provide an important safeguard for shareholders.
- ACTIAM is supportive of the appointment of minority shareholders' slates.

Remuneration

ACTIAM expects Brazilian companies to comply with the instructions of the Securities and Exchange Commission of Brazil (CVM) on remuneration disclosure and not use a court injunction to avoid disclosure of the remuneration paid to their highest-paid executives.

ACTIAM would expect companies to provide detailed information on the pension rights and potential additional pension rights, as well as on the cost of providing such pension benefits. The value of additional defined benefit pensions should be taken into account when determining the overall level of executive compensation.

Termination provisions and severance packages

ACTIAM will normally vote against any remuneration policy which allows for severance payments to executive directors to exceed one year of total remuneration.

ACTIAM may consider supporting severance packages that are limited to a maximum of 18 months of basic and variable remuneration if there is an appropriate justification which is deemed acceptable.

ACTIAM will not support severance payments to an executive whose contract was terminated as a result of poor performance, if he/she decided to leave the company, change his/her position or is entitled to exercise his/her rights to pension in the near future.

ACTIAM will support proposals to limit any compensation payments in the event of early termination to one year of salary and benefits (excluding any bonus).

Multiple share class structures and tag-along rights

ACTIAM expects companies to provide sufficient information on the material attributes of all of the company's share classes and series of shares; this information should be disclosed on a timely basis.

According to Brazilian law, companies may issue up to 50% of their total share capital in the form of preferred shares with no voting rights or restricted voting rights that entitle their holders to receive fixed or minimum dividends and other financial benefits. ACTIAM encourages companies to adopt the concept of one share, one vote.

ACTIAM supports the concept of tag-along rights to all equity classes.

Capital-related proposals

ACTIAM will normally vote against capital issuance proposals with pre-emptive rights and priority subscription periods which represent more than 50% of the issued share capital and when the issuance is not intended for a specific purpose.

ACTIAM will normally vote against capital issuance proposals without pre-emptive rights which represent more than 20% of the issued share capital and when there is no formal explanation and justification.

ACTIAM will decide on any share issuance proposals in excess of the limits specified in our general policy on a case-by-case basis.

ACTIAM will vote against any share re-purchase request that does not clearly specify whether the share re-purchases will be allowed during a takeover period. Equally, ACTIAM will vote against any share re-purchase request that would allow share re-purchases during a takeover period.

Anti-takeover measures

ACTIAM supports provisions in the articles of association that require a shareholder to make a mandatory tender offer for all of the company's outstanding shares if it acquires control over 30% or more of the share capital. ACTIAM would vote against provisions that allow this threshold to be set as a lower percentage as they might be used as anti-takeover mechanisms by companies.

5.2.2 CANADA

ACTIAM is generally supportive of the principles and recommendations of the National Policy 58-201 Corporate Governance Guidelines, the Multilateral Instrument 52-110 Audit Committees, the September 2018 Corporate Governance Guidelines of the Office of the Superintendent of Financial Institutions Canada (OSFI) and other best practice guidance.

Corporate boards

Canadian companies have a unitary board structure. The National Policy 58-201 Corporate Governance Guidelines recommend that boards have a majority of independent, non-executive directors. In line with market best practice, ACTIAM expects that a substantial majority (at least two-thirds) of directors should be from outside the company and independent of the company's management and business operations.

- As stipulated in the 2018 Code, page 7, the role of the Board Chair should be separate from the CEO, as this is critical in maintaining the Board's independence and its ability to execute its mandate effectively. ACTIAM will oppose the election of the CEO if he is also Board Chair.
- ACTIAM will oppose the re-election of members of the corporate governance or nominating committee at a board that does not have an independent chair.
- ACTIAM will oppose the re-election of members of the audit committee if no audit fee information is available from the company prior to a shareholder meeting.
- ACTIAM favours majority vote standards for the election of directors and will support proposals requesting by-law changes to achieve this.
- ACTIAM will oppose proposals to adopt cumulative voting at those companies that have adopted a majority vote standard for the election of directors.
- ACTIAM will support the reimbursement of proxy solicitation expenses in contested elections when ACTIAM has supported the dissidents' election.

Remuneration

ACTIAM will vote against proposed amendment procedures that do not require shareholder approval for amendments of security-based compensation arrangements.

ACTIAM will expect all equity-based incentive schemes to have a three-year burn rate that is not excessive relative to peers.

Audit

ACTIAM will consider voting against the re-election of the auditor that has held the audit mandate for over 20 years due to concerns about audit independence, unless the company has carried out a recent tender process and provided a satisfactory explanation for its decision to continue with the current auditor.

Anti-takeover provisions/Shareholder rights plans

ACTIAM will support only "new generation" shareholder rights plans whose purpose is limited to:

- Providing the board with more time to find an alternative value-enhancing transaction; and
- Ensuring the equal treatment of all shareholders.

Requests to modify existing provisions or shareholder rights plans will only be supported if they are deemed to enhance shareholder rights.

5.2.3 CHILE

ACTIAM is generally supportive of the various best practice codes and regulations that inform the corporate governance of companies in Chile, including the 2000 Tender Offers and Corporate Governance Law (Ley de OPAS); the 2001 First Capital Market law (MKI); the 2008 Second Capital Markets Law (MKII), the 2009 Law 20,382; and the 2015 formerly Securities and Insurance Superintendence (SVS) recommendations on strengthening corporate governance rules.

Chilean companies are allowed to create multiple classes of stock with different voting rights for each class. Most companies have a single class share structure. ACTIAM expects Chilean companies to disclose their vote results on their websites.

Amend articles of association/bylaws

ACTIAM will generally vote against a proposal to amend articles or bylaws unless sufficient information has been provided to allow shareholders to make an informed decision.

Annual reports and accounts

ACTIAM will vote against the annual report and accounts if the documents (or their draft versions) are not disclosed in time for review prior to the voting deadline.

Corporate boards

Chilean companies have a unitary board structure and directors generally serve two-year terms.

Under Chilean law, companies are not required to have any committees. The election of members of the board of directors is usually by slate.

- ACTIAM will oppose individual board nominees or slates in situations where we identify a concern.
- If a company's market capitalisation exceeds 1.5 million Unidades de Fomento (a unit of account used in Chile), which is approximately \$60 million, with a free float of at least 12.5 per cent, it is required to have at least one independent director and an audit committee composed of at least three board members, a majority of whom must be independent. ACTIAM expects that companies comply with this.

Remuneration

Companies are not required to submit executive remuneration to a shareholder vote.

Where companies choose to do so, ACTIAM will make a case-by-case assessment of the overall director remuneration arrangements before making a voting decision, analysing the company's recent remuneration practices and comparing the fee level to other companies.

Ratification of auditors

ACTIAM understands that external auditors must be independent by standards defined in the Association of Auditors' Code of Ethics and Auditing Standards. Auditors cannot own more than 3 per cent of the total equity of a Chilean issuer, nor should the revenue from any one company exceed more than 15 per cent of the auditor's total revenue.

ACTIAM may vote against the appointment of the auditor/the authority to set audit fees if the fees paid to the external auditor have not been disclosed in the annual report and financial statements or the name of the auditor has not been provided.

5.2.4 MEXICO

ACTIAM is generally supportive of the 2018 Mexican Corporate Governance Code (Código de Principios y Mejores Prácticas Corporativas) as well as the corporate governance provisions in the Mexican Commercial Companies Law and the Mexican Securities Law.

Although shareholders of Mexican companies are generally given the opportunity to vote on a similar range of items as arise on general meeting agendas in other markets, distinct issues are sometimes bundled together as a single agenda item and salient information on agenda items is not always disclosed in a timely fashion. ACTIAM will take into account both factors when considering general meeting resolutions.

Report on tax compliance

ACTIAM will not support the approval of the report on tax compliance if the company has not published it a reasonable time in advance of the meeting.

Corporate boards

Mexican companies have unitary boards comprising predominantly non-executive directors. Mexican Securities Law requires that the board of directors is composed of not less than five members and not more than 21 members and at least 25% of the board should be independent, while the Corporate Governance Code recommends independent representation of at least 60%.

Mexican companies are required to establish an Audit Committee and a Corporate Practices Committee. Each of these committees should consist of no less than three directors and all of them should be independent.

- ACTIAM will not support proposals to elect directors or members of board or management committees if the company has not provided information on the nominees a reasonable time in advance of the meeting.
- Where a company's board falls short of the level of independence recommended by the Code and directors stand for election individually, ACTIAM will take into account various factors in evaluating the election of non-independent directors, including the presence of significant shareholders or their representatives on the board and the financial performance of the company.

Share repurchase authorities

Mexican law does not impose a numerical limit on the maximum amount of capital which may be used to fund buyback programmes. ACTIAM will not support share repurchase authorities if the company has not provided information on the material terms of the authority a reasonable time in advance of the meeting.

5.2.5 UNITED STATES

ACTIAM is generally supportive of the principles and recommendations of the Council of Institutional Investors' (CII) Corporate Governance Policies and other best practice guidelines.

Corporate boards

ACTIAM expects that a substantial (at least two-thirds) majority of a corporate board should comprise directors from outside the company and independent of the company's management and business operations.

ACTIAM is supportive of the effort to seek the separation of the roles of the Chairman and CEO and will support proposals to separate those roles. ACTIAM will normally support the election of an incumbent combined chair/CEO if the board has a lead independent director.

ACTIAM will normally vote against:

- the re-election of members of the corporate governance or nominating committee at a board that has neither an independent chairman nor a lead director;
- the re-election of directors at a board that has failed to take reasonable steps to respond to a shareholder proposal supported by a majority of shareholders in the previous year, provided that ACTIAM supported that proposal;
- the re-election of members of the audit committee at a board that has not proposed that shareholders vote to ratify the auditors;
- the re-election of a director who has failed to receive support from a majority of shareholders in the previous year, unless the board has put forward a compelling counterargument; and
- proposals to adopt cumulative voting at those companies that have adopted a majority vote standard for the election of directors.

ACTIAM will support:

- proposals to declassify the board of directors (so as to allow annual elections);
- improved access to the proxy for shareholders; and
- proposals requesting by-law changes that allow for majority vote standards for director elections.

Remuneration

When evaluating equity-based incentives for US companies, ACTIAM will take into account the level of awards linked to performance. ACTIAM believes that a significant proportion of equity-based awards should be performance-based.

ACTIAM will expect all equity-based incentive schemes to have a three-year average burn rate that is not excessive relative to peers.

ACTIAM supports the introduction of an annual advisory vote on remuneration.

When reviewing change-in-control provisions, ACTIAM prefers that they require a ‘double trigger’ and total no more than three times the executive’s annual salary. ACTIAM is not supportive of companies adding excise tax gross-ups obligations to change-in-control provisions.

Audit

ACTIAM will consider voting against the re-election of the auditor that has held the audit mandate for over 20 years due to concerns about audit independence, unless the company has carried out a recent tender process and provided a satisfactory explanation for its decision to continue with the current auditor.

Capital-related proposals

In line with best market practice, ACTIAM will generally vote for requests for capital issuance except in the following circumstances:

- The shares can be used for unspecified purposes;
- The resultant dilution would represent more than 10% of the current outstanding voting power;
- The shares would be issued at a discount to the fair market value; and/or
- The issued shares have superior voting rights.

Anti-takeover provisions/Shareholder rights plans

ACTIAM will review requests to adopt or modify anti-takeover provisions or shareholder rights plans on a case-by-case basis and carefully consider their impact on shareholder rights. ACTIAM will oppose any such request in the following circumstances:

- The company has a classified board of directors;
- The plan would inhibit hostile takeover attempts and/or entrench management by making the cost of an acquisition exorbitant; and/or
- The plan includes charter amendments that would have a detrimental impact on shareholder rights, such as supermajority voting requirements and/or the elimination of shareholders’ ability to amend by-laws or requisition an extraordinary meeting of shareholders.

5.3 ASIA-PACIFIC

5.3.1 AUSTRALIA

ACTIAM is generally supportive of the ASX Corporate Governance Council’s 2019 Corporate Governance Principles and Recommendations and other recognised best practice guidance.

Annual report and accounts

Australian companies are not required to submit their annual accounts and reports to a shareholder vote. However, where shareholder approval is required, abstention on this issue preserves shareholders’ right to take legal action should irregularities be discovered at a future date. ACTIAM will vote on all proposals to approve the annual report and accounts on a case-by-case basis.

Corporate boards

- In view of the unitary structure of Australian company boards and the market best practice with respect to board composition, ACTIAM will expect the board to comprise a majority of independent non-executive directors.
- ACTIAM may vote against the re-election of the members of the Audit Committee or the Chairman of the board if there is no auditor (re)appointment proposal on the shareholder meeting agenda and ACTIAM has concerns regarding the auditor’s independence or the quality of the audit.

Remuneration

There is a ‘two strikes’ rule under Australian companies law whereby if 25% or more of shareholders vote against a company’s compensation report at two successive AGMs, the board is obliged to submit a ‘spill resolution’ which would require the whole board, apart from the Managing Director, to stand for election at an EGM within 90 days.

ACTIAM will decide how to vote on such resolutions and consider a number of factors including:

- Its voting decision on the remuneration report at the previous year’s AGM;

- Its voting decision on the remuneration report at the current year's AGM;
- Any progress made by the company in remuneration matters since the previous year's AGM; and
- The company's broader performance.

Share-based incentive schemes for executives

There is no statutory or listing rule requirement for companies to seek shareholder approval of share-based incentive plans. Shareholder approval is usually sought so that options and other equity instruments issued under the plan do not count towards the 15% annual limit on the issuance of shares without pre-emptive rights, as allowed under the listing rules. ACTIAM is generally not supportive of this practice and would expect all share issuance to directors to be included in the dis-application limit.

The listing rules require that companies seek shareholder approval for any grant of options or shares to a director. This rule, however, does not apply if repurchased rather than newly issued shares are used for the grant. ACTIAM believes that all grants of equity-based awards should be approved by shareholders on an annual basis or, alternatively, under the terms of the scheme where shareholders' approval of the scheme was sought prior to its introduction. ACTIAM will vote against the approval of the remuneration report where equity-based awards to executive directors have not been approved by shareholders as stated above.

ACTIAM will expect all equity-based incentive schemes to observe the dilution limit of 10% of the issued ordinary share capital (adjusted for share repurchase and cancellation).

Some Australian incentive plans allow for vesting of equity incentives when a takeover bid is announced (regardless of whether it succeeds or not) or when a party acquires a shareholding below 50%. ACTIAM will vote against incentive plans containing such early vesting provisions.

ACTIAM is generally not supportive of the use of loan-funded equity-based plans for executives. Any such proposal will be voted on a case-by-case basis.

Termination provisions and severance packages

The Corporations Act stipulates a requirement of shareholder approval for termination payments that exceed one year of the average salary for the previous three years of a director or an executive officer. ACTIAM will vote against proposals that allow for compensation on early termination of an executive's contract to exceed the equivalent of one year's salary and benefits (i.e. no bonus payment), unless there are exceptional circumstances which are clearly explained and are deemed acceptable. ACTIAM is supportive of the guidance that such agreements should clearly articulate performance expectations.

Capital-related proposals

Listing rules apply a general limit of 15% of the issued share capital in a 12-month period for share issues without pre-emptive rights. However, companies may seek shareholder approval to exclude a particular proposed issue of shares from the 15% limit. ACTIAM will vote on all proposals to issue shares without pre-emptive rights on a case-by-case basis.

Listing rules allow companies to request the ratification of previous share placements in order for that placement not to count towards their 15% allocation per 12 months allowed under the listing rules. ACTIAM will vote on all such proposals on a case-by-case basis taking into consideration the purpose of the placement and the dilution experienced by shareholders as a result.

Renewal of "proportional takeover" clause in constitution

The Australian Corporations Act allows a company to include in its constitution a clause which requires shareholder approval for a proportional (partial) takeover offer to be made. Under this type of clause, a proportional takeover offer cannot be mailed out to shareholders until after the company has held a general meeting at which shareholders vote on whether to allow the offer to be made. The clause can remain in the constitution for a maximum of three years. It is standard practice among ASX-listed companies to ask their shareholders to re-insert the clause into the constitution at every third AGM. ACTIAM generally supports such proposals.

5.3.2 CHINA

ACTIAM is generally supportive of the 2018 Chinese Code of Corporate Governance for Listed Companies, the governance-related provisions of the PRC Company Law and Securities Law, guidelines from the China Securities Regulatory Commission and other best practice guidance.

Corporate boards

In China, there is predominantly a single board of directors. However, companies must also establish a supervisory board/committee that oversees the financial affairs of the company and supervises the board members and management.

The supervisory board/committee is composed of shareholder and employee representatives. Directors and senior officers of the company may not serve on the supervisory board/committee.

- Under the guidelines of the China Securities Regulatory Commission, at least one-third of the board directors must be independent. ACTIAM would expect that Chinese listed companies comply with this.
- Where there is an insufficient number of independent non-executive directors on the board, ACTIAM will usually vote against the (re)election of non-independent director(s) in order to encourage a board composition with an appropriate balance of independent and non-independent directors.
- While there is no regulatory requirement to have independent directors on the supervisory board/committee, ACTIAM would expect that at least one-third of the supervisory board/committee members are independent.
- ACTIAM would expect that audit, remuneration and nomination committees comprise a majority of independent non-executive directors and be chaired by an independent director, as outlined in the Chinese Code of Corporate Governance for Listed Companies.

Capital-related proposals

- Listed companies in China usually have A-shares and H-shares. A-shares are shares of companies based in China that are listed on either the Shanghai or Shenzhen stock exchanges. A-shares are generally only available to Chinese mainland investors, although overseas investors can own them through the Qualified Foreign Institutional Investor system. A-shares are quoted in Chinese renminbi. H-shares are shares of Chinese companies listed on the Hong Kong Stock Exchange. H-shares are open for purchase and trading to all investors and are quoted in Hong Kong dollars.
- Due to this structure, most companies listed in China also have a listing on the Hong Kong Stock Exchange to facilitate foreign investment.
- As a result of this, ACTIAM will vote on share (re)issuance and purchase authorities in line with its policy for the Hong Kong market.

Provision of loans and guarantees

It is common practice for Chinese companies to provide guarantees to subsidiaries and affiliated entities. As specified in the Code of Corporate Governance for Listed Companies, a listed company shall not provide financial guarantees for its shareholders or their related parties. ACTIAM will generally support the provisions of guarantees if they are proportionate to the company's net assets.

5.3.3 HONG KONG

In Hong Kong, ACTIAM is generally supportive of the Corporate Governance 2018 Corporate Governance Code, the governance-related provisions of the Hong Kong Exchange Listing Rules, the Hong Kong Stock Exchange (SEHK) Environmental, Social and Governance Reporting Guide and other best practice guidance.

Corporate boards

Hong Kong companies have a unitary board structure. The SEHK listing rules require that for listed companies, there be at least three independent directors or one third of the board consisting of independent directors, whichever is greater. ACTIAM would expect the composition of the board to comply with the listing rules.

- Where there is an insufficient number of independent non-executive directors on the board, ACTIAM will usually vote against the (re)election of a non-independent director(s) in order to encourage a board composition with an appropriate balance of independent and non-independent directors.
- ACTIAM would expect that the audit, remuneration and nominations committees comprise a majority of independent non-executive directors and that the audit and remuneration committees be chaired by an independent non-executive director.
- ACTIAM would vote against the (re)election of a former partner of the company's external auditor to the board and/or audit committee if less than three years have passed since his/her ceasing to be a partner of or having any financial interest in the audit firm and there is an insufficient number of independent directors on the board.

Capital-related proposals

Hong Kong companies routinely seek shareholder approval of share issuance and repurchase authorities up to the maximum limits allowed under the listing rules, i.e.:

- To issue shares up to 20% of the issued share capital without pre-emptive rights;
- To repurchase shares of up to 10% of the issued share capital; and

- To reissue repurchased shares by extending the share issuance authority to include the number of shares repurchased (up to 10% of the issued share capital), thus bringing the share issuance authority to 30% of the issued share capital.

These authorities are routinely sought at least once a year at the AGM but may be renewed at an EGM during the year; there is no limitation on the number of renewed authorities the company can seek in any one year. The shares may be (re)issued at the maximum of 20% discount to the market price (or more under special circumstances).

Due to the evidence of past abuse of the authorities to (re)issue shares without pre-emptive rights by Hong Kong companies, ACTIAM will vote on share (re)issuance and repurchase authorities as follows:

- In favour of the aggregate issuance and re-issuance authorities up to 10% or less of the issued share capital where shares are issued at the maximum discount of 10% to the market price, provided there is no history of renewing the share issuance mandates several times within a period of one year.
- Against all authorities to issue shares without pre-emptive rights where there is a history of renewing the share issuance mandates several times within a period of one year, unless granting the authority is considered to be in the best interests of shareholders.
- In favour of routine authorities to enable the management to repurchase shares in the open market up to 10% of the issued share capital in any one year, where the minimum and maximum price which may be paid for each share (as a percentage of the market price) is specified and deemed acceptable (typically between 90% and 110% of the market price), unless there is a clear evidence of past abuse of such an authority.
- Case-by-case in all other instances.

5.3.4 INDIA

ACTIAM is generally supportive of the 2009 Corporate Governance Voluntary Guidelines, as well as the corporate governance provisions contained in the Companies Act 2013 and the Listing Agreement.

Corporate Boards

Indian companies are often characterised by concentrated ownership structures where large holding entities or groups of individuals (known as promoters) constitute the largest shareholder. This renders an assessment of the level of independence on the board particularly important. The Companies Act stipulates board tenure as a criterion for assessing independence, stating that independent directors may serve two consecutive terms of five years, meaning that after this time, they are not considered independent.

Under the Listing Agreement, where the chair of the board is an executive or affiliated with a promoter, the board should be at least 50% independent. In other cases, the board should be at least 33% independent. ACTIAM may withhold support for the election of non-independent directors where these requirements are not met.

Under Indian regulations, the audit committee and the compensation committee should both be at least 66% independent, and the nomination committee should be majority independent. ACTIAM may withhold support for a non-independent member of one of these committees where these requirements are not met.

Appointment of external auditors and auditors' remuneration

When considering proposals to reappoint auditors, ACTIAM will take into account the company's disclosure as to the payment of non-audit fees, in line with its general guidelines. In particular, ACTIAM expects a company to disclose audit fees for the preparation of consolidated company statements and not just parent company statements and will take into account the absence of such information in making a voting decision.

Capital-related proposals

ACTIAM may support proposals to issue shares and/or convertible securities without rights of pre-emption if they do not exceed 20% of the issued share capital.

In considering proposals to issue non-convertible debentures, ACTIAM will consider a number of factors including the company's current level of indebtedness, the upper limit on the authority, the terms of the issuance and, for financial institutions, the alignment between capital adequacy ratios and any applicable regulatory limits. ACTIAM may withhold support for such proposals when the company fails to provide sufficient information on these and other material factors.

Non-executive directors' commission

Non-executive directors in India may be paid by way of commission calculated as a percentage of net profits. Under the Companies Act, commissions will be limited to 1% of net profits if the company has a managing director and 3% in other cases.

In assessing commission proposals, ACTIAM will consider their proportionality to the board commitments of the directors and how the commission compares with levels provided by peer companies.

5.3.5 INDONESIA

ACTIAM is generally supportive of Indonesia's Code of Good Corporate Governance, the Indonesia Corporate Governance Manual, and the governance-related provisions of the Company Law, the Capital Market Law, the Bapepam Rulebook and the Financial Services Authority's (OJK) regulations.

ACTIAM also supports the further promulgation of corporate governance best practice through the OJK's Indonesia Corporate Governance Roadmap, published in 2014, and the accompanying Indonesia Corporate Governance Manual, second edition, released in June 2018. We note that the OJK is in the process of implementing aspects of the Roadmap and that since 2017, listed companies have had to disclose whether they comply with aspects of the OJK's governance-related rules and regulations.

Annual reports and accounts

ACTIAM will vote against the annual report and accounts if the documents (or their draft versions) are not disclosed in time for review prior to the voting deadline.

Allocation of profits and dividends

It is common market practice that companies announce information on allocation of profits and dividends at the annual general meeting. ACTIAM will normally support this proposal if information on past dividend distribution practices is provided and we consider the past dividend pay-out ratio to be financially sustainable.

Corporate boards

Indonesian companies usually have a two-tier board structure comprising the board of directors (also known as the management board in other markets) and the board of commissioners (also known as the supervisory board in other markets). The board of directors is responsible for the day-to-day management of the company while the board of commissioners oversees the performance of the board of directors.

- Indonesian companies sometimes do not provide the identities of the directors or commissioners standing for election in a timely manner for the general meeting. ACTIAM will vote against the slate(s) of directors and/or commissioners if the identities and/or biographical information of those up for (re)election are not disclosed ahead of the voting deadline.
- In line with OJK regulations, ACTIAM expects that at least 30% of the directors on the board of commissioners are independent, for non-bank companies, and that at least 50% are independent for banks.
- Where there is an insufficient number of independent directors on the board of commissioners, ACTIAM will usually vote against the (re)election of a non-independent director(s) or, in certain cases, the entire slate in order to encourage a board composition with an appropriate balance of independent and non-independent directors.
- In line with the listing rules, ACTIAM expects that the audit committee should be chaired by an independent commissioner. ACTIAM understands that other members of the audit committee can be appointed from outside the company. Overall, ACTIAM expects that the majority of audit committee members are independent.
- ACTIAM supports the Code of Good Corporate Governance recommendation that non-bank companies also establish a nomination and remuneration committee that is chaired by an independent commissioner. We note that public banks, under Indonesia regulation, must have a nomination and remuneration committee that is chaired by an independent commissioner and has no director as member.

Remuneration

Indonesian companies generally seek shareholder approval on the board of commissioners' and the board of directors' total remuneration. However, many companies do not disclose the proposed fees and, if the proposed fees are disclosed, companies do not always provide a breakdown between the board of commissioners and the board of directors. ACTIAM encourages companies to provide more in-depth disclosure of remuneration fees, including a breakdown of fees.

ACTIAM will make a case-by-case assessment of the overall remuneration arrangements before making a voting decision, analysing the company's recent remuneration practices and comparing the level of fees with other companies.

Ratification of auditors

ACTIAM understands that many Indonesian companies do not disclose the name of the external auditor that they plan to appoint for the next fiscal year.

While this is common market practice, it makes it difficult for shareholders to make an informed voting decision. Furthermore, due to OJK regulations, abstentions in Indonesia are counted among votes for the proposal. As such, ACTIAM will vote against the appointment of the external auditor if there is no information available on the intended auditor by the voting deadline.

Non-audit services that external audit firms may provide are restricted under the Bapepam-LK regulation and the provision of these types of services is therefore not common in Indonesia. Nonetheless, ACTIAM will take into account the fees paid to the auditor for the provision of the audit and non-audit services during the year under review when voting on the ratification of the external auditor/the authority to set the audit fees.

ACTIAM may vote against the appointment of the auditor/the authority to set audit fees if the fees paid to the external auditor have not been disclosed in the annual report and financial statements.

JAPAN

ACTIAM is supportive of Japan's Corporate Governance Code and takes into consideration the spirit and underlying principles of recent regulatory developments.

Corporate boards

Under the Japan Corporate Act, there are three possible board structures that Japanese companies may adopt: the most common two-tier structure with directors (who have voting rights) and statutory auditors (who have no voting rights); a one-tier structure with the standard three committees (ie. audit, remuneration and nominations committees) that was introduced in 2003; and the audit and supervisory committee structure, which is a new option created in 2015. ACTIAM will vote against the management in the following way when two-tier boards or boards with an audit and supervisory committee have fewer than two outside directors that can be considered highly independent or where less than one-third of the board is independent:

- where it is a large board, ACTIAM will vote against only so many (newly and previously nominated) non-independent (executive or non-executive) nominees as would bring the board to an acceptable level of independence; and
- where it is a smaller board, ACTIAM will vote against the nomination committee chairman (even if they are the board chairman) or, if there is no nomination committee, the board chairman.

A 'smaller board' for these purposes is one where the functioning of the board would be significantly impaired by voting off the relevant number of executive directors.

For election of statutory auditors, ACTIAM will look favourably upon boards that exceed the minimum requirement of at least half outsiders.

ACTIAM will support:

- companies adopting a three-committee board structure;
- management resolutions to adopt a three-committee board structure; and
- resolutions reducing the frequency of director re-elections from the normal two years to one year.

ACTIAM will vote against:

- directors where the board has more than 20 members; and
- resolutions seeking to require a supermajority to remove directors.

Remuneration

Disclosure by Japanese companies on remuneration matters is relatively sparse. ACTIAM encourages companies to provide more detail on the remuneration policy, structures and proceeds.

ACTIAM will support:

- articles eliminating the provisions for the payment of retirement bonuses to directors and statutory auditors. If a one-off bonus is proposed as part of this resolution, it will only be supported if the bonus amounts are disclosed and the recipients are not outsiders; and
- proposals for bonuses of executive board members to be paid in restricted shares.

ACTIAM will oppose traditional stock option plans that allow for options to be granted to outsiders.

Capital-related proposals

ACTIAM will oppose requests for capital increases if management proposes:

- To raise the ceiling by more than 100% for unspecified purposes;

- To create a new class of shares, other than in the case of a company needing to issue non-voting shares as part of a financial rescue.

ACTIAM will support proposals to authorise the repurchase of up to 10% of outstanding shares but only if the authority is for no longer than one year.

ACTIAM reserves the right to vote against the re-election of directors when a company proposes an issuance of new shares that causes significant dilution but does not provide a sufficient explanation for that issuance.

Anti-takeover provisions/Shareholder rights plans

ACTIAM will normally oppose the introduction or renewal of anti-takeover measures. This opposition may also be expressed by voting against the re-election of directors.

Changes to the articles of association and by-laws

ACTIAM will normally oppose:

- resolutions seeking to indemnify the directors and statutory auditors against derivative shareholder lawsuits, but reserves the right to support this measure in order to facilitate the appointment of more outside directors and external statutory auditors;
- resolutions seeking to indemnify the public (external) auditors against derivative shareholder lawsuits; and
- proposals to limit the number of representatives that a shareholder can appoint to vote at a general meeting.

ACTIAM will normally support:

- proposals seeking to bring the record date closer to the date of the annual general meeting;
- proposals adding new lines of business as long as they are in line with the company's stated strategy; and
- proposals allowing smaller tradable lots of shares.

5.3.6 MALAYSIA

ACTIAM is generally supportive of the Malaysian Code on Corporate Governance (the Code) and the corporate governance provisions in the Bursa Malaysia Listing Requirements, the Capital Markets Services Act and the Companies Act.

Corporate boards

Malaysian companies generally have a unitary board comprising executive and non-executive directors. Under the Listing Requirements, companies should have at least two independent non-executive directors or one third of the board should comprise independent directors, whichever is higher. Under the Code, at least half of the board should be independent at all companies and a majority of the directors on the board should be independent at 'Large Companies' (ie. those in the FTSE Bursa Malaysia Top 100 Index or with a market capitalisation of RM 2 billion and above).

- ACTIAM may vote against the (re)election of non-independent directors where the level of independence on the board is lower than the specifications of the Code and the Listing Requirements.
- ACTIAM expects a majority of audit committee members to be independent non-executive directors. ACTIAM may vote against the appointment of a former key audit partner that has not had a two-year cooling-off period before appointment to the audit committee.
- ACTIAM expects that remuneration and nomination committees should be composed solely of non-executive directors, a majority of whom are independent.
- The Code recommends that an independent director serve on the board for no longer than nine years and that, after this period, they should no longer be regarded as independent. ACTIAM will evaluate proposals to retain a director on the board who has served for more than nine years as an independent director on a case-by-case basis, taking into account various factors, including the justification offered by the board, the director's attendance record and level of independence on the board if the candidate were to step down.

Capital-related proposals

ACTIAM will support routine proposals to issue shares without pre-emptive rights up to 10% of the issued share capital. ACTIAM will consider any requests to issue shares in excess of this limit on a case-by-case basis.

Under the Listing Requirements, a company may purchase shares worth up to 10% of the issued share capital over a specified period if authorised by shareholders. ACTIAM may support such proposals if they offer clarity as to upper limits of the authority in terms of volume and repurchase price.

5.3.7 NEW ZEALAND

ACTIAM is generally supportive of the NZX Corporate Governance Code and The New Zealand Securities Commission's Corporate Governance in New Zealand: Principles and Guidelines and other best practice guidance.

Corporate boards

New Zealand companies have a unitary board structure. In line with market best practice, ACTIAM would expect the board of directors to comprise a majority of non-executive directors and a minimum one third independent directors.

- ACTIAM would expect the companies to create separate nomination, remuneration and audit committees. Furthermore, we would expect the audit committee to comprise only non-executive directors, a majority of whom are independent, and the audit committee chairman to be independent and not serve as the chairman of the board. A majority of members of the remuneration committee and nomination committee should be independent directors.

Capital-related proposals

Changes in NZSX Listing Rules have significantly reduced the protections available to shareholders by:

- Removing the requirement for prior approval of director participation in private placements;
- Increasing the amount of capital that listed entities may issue over 12 months without prior approval or pre-emptive rights under a placement from 15% of issued capital to 20%; and
- Significantly increasing the threshold above which related-party transactions require prior approval from 5% of average market capitalisation to 10%.

The rules also removed the requirement for prior approval of executive directors' participation in employee share schemes.

ACTIAM will vote on proposals to amend the articles of association so as to take advantage of these changes on a case-by case basis.

5.3.8 PHILIPPINES

ACTIAM is generally supportive of the provisions contained in the Corporation Code of the Philippines, the Securities Regulation Code, the Philippine Stock Exchange Listing Rules, the Philippine Code of Corporate Governance and the Philippine Guidelines on Nomination and Election of Independent Directors.

Corporate boards

Companies have a one-tiered board structure. Under the Code of Corporate Governance, at least thirty percent of the board or three members should be independent directors, whichever is higher. The Code also states that the roles of the chairman and CEO should be separate.

ACTIAM may vote against the (re)election of non-independent directors where the level of independence on the board is lower than specifications of the Code of Corporate Governance.

Ratification of previous corporate acts

ACTIAM will support routine proposals to ratify the acts and resolutions referred to in the proposal that have been done in the ordinary course of the business.

5.3.9 SINGAPORE

ACTIAM is generally supportive of the 2018 Singapore Code of Corporate Governance and other best practice guidance.

Corporate boards

Singapore companies have a unitary board structure. ACTIAM would expect that the majority of board members are non-executive and that independent non-executive directors represent at least one-third of the board or make up a majority of the board where the chairman is not independent.

Remuneration

ACTIAM expects companies to set a specified limit on the number of shares to be used under any proposed equity-based incentive scheme, regardless of whether it is proposed to use newly issued or repurchased shares and will vote on all new incentive scheme proposals accordingly.

Termination provisions and severance packages

ACTIAM is supportive of the best practice recommendation that notice periods in service contracts should be set at a period of six months or less or reduced to six months or less after the initial longer notice period.

Capital issuance proposals

ACTIAM understands that in Singapore, it is normal practice for companies to seek, on an annual basis, authority to allot shares up to a maximum of 50% of the company's issued share capital, of which 20% may be issued without pre-emptive rights. ACTIAM will decide on any share issuance proposals in excess of the limits specified in our general policy on a case-by-case basis.

In addition to general issuance authorities, companies often seek specific issuance authorities in relation to equity-based incentive plans (usually for up to 15% of the issued share capital allowed under the listing rules) and to a bonus issue, rights issue or the financing of an acquisition or merger if it requires share issuance in excess of the limits in the general mandate. ACTIAM believes that all new shares used under equity-based incentive schemes should be covered by the general mandate and will consider any such proposal on a case-by-case basis, taking into consideration the size of the general mandate requested by the company. All decisions on the share issuance authority with respect to a bonus issue, rights issue or the financing of a major transaction will be taken on a case-by-case basis.

5.3.10 SOUTH KOREA

ACTIAM is generally supportive of Korean Code of Best Practices and the governance-related provisions of the Commercial Act and other best practice guidance.

Annual report and accounts

Due to reporting timeframes under Korean regulations, companies may publish unaudited financial statements in their AGM notices with or without a note on the status of the audit. The auditor's report is published seven days prior to the AGM. Therefore, the audited accounts are often not available ahead of the voting deadline. In addition, the approval of the annual report and accounts and the proposed dividend are usually bundled into one resolution on the AGM agenda. ACTIAM will consider voting against the annual report and accounts where the company does not provide some indication about the status of the audit of the financial statements ahead of the voting deadline, including when the company bundles the approval of the dividend with the proposal to approve the report and accounts.

Corporate boards

Korean listed companies have a single-tier board of directors. Under the Commercial Act, a listed company with assets over KRW 2 trillion is considered a 'large company' and is required to appoint at least three independent directors. For large companies, the majority of directors must be independent. For companies with assets below KRW 2 trillion, at least one-quarter of the directors must be independent. The Korean Code of Best Practices for Corporate Governance recommends that a listed company should have two or more independent directors on the board. ACTIAM would expect that Korean listed companies comply with these rules and guidelines.

- Where there is an insufficient number of independent non-executive directors on the board, ACTIAM will usually vote against the (re)election of non-independent non-executive directors in order to encourage a board composition with an appropriate balance of independent and non-independent directors.
- ACTIAM would expect that all Korean listed companies establish an audit committee, a remuneration committee and a nomination committee, as recommended by the Korean Code of Best Practices for Corporate Governance.
- ACTIAM expects that the audit and remuneration committees solely comprise independent directors and that the majority of members of the nomination committee are independent.
- ACTIAM is supportive of efforts to seek the separation of the roles of chairman and CEO. ACTIAM will support the appointment of a lead director for large companies with a combined CEO/chairman, as recommended by the Korean Code of Best Practices for Corporate Governance.

Mergers, acquisitions and corporate restructuring

ACTIAM understands that in recent years, South Korea has experienced a number of corporate restructurings and/or mergers among and within family-owned conglomerates known as 'chaebols'. ACTIAM will evaluate any proposed merger, acquisition or corporate restructuring in line with its general policy, ensuring that any activity adds shareholder value and is in the best interests of the company.

5.3.11 THAILAND

ACTIAM is generally supportive of the governance-related provisions in the Public Limited Companies Act, the 2017 Corporate Governance Code, the Securities Exchange Act and other regulations published by the Securities and Exchange Commission (SEC) and the Stock Exchange of Thailand (SET). ACTIAM also supports the SET's corporate governance best practice guidelines, including its Principles of Good Corporate Governance for Listed Companies.

Annual report and accounts

Under Thai law, companies are required to publish the meeting notice and agenda at least seven days prior to a general meeting of shareholders. If there is a special resolution, then the materials must be published at least 14 days prior to the meeting. Annual reports and accounts are sent to shareholders with the notice of the annual general meeting. Due to this timeframe, shareholders may not have adequate time to make an informed decision on various agenda items for an annual general meeting.

ACTIAM supports the SET's Principles of Good Corporate Governance for Listed Companies recommendation that companies should publish the notice of the annual general meeting at least 28 days prior to the meeting.

- If the current fiscal year's annual report and accounts are not available before the voting deadline, ACTIAM will base its analysis of the issues under consideration at the general meeting on the company's filings and information disclosed with the Stock Exchange of Thailand.
- If approval of the annual report and accounts is a voting agenda item and the company has not published its annual report and accounts (or a draft version) ahead of the voting deadline, then ACTIAM may vote against the approval of the annual reports and accounts.

Corporate boards

Thai listed companies have a single-tier board of directors. SEC regulation requires that at least one-third of the board (and no less than three directors) is/are independent.

- ACTIAM supports the SET's Principles of Good Corporate Governance for Listed Companies recommendation that at least 50% of the board should be independent if the chairman is not independent.
- Where there is an insufficient number of independent non-executive directors on the board, ACTIAM will usually vote against the (re)election of non-independent director(s) in order to encourage a board composition with an appropriate balance of independent and non-independent directors. ACTIAM expects that companies have an audit committee composed of independent directors and no less than three members, as stipulated in SEC and SET regulations.
- ACTIAM supports the Principles of Good Corporate Governance for Listed Companies recommendation that companies have a remuneration and a nomination committee. ACTIAM expects that the majority of the members of the remuneration and nomination committees, including the chairman of each committee, are independent and that the chairman of the board does not sit on these committees.

Remuneration

ACTIAM understands that the payment of performance-related bonuses to non-executive directors is common practice in Thailand. However, in line with its general voting policy, ACTIAM will normally vote against remuneration proposals which allow for performance-related incentives for non-executive directors due to concerns that this may compromise their independence.

5.3.12 TAIWAN

ACTIAM is generally supportive of the 2018 Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies (the 'Principles') and the governance-related provisions of the Company Act, the Securities and Exchange Act and the Taiwan Stock Exchange Corporation (TWSE) and Taipei Exchange (TPEX) listing regulations.

The level of disclosure on management proposals can sometimes be an issue at Taiwanese companies and ACTIAM will consider whether the information provided is sufficient to allow shareholders to make a sound choice.

Corporate Boards

Taiwanese listed companies may either have a two-tier board comprising the board of directors and the supervisors or an audit committee system where the supervisors are replaced by an audit committee. If the company selects the latter option, the audit committee must be fully independent under the Company Act.

- Under the Principles, the board should have at least two independent directors and at least one-fifth of the board should be independent. ACTIAM expects boards to abide by this aspect of the Principles.
- ACTIAM may withhold support for a candidate for election to the board if the company does not disclose its name or sufficient biographical information to permit shareholders to make a sound choice.
- The Principles state that it is inappropriate to combine the role of general manager and chairman and there should be a clear division of responsibilities between the two. ACTIAM is supportive of efforts to seek the separation of the roles of the chairman and CEO.
- Company law provides that shareholders must approve of the essential contents of all acts that a director carries out while working with an external entity, but which also fall within the scope of the company's business. This is designed to prevent directors from working in a competing role. Accordingly, shareholders are often asked at general meetings to release directors from these non-compete restrictions.
- ACTIAM may support such proposals if sufficient information is provided on the nature of the director's current or potential other commitments and if neither of such commitments represents direct competition with the company (for example, if they are with another entity in the same group or in a completely unrelated industry).
- ACTIAM may not support such proposals where there are concerns about the director's aggregate time commitments or their record of attendance at board meetings.

Capital-related proposals

ACTIAM may support proposals to issue shares without pre-emption rights if they do not exceed 20% of the issued share capital.

Amendments to company procedures

In considering proposals to amend rules and procedures governing general meetings, director elections, the acquisition and disposal of assets, loans and endorsements and guarantees, ACTIAM expects clear disclosure on the nature of the proposed changes and tends to support changes that have a positive or neutral effect on the interests of shareholders, reflect changes in regulation or are purely technical in nature.

5.4 CONTINENTAL EUROPE & UK

ACTIAM supports the provisions of the EU Transparency Directive and the Capital Requirements Directive (CRD) IV for financial institutions, which add to the European Commission's principles on remuneration in financial institutions. The EU Shareholder Rights Directive II (SRD II) amends the first Shareholder Rights Directive which came into effect in 2007, with the objective of improving corporate governance in companies whose securities are traded on EU regulated markets. A number of provisions entered into force on 10 June 2019 and other requirements are expected to enter into force on 3 September 2020. SRD II establishes requirements in relation to the exercise of certain shareholder voting rights attached to voting shares of companies which have their registered office in a member state. SRD II also establishes specific requirements to encourage long-term shareholder engagement.

ACTIAM welcomes the latest requirements aimed at encouraging shareholder engagement, in particular for the long-term.

In addition, ACTIAM welcomes the new requirements aimed at allowing shareholders to vote on the company's remuneration policy for directors and that directors are paid in accordance with the remuneration policy approved at the general meeting. ACTIAM expects companies to meet all the SRD II requirements. If companies fail to meet the new remuneration-related requirements, ACTIAM will consider voting against members of the compensation committee or the chairman of the board if appropriate.

5.4.1 AUSTRIA

In addition to applicable laws, regulations and governmental initiatives in the area of corporate governance and the protection and enhancement of shareholder rights, ACTIAM is generally supportive of the recommendations set out in the Austrian Code of Corporate Governance (last amended in January 2015) and other best practice guidance.

General

ACTIAM would expect that all items for which shareholder approval is necessary are subject to a simple majority requirement rather than a stricter majority requirement.

Corporate boards

A dual-board system, comprising the management board and the supervisory board, is prescribed by law for Austrian stock corporations. The co-determination rights of employees' representatives on the supervisory board form part of the statutory Austrian system of corporate governance. The employees' representatives are entitled to appoint to the supervisory board one member from among their ranks for every two members appointed by the general meeting (but not external members from the trade union). The one-third parity representation rule also applies to all committees of the supervisory board, except for meetings and votes relating to the relationship between the company and the management board members, with the exception of resolutions on the appointment or revocation of an appointment of a member of the management board and on the granting of stock options. Employee representatives exercise their functions on an honorary basis and their appointment may be terminated at any time only by the works council.

- ACTIAM would expect the majority of the supervisory board members elected by the general meeting or delegated by shareholders to be independent of the company and its management board.
- ACTIAM notes that the Austrian Code of Corporate Governance recommends that, in the case of companies with a free float of more than 20%, the members of the supervisory board who are not employee representatives shall include at least one independent member who is not a shareholder with a stake of more than 10% or who represents such a shareholder's interests. In the case of companies with a free float of over 50%, at least two members of the supervisory board must meet these criteria. ACTIAM does not consider a representative of a major shareholder to be independent and, therefore, would expect the majority of non-employee representatives on the board to be independent from both management and major shareholders of the company.
- ACTIAM believes that the current practice of five-year terms for supervisory board members - the legal maximum - facilitates the entrenchment of the supervisory boards and will, therefore, strongly support and encourage shorter terms.
- ACTIAM would expect the main supervisory board committees be composed of a majority of independent directors, which means that we would expect all non-employee representatives on the committees to be independent.

Capital-related proposals

ACTIAM would expect all authorities to increase the share capital (with or without pre-emptive rights) to be presented to shareholders' approval at the general meeting and renewed on a regular basis, including in those cases where the supervisory board's authorisation would be sufficient to comply with the law.

5.4.2 BELGIUM

In Belgium, ACTIAM is generally supportive of the principles and recommendations set out in the 2020 Belgian Code on Corporate Governance. ACTIAM also expects to support the new Code on Companies and Associations when it enters into force in 2020. ACTIAM understands that the Belgian Banking, Finance and Insurance Commission (CBFA) recommends that listed companies disclose relevant information about their corporate governance rules and practices in accordance with the provisions of the Code. ACTIAM welcomes the fact that companies are expected to comply with the disclosure provisions in the Corporate Governance Statement of their annual report.

Corporate boards

Currently, Belgian companies have a unitary board structure. The new Code on Companies and Associations allows companies to opt for either a unitary or a two-tier structure. ACTIAM believes that, while it is the board's responsibility to propose the option that is appropriate for the company, shareholders should be given an opportunity to vote on any changes in the board structure.

- In a one-tier structure, the board of directors should comprise a majority of non-executive directors and at least three directors should be independent. ACTIAM expects the roles of chair of the board of directors and CEO should not be held by the same individual.
- ACTIAM is not in favour of cross-shareholdings and administrateurs réciproques (reciprocal board directors) and will vote against the election of directors who have such connections with the company, except in the case of a joint business venture.
- The nomination and remuneration committees may be combined. We believe that the board chairman should not serve on the audit committee and that a representative of a large shareholder should not be the audit committee chairman.

- The audit, remuneration and nomination committees should be composed of at least three board members. A nomination committee should comprise a majority of independent non-executive members.

Remuneration

ACTIAM would expect companies to provide detailed information on the pension rights and potential additional pension rights, as well as on the cost of providing such pension benefits. The value of additional defined benefit pensions should be taken into account when determining the overall level of executive compensation.

ACTIAM would expect members of the executive management to hold a minimum of shares until the end of their tenure.

ACTIAM would expect the annual dilution caused by the allocation of non-performance related shares to employees to be limited to 1% of the issued share capital. The total dilution caused by all allocations of shares to employees should not exceed 10% of the issued share capital in any one year.

Termination provisions and severance packages

ACTIAM will normally vote against any remuneration policy which allows for severance payments to executive directors to exceed one year's total remuneration.

ACTIAM may consider supporting severance packages that are limited to a maximum of 18 months of basic and variable remuneration if there is an appropriate justification that is deemed acceptable. ACTIAM will not support severance payments to an executive whose contract was terminated as a result of poor performance, if he/she decided to leave the company or has been promoted.

ACTIAM will support proposals to limit any compensation payments in the event of early termination to one year's salary and benefits (excluding bonus).

Capital-related proposals

ACTIAM will normally vote against capital issuance proposals with pre-emptive rights and priority subscription periods which can represent more than 50% of the issued share capital when the issuance is not intended for a specific purpose.

ACTIAM will normally vote against capital issuance proposals without pre-emptive rights which can represent more than 10% of the issued share capital when there is no formal explanation and justification.

ACTIAM will decide on any other share issuance proposals in excess of the limits specified in our general policy on a case-by-case basis.

- ACTIAM will vote against any share re-purchase request that does not clearly specify whether the share re-purchases will be allowed during a takeover period. Equally, ACTIAM will vote against any share re-purchase request that would allow share re-purchases during a takeover period.

Anti-takeover measures

ACTIAM is opposed to the practice of poison pill defences, such as:

- Authorising the board of a company that is subject to a hostile takeover bid to issue warrants that are convertible into shares to existing shareholders. This would make an offer de facto more expensive; and
- Authorising in advance the board to buy-back shares during a takeover period.

5.4.3 FRANCE

ACTIAM is supportive of the corporate governance principles in the revised November 2016 AFEP and MEDEF code. ACTIAM expects companies to explain why and to what extent they deviate from these principles. ACTIAM welcomes the MEDEF recommendations on executive remuneration and the Fédération Bancaire Française (FBF's) Code of Ethics aimed at regulating the remuneration of traders and other investment bank professionals. ACTIAM further acknowledges the 2013 law on safeguarding employment that provides for enhanced employee representation on the boards of listed companies. ACTIAM welcomes the 2014 ACPR's (French banking regulator) ruling that prohibits combining the roles of chairman and CEO in credit establishments and investment companies.

The Florange Law of 29 March 2014 has made available double voting rights for registered shareholders in listed companies. ACTIAM invites companies which did not integrate double voting rights in their by-laws prior to this law to submit to shareholders' vote at their next general meeting a resolution restoring the principle of 'one share, one vote'.

ACTIAM will monitor closely forthcoming developments in relation to legislation on binding votes on executive compensation.

Corporate boards

French law offers companies (*sociétés anonymes*) the option between a unitary board structure and a two-tier formula. ACTIAM believes that, while it is the board's responsibility to propose the option that would be appropriate for the company, shareholders should be given an opportunity to vote on any changes in the board structure.

- French legislation allows for the appointment of one or more employee shareholders to the board if employee shareholdings exceed 3%. ACTIAM will support the appointment of employee directors to the board in a number that adequately reflects the share ownership structure.
- In companies with a unitary board structure, ACTIAM would expect the majority of directors to be non-executive and at least one-third of directors to be independent, which reflects market best practice. In companies with a dual-board structure, ACTIAM will expect all supervisory board members to be non-executive and at least one-third to be independent.
- ACTIAM is not in favour of cross-shareholdings and administrateurs réciproques (reciprocal board directors) and will vote against the election of directors who have such connections with the company except in the case of a joint business venture.
- ACTIAM is supportive of the recommendation that each board appoints a nomination, an audit and a remuneration committee. ACTIAM believes that executives should not serve on either the audit or remuneration committees and that a representative of a large shareholder should not be the audit committee chairman.

Remuneration

In France, 'say-on-pay' has two components - one advisory and one binding. Advisory say-on-pay proposals seek shareholder approval on amounts paid to company executives during the past fiscal year. Shareholders are also asked to vote on a binding resolution to improve the remuneration policy, which should provide a framework for managing executive remuneration.

ACTIAM would expect companies to provide detailed information on the pension rights and potential additional pension rights, as well as on the cost of providing such pension benefits. The value of additional defined benefit pensions should be taken into account when determining the overall level of executive compensation.

ACTIAM would expect the annual dilution caused by the allocation of non-performance related shares to employees to be limited to 1% of the issued share capital. The total dilution caused by all allocations of shares to employees should not exceed 10% of the issued share capital in any one year.

ACTIAM expects that companies propose to their shareholders an "ex ante" vote on a three-year compensation policy. ACTIAM supports an annual "ex post" vote on the implementation of the compensation policy.

ACTIAM notes the implementation of the CRD IV through Ordinance n° 2014-158 (20 February 2014) and expects financial sector companies to comply with all the requirements that apply to identified staff.

Termination provisions and severance packages

ACTIAM will vote against any proposal for a severance package which exceeds two years of an executive's total remuneration. ACTIAM will not support severance payments to an executive whose contract was terminated as a result of poor performance; if he/she decided to leave the company; change his/her position; or is entitled to exercise his/her rights to pension in the near future.

ACTIAM expects contractual benefits or severance pay to be disclosed in the company annual report.

Capital-related proposals

In France, shareholders' attention has been particularly focused on capital increase requests, with or without preferential subscription rights. Investors are increasingly concerned by measures that can restrict or dilute their voting rights. They understand that French companies have historically and routinely asked for large issuance requests. However, it seems that companies are now moving towards better practices. ACTIAM's view on share issuances with or without pre-emptive rights reflects the recommendations of the Association Française de la Gestion Financière (AFG):

- ACTIAM will normally vote against capital increases with pre-emptive rights and with priority subscription periods which can represent more than 50% of the issued share capital when the issuance is not intended for a specific purpose.
- ACTIAM will normally vote against capital increases without preferential subscription rights which can represent more than 10% of a company's issued capital when there is no formal explanation and justification.
- ACTIAM will decide on any other share issuance proposals in excess of the limits specified in our global policy on a case-by-case basis.
- ACTIAM will vote against any share re-purchase request that does not clearly specify whether the share re-purchases will be allowed during a takeover period.

- ACTIAM will vote against any share re-purchase request that would allow share re-purchases during a takeover period.
- ACTIAM will vote against authorisations of capital increase through private placement except in situations fully justified by the company.

Anti-takeover measures

ACTIAM is opposed to the practice of poison pill defences, such as:

- Authorising the board of a company that is subject to a hostile takeover bid to issue warrants that are convertible into shares to existing shareholders. This would make an offer de facto more expensive; and
- Authorising in advance the board to buy-back shares during a takeover period.

Related-party transactions

Listed companies in France must follow special procedures for the approval of regulated related-party transactions (RPTs). Such transactions may include agreements between companies; remuneration of board members; retirement and severance agreements; loans; rental agreements and other self-dealing transactions. The chairman must inform the external auditor of all RPTs and the auditor must disclose them in a special report that is presented for shareholder approval at the AGM.

ACTIAM will normally vote in support of related-party transactions unless they are poorly detailed in the auditor's special report and/or not included in their entirety in the annual report.

5.4.4 GERMANY

In addition to applicable laws, regulations and governmental initiatives in the area of corporate governance and the protection and enhancement of shareholder rights, ACTIAM is generally supportive of the principles and recommendations set out in the German Corporate Governance Code last revised in May 2019.

Corporate boards

A dual-board system, comprising the management board and the supervisory board, is prescribed by law for German stock corporations. The members of the supervisory board are elected by shareholders. In enterprises with more than 500 employees, the latter are also represented on the supervisory board, which is then composed of one third of employee representatives, or one half if the company has more than 2000 employees. In rare cases, employee representatives can outnumber representatives elected by shareholders.

- ACTIAM would expect the supervisory board to include an adequate number of independent members. In view of the co-determination rule, we believe it would be reasonable to expect at least one-third of the supervisory board members to be independent.
- ACTIAM believes that no more than two former members of the management board should be members of the supervisory board. However, we would expect an appropriate cooling-off period between the individual's resignation as a management board member and his/her appointment to the supervisory board unless the company has provided a convincing justification for a direct transition.
- ACTIAM believes that the current practice of five-year terms for supervisory board members - the legal maximum - facilitates the entrenchment of the supervisory boards and will, therefore, strongly support and encourage shorter terms.
- ACTIAM would expect that the audit and nomination committees are composed of and chaired by independent directors.

Remuneration

German top executives receive most of their remuneration in cash based on the company's performance over one year. Where long-term incentives exist, they are rarely linked to clearly defined performance targets.

The 2019 Code states (Principle 23): The General Meeting adopts advisory resolutions on the approval of the remuneration system for the Management Board members prepared by the Supervisory Board, as well as proposing resolutions on the approval of the remuneration report for the preceding financial year. (This paragraph reflects the status of the ARUG II government bill.)

Recommendation G6 states that: The share of long-term variable remuneration shall exceed the share of short-term variable remuneration.

- ACTIAM will give consideration to company disclosure of performance measures and targets attached to variable pay and the presence of caps for the individual elements of management board member compensation packages.

- In the absence of a resolution on executive remuneration on the agenda, ACTIAM may vote against the discharge of the supervisory board if continuing concerns with management board pay are not resolved, or if there are emerging features of remuneration disclosure and practice which deviate from ACTIAM's policy.
- ACTIAM will withhold support from the ratification of supervisory board acts in cases where the supervisory board has failed to address a high proportion of votes against previous advisory votes on remuneration. If a significant proportion of shareholders has previously voted against the remuneration policy, we expect that the supervisory board would take steps to address the source of these concerns. This can happen, for example, through a change in remuneration policy or an explanation of the rationale for its continuation in the next annual report.
- ACTIAM is not supportive of the short-term variable pay elements (e.g. based on dividend or earnings targets) for supervisory board members and prefers supervisory board members to receive fixed pay only. ACTIAM would, however, support incentive elements in the pay package if they consist of a defined number of restricted shares to be held until the term of office finishes. ACTIAM will consider a long-term variable pay element for supervisory board members on a case-by-case basis.

Termination provisions, disclosure and severance packages

ACTIAM will vote against any remuneration policy which allows for severance payments to executives to exceed the value of two years' compensation and compensate more than the remaining term of the contract (if less than two years). ACTIAM will support proposals to limit any compensation payments in the event of early termination to one year's salary and benefits (excluding bonus).

ACTIAM will support proposals to reduce the appointment period for management board members below the traditional five years and would expect companies to gradually introduce one-year rolling contracts.

ACTIAM will vote against any proposals to abolish individualised disclosure of management remuneration or otherwise lower disclosure standards on remuneration.

Ratification of supervisory and management board acts

ACTIAM supports the ratification of supervisory and management board acts being presented as separate voting items for each individual.

Capital-related proposals

In view of the general market practice in Germany to seek capital-related authorities for a period of five years, ACTIAM will consider a request for an aggregate capital pool with pre-emptive rights of up to 40% and an aggregate capital pool without pre-emptive rights of up to 20% of the share capital as being acceptable, provided there is no history of past abuse of such authorities and the current situation of the company allows for this. If the company seeks annual capital pool authorities, ACTIAM will normally support capital pools with pre-emptive rights of up to 20% of the issued share capital, and capital pools without pre-emptive rights of up to 10% of the issued share capital.

ACTIAM will only support capital pools in accordance with article 186 of the corporate law ("bedingte Kapitalerhöhung") that are intended for share-based remuneration if the respective incentive plan receives our support.

Articles of association

ACTIAM will oppose a resolution seeking approval of a supermajority requirement for the recall of a supervisory board member set higher than the 75% default threshold under the law. ACTIAM will support proposals to either maintain or introduce a 50% majority rule for the recall of a supervisory board member according to section 103 (1) of the German Stock Corporation Act (Aktiengesetz or 'AktG').

ACTIAM will object to the Kommanditgesellschaft auf Aktien (KGaA) legal form as an alternative to the Aktiengesellschaft (AG) because of the limited shareholder rights it provides for. With regard to the S.E. statutes (Societas Europaea), ACTIAM will generally have no objections but will expect that the respective resolutions are proposed individually (in particular, separate resolutions for the new articles of association and the supervisory board members of the S.E.).

5.4.5 GREECE

ACTIAM expects companies to explain why and to what extent they deviate from the corporate governance principles of the October 2013 Hellenic Corporate Governance Code for listed companies.

Corporate boards

In view of the unitary structure of Greek company boards, ACTIAM would expect the majority of the board members to be non-executive and at least one-third of the board members to be independent.

ACTIAM is not in favour of cross-shareholdings and will vote against the election of directors who have such connections with the company, except in the case of a joint business venture.

ACTIAM is supportive of recommendations that each board appoints a nomination, an audit and a remuneration committee. ACTIAM believes that:

- executives should not serve on either the audit or remuneration committees;
- the board chairman should not be a member of the audit committee; and
- a representative of a large shareholder should not be the audit committee chairman.

Remuneration

ACTIAM would expect companies to provide detailed information on the pension rights and potential additional pension rights, as well as on the cost of providing such pension benefits. The value of additional defined benefit pensions should be taken into account when determining the overall level of executive compensation.

ACTIAM would expect the annual dilution caused by the allocation of non-performance related shares to employees to be limited to 1% of the issued share capital. The total dilution caused by all allocations of shares to employees should not exceed 10% of the issued share capital in any one year.

Termination provisions and severance packages

ACTIAM will vote against any remuneration policy that allows severance payments to executives to exceed two years of total remuneration. ACTIAM will not support severance payments to an executive whose contract was terminated as a result of poor performance, if he/she decided to leave the company or change his/her position.

Capital-related proposals

ACTIAM will normally vote against capital issuance with pre-emptive rights in excess of 50% of the issued share capital unless a higher percentage is justified by specific circumstances which must be explained.

ACTIAM will normally vote against capital issuance without pre-emptive rights in excess of 10% of the issued share capital.

ACTIAM will decide on any other share issuance proposals in excess of the limits specified in our general policy on a case-by-case basis.

ACTIAM will vote against any share re-purchase request that does not clearly specify whether the share re-purchases will be allowed during a takeover period.

ACTIAM will vote against any share re-purchase request that would allow share re-purchases during a takeover period.

5.4.6 ITALY

ACTIAM supports the corporate governance principles in the 2006 Italian corporate governance code (Codice di Autodisciplina, revised in July 2015), TUF (Testo Unico della Finanza), as well as regulations on banks, organisations and corporate governance issued by the Bank of Italy. We support the work of ASSONIME (Association of Italian Joint Stock Companies) and ASSOGESTIONI (the Italian fund management association).

ACTIAM is concerned that the August 2014 Growth Decree allows companies to issue multiple voting rights, up to three votes per shares (azioni a voto plurimo) and increased voting rights (azioni a voto maggiorato). We believe that this may be detrimental to minority shareholders and may represent a way to secure control by large shareholders.

Annual report

ACTIAM may vote against the adoption of the annual report and accounts if the report or its draft version has not been published sufficiently in advance of the shareholder meeting and/or is not available in English.

Corporate boards

The traditional structure of an Italian company comprises a board of directors and a board of statutory auditors. The “voto di lista” director election system is designed to ensure minority representation on the board.

Given that under this system, shareholders cannot decide on each candidate but must vote for a single submitted list, ACTIAM will consider all proposed slates and make its voting decision on a case-by-case basis. The same approach applies to the appointment of statutory auditors (collegio sindacale).

- ACTIAM would expect the majority of directors on the board to be non-executive and at least one-third to be independent.
- ACTIAM is not in favour of cross-shareholdings reciprocal board directors and will vote against the election of directors who have such connections with the company, except in the case of a joint business venture.
- ACTIAM is supportive of recommendations that each board appoints a nomination, an audit and a remuneration committee. ACTIAM believes that executives should not serve on either the audit or remuneration committee.
- ACTIAM is supportive of the Code recommendation that companies belonging to the FTSE-MIB index should evaluate whether to establish a sustainability committee or alternatively allocate such tasks among the other committees.

Board of statutory auditors (collegio sindacale)

The Italian civil code requires that limited liability companies with a share capital exceeding €120,000 must have a collegio sindacale consisting of three to five members, appointed by shareholders for a period of three to five years. The main duties of the collegio sindacale are to oversee the administration of the company; check that the balance-sheet and income statement conform to the underlying accounting records; and lastly to ensure conformity with legal rules regarding the financial statement valuations.

ACTIAM will support the appointment or re-election of statutory auditors unless:

- the auditors are affiliated with the company (e.g. served previously in an executive capacity);
- there are strong concerns about the audit procedures and/or the statutory reports presented; or
- the auditors have served on collegio sindacale for more than 12 years.

Remuneration

ACTIAM would expect companies to provide detailed information on the pension rights and potential additional pension rights, as well as on the cost of providing such pension benefits. The value of additional defined benefit pensions should be taken into account when determining the overall level of executive compensation.

ACTIAM would expect the annual dilution caused by the allocation of non-performance related shares to employees to be limited to 1% of the issued share capital. The total dilution caused by all allocations of shares to employees should not exceed 10% of the issued share capital in any one year.

Termination provisions and severance packages

ACTIAM will vote against any remuneration policy that allows severance payments to executives to exceed two years of total remuneration. ACTIAM will not support severance payments to an executive whose contract was terminated as a result of poor performance, if he/she decided to leave the company or change his/her position.

Capital-related issues

ACTIAM will normally vote against capital issuance with pre-emptive rights in excess of 50% of the issued share capital unless a higher percentage is justified by specific, clearly explained circumstances.

ACTIAM will normally vote against capital issuances without pre-emptive rights in excess of 10% of the issued share capital.

ACTIAM may vote in favour of authorities to enable the management to repurchase shares up to 20% of the issued share capital.

ACTIAM will decide on any other share issuance proposals in excess of the limits specified in our general policy on a case-by-case basis.

5.4.7 THE NETHERLANDS

In the Netherlands, ACTIAM is supportive of the 2016 Dutch Corporate Governance Code, the December 2010 Governance Principles for Insurance Companies, the work carried out by Eumedion and other governance-related initiatives and recognised best practice guidance.

General meeting agenda

ACTIAM is supportive of the recommendation that each substantial change in the corporate governance structure of the company and its compliance with the Code should be submitted to the general meeting for discussion (and, where changes are material, for shareholder approval under a separate agenda item).

Corporate boards

Listed Dutch companies typically fall under the ‘large company regime’, which prescribes a two-tier board structure. In line with Dutch best practice recommendations regarding the composition of the supervisory board, ACTIAM would expect all supervisory board members, with the exception of not more than one person, to be independent.

- ACTIAM would expect that the audit and remuneration committees of the supervisory board are not chaired by the board chairman or a former member of the management board. Furthermore, ACTIAM believes that a representative of a large shareholder should not chair the audit committee, while a supervisory board member who is a member of the management board of another listed company should not chair the remuneration committee.
- ACTIAM believes that at least one member of the supervisory board and of the audit committee should be a financial expert with relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.

Remuneration

ACTIAM will vote against a remuneration policy that allows the company to grant its directors any personal loans, guarantees or the like, unless in the normal course of business and on terms applicable to the personnel as a whole, and after approval of the supervisory board. No remission of loans may be granted.

ACTIAM would expect companies to provide detailed information on the pension rights and potential additional pension rights, as well as on the cost of providing such pension benefits. The value of additional defined benefit pensions should be taken into account when determining the overall level of executive compensation.

ACTIAM would expect the annual dilution caused by the allocation of non-performance related shares to employees to be limited to 1% of the issued share capital. The total dilution caused by all allocations of shares to employees should not exceed 10% of the issued share capital in any one year.

ACTIAM may oppose unsubstantiated and material increases in fixed pay as well as entirely discretionary bonuses.

Termination provisions and severance packages

Under Dutch law, all companies may adjust and claw back variable remuneration of executive directors. As a result, all Dutch companies are empowered with a clawback clause even if such a clause is not included in the remuneration policy.

ACTIAM will normally vote against proposals for a severance package which exceeds one year of an executive’s base salary. We may support severance pay not exceeding twice the annual salary if the ordinary maximum of one year’s salary would be manifestly unreasonable for a management board member who is dismissed during his/her first term of office. ACTIAM will not support severance payments to an executive whose contract was terminated as a result of poor performance; if he/she decided to leave the company; changes his/her position; or is entitled to exercise his/her rights to pension in the near future.

Capital-related issues

ACTIAM will generally support capital issuance proposals with or without pre-emptive rights for a maximum of 10% of the issued share capital, increased by a further 10% in the case where the issue takes place in support of a merger or takeover, provided that such authority is requested for no longer than 18 months.

Anti-takeover measures

ACTIAM is opposed to the practice of poison pill defences, such as authorising the board of a company which is subject to a hostile takeover bid to issue preferred stock to friendly parties (e.g. foundations). Such issuances are used to deter hostile takeover bids by diluting the bidder’s voting power and increasing that of the management.

ACTIAM notes that there has been a decrease in the number of companies with depositary receipts listed on the stock exchange. Nevertheless, ACTIAM recognises that depositary receipts can be used to prevent shareholders from controlling the decision-making process and, therefore, expects trust offices to:

- Undertake not to use depositary receipts as an anti-takeover measure;
- Where there is no such undertaking, provide clear explanation for this non-compliance; or
- Provide an indication of the circumstances under which it may be possible to end the issue of depositary receipts for shares.

5.4.8 NORDIC MARKETS (DENMARK, FINLAND, SWEDEN AND NORWAY)

In Denmark, Finland, Sweden and Norway, ACTIAM is supportive of the corporate governance codes and other recognised best practice guidance in each market.

Corporate boards

In Denmark and Norway, most companies have a two-tier board structure. In Finland, a company may be governed by a one-tier board of directors comprising the managing director and non-executive directors or a two-tier board structure; the majority of companies opt for the one-tier board. In Sweden, the system is much closer to the one-tier model: boards are composed almost entirely of non-executive directors and the managing director may serve on the board (although not as a chairman). However, the managing director is subordinate to the board of directors.

ACTIAM would expect a majority of the board of directors/supervisory board to be independent, excluding any employee-elected representatives.

- ACTIAM will support the annual re-election of all directors.
- ACTIAM favours majority vote standards for electing directors and will support proposals requesting by-law changes.
- ACTIAM will oppose proposals to adopt plurality voting at those companies that have adopted a majority vote standard for the election of directors.
- In countries where board diversity is regulated by law (e.g. Norway) or best practice (e.g. Finland), ACTIAM will expect the boards to take action to comply with these rules.
- ACTIAM believes that the chairman of the board/supervisory board should not be a member of the audit committee and would expect committee members to have recent and relevant experience to work on this committee.
- In Sweden, nomination committees are made up of representatives from the four largest shareholders and are often chaired by the chairman of the board. Provided that ACTIAM is confident that the largest shareholders act in the best interest of all shareholders, we will vote in favour of the creation of this type of committee and the appointment of its members.
- Slate elections are common practice throughout the Nordic markets. ACTIAM welcomes individual elections but may support majority independent slates. ACTIAM may vote against slates that do not allow for adequate representation of the interests of all shareholders.

Discharge of directors

ACTIAM will vote against the abolition of the annual discharge unless all directors are elected or re-elected on an annual basis.

Remuneration

Some companies in the Nordic markets still grant market-priced options that are not subject to any performance criteria. Some boards believe that a remuneration structure that relies on a bonus with demanding short-term metrics and a long-term share price-driven scheme intended to retain executives is the best way of incentivising management. ACTIAM will make a case-by-case assessment of the overall remuneration arrangements before making a voting decision.

Whenever a variable remuneration policy includes variable components, ACTIAM expects full clarity on the performance criteria and measurability of the awards.

In Finland, few listed companies subject management remuneration to a regular shareholder vote. Even though this is not required by law, ACTIAM believes that a regular say-on-pay vote is a crucial element of accountability to shareholders. ACTIAM may abstain on the discharge of the supervisory board if it has failed to submit its executive remuneration policy to shareholder approval for more than five years.

ACTIAM will oppose:

- any loans to executives for the purpose of purchasing shares; and
- stock-option plans that result in excessive dilution.

Termination provisions and severance packages

ACTIAM will normally vote against proposals for a severance package which exceeds one year of an executive's base salary. We may support severance pay not exceeding twice the annual salary if the ordinary maximum of one year's salary would be manifestly unreasonable for a management board member who is dismissed during her/his first term of office. ACTIAM will not support severance payments to an executive whose contract was terminated as a result of poor performance; if he/she decided to leave the company; changes his/her position; or is entitled to exercise his/her rights to pension in the near future. In general, we will evaluate the overall remuneration arrangements of the executive in question before making a voting decision.

Voting rights

ACTIAM may oppose proposals to adopt a dual share structure.

Capital-related proposals

ACTIAM will normally support capital pools with pre-emptive rights of up to 20% of the issued share capital.

ACTIAM will generally not support the request for the creation of an aggregated capital pool without pre-emptive rights in excess of 10% of the issued share capital.

The request for authority to transfer shares to finance an acquisition is - in line with the law in Finland - seen as equivalent to issuance of shares without pre-emptive rights.

Cross ownership

ACTIAM does not support cross-ownership, whereby two publicly listed companies hold a stake in each other. Again, we see these arrangements as control-enhancing mechanisms which may not be in the best interests of all shareholders and other stakeholders.

Equal treatment in public offers

ACTIAM believes that as A and B shareholders take equal financial risk and receive the same dividend per share, they should also receive the same price for their shares in the case of a takeover.

5.4.9 POLAND

ACTIAM is generally supportive of the Polish corporate governance code (Best Practice for GPW Listed Companies 2016).

Corporate Boards

Polish companies have a two-tiered board, consisting of a management board and a supervisory board. The chairman and CEO roles are always separate. The Best Practice for GPW Listed Companies 2016 (the Best Practice) stipulates that at least two supervisory board members should be independent. The supervisory board of each company must establish an audit committee, composed of at least three members, unless the supervisory board is composed of less than five members. At least one of the audit committee members must be a finance/accounting expert; this particular member has to be an independent director.

- ACTIAM expects the majority of the audit committee to be independent, including the chairman.
- ACTIAM may not support the election of directors connected to a significant shareholder who sit on the audit or remuneration committees.

Remuneration

ACTIAM expects companies to fully comply with the Best Practice in relation to the remuneration of the governing bodies.

- Companies are expected to include in their annual report a remuneration report describing the company's remuneration policy and its implementation.
- Companies are expected to tie the level of management board members' and key managers' remuneration to the actual long-term financial standing of the company and shareholder value creation, as well as company's stability.
- Remuneration of supervisory board members should not be linked to company performance and should not include options or other variable components.
- The remuneration of the management board members should be broken down by variable and fixed remuneration and detailed information on incentive plans should be disclosed.

Antitakeover defences

- Some anti-takeover defences apply to a number of companies partially owned by the Polish State Treasury. Special rights are granted to the Polish State Treasury in companies of special importance in the copper ore mining, media, railway infrastructure and energy sectors. ACTIAM will review specific situations in such companies on a case-by-case basis.
- ACTIAM is opposed to companies imposing voting caps on shareholders controlling more than 10 percent of a company's outstanding share capital.

5.4.10 PORTUGAL

ACTIAM is generally supportive of the 2018 Instituto Português de Corporate Governance (IPCG) Corporate Governance Code.

Corporate boards

Portuguese companies can choose between a unitary and a dual board structure. ACTIAM would expect the majority of directors on a unitary board and all supervisory board members to be non-executive and at least one-third of the board members to be independent.

ACTIAM believes that, unless there are sufficient counterbalance mechanisms (i.e. a senior independent director), the board chairman should not be a representative of a large shareholder, nor be the chairman of the audit committee.

Remuneration

The IPCG Corporate Governance Code recommends that the company's statement on remuneration policy include an explanation of how total remuneration complies with the policy, including how it contributes to performance in the long term and information on how performance requirements were applied. ACTIAM expects companies to report in line with these recommendations.

ACTIAM would expect companies to provide detailed information on the pension rights and potential additional pension rights, as well as on the cost of providing such pension benefits. The value of additional defined benefit pensions should be taken into account when determining the overall level of executive compensation.

ACTIAM would expect the annual dilution caused by the allocation of non-performance related shares to employees to be limited to 1% of the issued share capital. The total dilution caused by all allocations of shares to employees should not exceed 10% of the issued share capital in any one year.

Termination provisions and severance packages

ACTIAM will vote against any remuneration policy that allows severance payments to executives to exceed two years of total remuneration. ACTIAM will not support severance payments to an executive whose contract was terminated as a result of poor performance; if he/she decided to leave the company; changes his/her position; or is entitled to exercise his/her rights to pension in the near future.

Capital-related proposals

ACTIAM will normally vote against capital issuances with pre-emptive rights in excess of 50% of the issued share capital unless a higher percentage is justified by specific, clearly explained circumstances.

ACTIAM will normally vote against capital issuances without pre-emptive rights in excess of 10% of the issued share capital.

ACTIAM will decide on any other share issuance proposals in excess of the limits specified in our global policy on a case-by-case basis.

Anti-takeover measures

In line with our general policy, ACTIAM will generally oppose takeover defences. Although Portuguese company law prohibits by-law clauses that exclude the transmission of shares or that limit the transmission more than is legally allowed, it allows for the transmission to be subject to the company's authorisation.

5.4.11 RUSSIA

ACTIAM is generally supportive of the Corporate Governance Code as updated by the Bank of Russia in 2014.

Corporate Boards

Russian companies can choose between having a unitary board, comprising executive and non-executive directors, and a two-tier board, with a supervisory board overseeing executive management. No more than 25 percent of the unitary or supervisory board can comprise executive directors. At the same time, the Code recommends that at least one third of the board should be independent.

Under Russian law, directors are elected through a cumulative voting system. This means that a shareholder's holding is multiplied by the number of candidates standing and the shareholder may choose to allocate their shares equally to all candidates or to cumulate their votes for individual candidates in line with their preference.

- Where the presence of significant shareholders or their representatives on the board effectively guarantees their re-election, ACTIAM may choose to cumulate its votes for independent candidates in order to strengthen their mandate on the board if they should be re-elected.
- ACTIAM may not support the election of directors connected to a significant shareholder who sits on the audit or remuneration committee.

Directors' Fees

The Federal Law on Joint Stock Companies requires that the remuneration of directors be approved by shareholders.

- ACTIAM may not support remuneration proposals that include the provision of performance related fees to non-executive directors.

Amendments to Articles and Regulations

An amendment to the Russian Federal Law on Joint Stock Companies, which came into force on 1 January 2017, means that pre-approval of related party transactions is no longer required by shareholders, unless otherwise decided by the board of directors. Some Russian companies are changing their articles of association in response to this change. ACTIAM will review such proposals on a case-by-case basis, taking into account whether the new article would give the board too much leeway in approving related party transactions.

5.4.12 SPAIN

ACTIAM is supportive of the February 2015 Good Governance Code of Listed Companies (the Code), which was preceded at the end of 2014 by a broad reform of the Spanish Companies Act (Ley de Sociedades de Capital). ACTIAM welcomes the inclusion in the Code of specific recommendations concerning corporate social responsibility.

Corporate boards

Spanish companies have a unitary board structure. ACTIAM would expect external directors, proprietary and independent, to occupy the majority of board seats. We would support the (re)election of a director who is neither proprietary nor independent, provided the company has disclosed the links which that person maintains with the company, its senior officers or its shareholders, and these are deemed acceptable. ACTIAM is supportive of the concept that the proportion of proprietary and independent directors on the board should reflect the share ownership structure of the company, provided that at least one-third of the board is composed of independent directors.

ACTIAM believes that the board chairman should not be a member of the audit committee. Equally, a representative of a large shareholder should not be the audit committee chairman.

Remuneration

ACTIAM welcomes the introduction of a binding vote on remuneration policy. ACTIAM believes that it is appropriate that shareholder approval on say-on-pay should occur at least once every three years.

ACTIAM would expect companies to provide detailed information on the pension rights and potential additional pension rights, as well as on the cost of providing such pension benefits. The value of additional defined benefit pensions should be taken into account when determining the overall level of executive compensation.

ACTIAM would expect the annual dilution caused by the allocation of non-performance related shares to employees to be limited to 1% of the issued share capital. The total dilution caused by all allocations of shares to employees should not exceed 10% of the issued share capital in any one year.

Termination provisions and severance packages

ACTIAM will vote against any remuneration policy that allows severance payments to executives to exceed two years of total remuneration. ACTIAM will not support severance payments to an executive whose contract was terminated as a result of poor performance; if he/she decided to leave the company; changes his/her position; or is entitled to exercise his/her rights to pension in the near future.

Capital-related proposals

ACTIAM will normally vote against capital issuance with pre-emptive rights in excess of 50% of the issued share capital unless a higher percentage is justified by specific circumstances, which must be explained.

ACTIAM will normally vote against capital issuance without pre-emptive rights in excess of 10% of the issued share capital.

ACTIAM will vote against any share re-purchase request that would allow share re-purchases during a takeover period.

Anti-takeover measures

ACTIAM is opposed to the practice of poison pill defences such as:

- Authorising the board of a company that is subject to a hostile takeover bid to issue warrants that are convertible into shares to existing shareholders. This would make an offer de facto more expensive; and
- Authorising in advance the board to buy back shares during a takeover period.

Related-party transactions

ACTIAM understands that article 35 of the Securities Market Law requires companies to disclose all transactions with related parties in their semi-annual reports. ACTIAM would expect all related-party transactions between the company and a shareholder, a director or any other party who owns more than 10% of the voting rights to be disclosed and, where these are sizeable, to be submitted to shareholder vote.

Split votes

ACTIAM will support proposals to allow split votes so that financial intermediaries acting as nominees on behalf of different clients can issue their votes according to instructions.

Shareholder rights

ACTIAM is supportive of the provisions of the revised 2014 Companies Act relating to shareholder rights. ACTIAM supports the lowering of the ownership threshold for adding proposals to the meeting agenda from 5% to 3% of the share capital, while we note that the ownership threshold to legally challenge corporate resolutions has been set at 0.1% for listed companies.

5.4.13 SWITZERLAND

ACTIAM is generally supportive of the 2014 Swiss Code of Best Practice for Corporate Governance and other recognised best practice guidance. ACTIAM also supports the requirement for all Swiss-listed companies subject to the Ordinance Against Excessive Compensation in Listed Companies to hold binding shareholder votes on the compensation of board members and executive committee members.

Corporate boards

Swiss companies have a unitary board system. ACTIAM would expect the majority of board members to be non-executive and at least one-third of directors to be independent.

- ACTIAM believes that the board chairman should not be a member of the audit committee, nor should a representative of a large shareholder be the audit committee chairman.
- ACTIAM welcomes the requirement that provides that shareholders have to elect, for a one-year term, all board members and the members and chairman of the compensation committee.

Remuneration

Given the compensation-related developments noted above, ACTIAM will monitor closely how companies apply the spirit of the new requirements to better align their remuneration policies to internationally accepted standards.

- ACTIAM would expect indemnification payments paid to a new hire to compensate him/her for losses suffered with the former employer to be clearly detailed.
- ACTIAM would expect transaction bonuses to the management of a company which is a target of a takeover offer be clearly detailed.
- ACTIAM would expect companies to provide detailed information on the pension rights and potential additional pension rights, as well as on the cost of providing such pension benefits. The value of additional defined benefit pensions should be taken into account when determining the overall level of executive compensation.
- ACTIAM would expect the annual dilution caused by the allocation of non-performance related shares to employees to be limited to 1% of the issued share capital. The total dilution caused by all allocations of shares to employees should not exceed 10% of the issued share capital in any one year.

Termination provisions and severance packages

ACTIAM will vote against any remuneration policy that allows severance payments to executives to exceed two years of total remuneration. ACTIAM will not support severance payments to an executive whose contract was terminated as a result of poor performance; if he/she decided to leave the company; changes his/her position; or is entitled to exercise his/her rights to pension in the near future.

Capital-related proposals

ACTIAM will normally support capital pools with pre-emptive rights of up to 20% of the issued share capital.

ACTIAM will generally not support the request for the creation of an aggregated capital pool without pre-emptive rights in excess of 10% of the issued share capital.

Voting preferred shares are the most common form of preference stock in Switzerland. They grant shareholders a greater voting power than common shares and are often reserved to members of management and their allies, thus reducing the influence of common shareholders. ACTIAM will not support the issue of shares with unequal voting rights and will withhold support for capital-raising exercises by companies with such capital structures.

Opting up/opting out clause

ACTIAM understands that, since 1998, provisions governing public takeover offers (Stock Exchange Act SESTA, Chapter 5) apply to all Swiss companies whose equity securities are, in whole or in part, listed on an exchange in Switzerland (Art. 22 SESTA). Accordingly, anyone acquiring more than 33.3% of the voting rights of a listed company is obliged to make an offer to acquire all equity securities of that company that are listed for trading on the Exchange (Art. 32 SESTA). However, the Stock Exchange Act does leave companies some room for manoeuvre in respect of the obligation to make an offer: the 33.3% voting rights threshold that triggers the obligation to make an offer can be increased by corresponding provisions in the articles of association up to a maximum of 49% ('opting up') or can be entirely abolished ('opting out').

ACTIAM will vote against any proposal to opt out of the mandatory offer obligation and will consider all proposals to opt up on a case-by-case basis.

5.4.14 TURKEY

ACTIAM is generally supportive of the Turkish Capital Markets Board's (CMB) Communiqué on Corporate Governance and the governance-related provisions in the Turkish Commercial Code.

Corporate boards

Turkish listed companies generally have a one-tier board which includes both executive and non-executive directors. Holding groups controlled by families usually are the largest shareholder of most Turkish companies. As a result, Turkish companies often have an executive chairman or an executive director on the board that is a senior member of the controlling family.

- In line with the Communiqué on Corporate Governance, ACTIAM believes that the majority of directors on the board should be non-executive.
- In line with the Communiqué on Corporate Governance, ACTIAM believes that one third of the board of directors should be independent for companies in the CMB's first and second groups. For companies in the CMB's third group, at least two members of the board of directors should be independent. For banks, at least three members of the board of directors should be independent.
- Where boards are not sufficiently independent, ACTIAM will usually vote against the election of a non-independent director(s) or, in certain cases, the entire slate in order to encourage a board composition with an appropriate balance of independent and non-independent directors.
- ACTIAM expects that an independent director chairs all board committees. Furthermore, ACTIAM believes that the CEO should not sit on any board committees.
- ACTIAM expects that all audit committee members are independent directors. For all other committees, ACTIAM believes that the majority of members should be non-executive directors.
- ACTIAM understands that the Communiqué on Corporate Governance requires companies to appoint a manager of the investor relations department to the corporate governance committee and will take this into account when evaluating the composition of the corporate governance committee.

Differential voting power

In Turkey, it is common for controlling shareholders to hold shares with special voting rights in connection with the appointment of board directors. In line with its global policy, ACTIAM will normally vote in favour of proposals to eliminate differential voting powers of common shares.

Related-party transactions

Turkish companies may request that shareholders approve a general authority to carry out competing activities and related party transactions at the annual general meeting. Due to the fact that many Turkish companies have controlling shareholders, ACTIAM will generally not support such a broad, general authority without a sufficient explanation of the types of transactions that are likely to be carried out and a justification as to why the company needs to engage in business relationships with these related individuals.

Ratification of auditor

ACTIAM understands that many Turkish companies do not disclose the name of the external auditor that they plan to appoint for the next fiscal year. While this is common market practice, it makes it difficult for shareholders to make an informed voting decision. As such, ACTIAM will vote against the appointment of the external auditor if there is no information available on the intended auditor by the voting deadline.

The Turkish Commercial Code restricts the non-audit services that external auditors can provide to companies. As such, external auditors can only provide audit, audit-related and tax-related services to a company. Tax-related service fees cannot exceed 30 percent of the total fees paid to the external auditor within the past five consecutive fiscal years or exceed this threshold in the next fiscal year. ACTIAM expects companies to comply with this rule.

ACTIAM understands that the disclosure of audit and non-audit fees is rare in Turkey, as companies are not required to disclose them under Turkish law. Nonetheless, ACTIAM encourages companies to disclose these fees. ACTIAM may consider voting against the appointment of the auditor if there are concerns about the level of non-audit services being provided and independence.

Remuneration

Turkish companies usually present the remuneration policy for executive and non-executive directors at the annual general meeting. However, it is not necessarily a voting item.

Generally, the level of disclosure on performance measures and targets is low amongst Turkish companies. ACTIAM encourages Turkish companies to enhance their disclosure on remuneration generally.

Turkish companies are not required to disclose the fees paid to board directors ahead of the annual general meeting where those fees may be approved. However, the fees paid in the previous fiscal year are normally disclosed.

ACTIAM will make a case-by-case assessment of the overall remuneration arrangements before making a voting decision, analysing the company's recent remuneration practices and comparing the previous year's fee level to other companies.

If neither the past nor present fees are disclosed, ACTIAM will vote against any approval of remuneration arrangements or director fees on the basis that we do not have sufficient information to support a vote in favour.

5.4.15 UNITED KINGDOM & IRELAND

In the United Kingdom (UK) and Ireland, ACTIAM is supportive of the principles and recommendations set out in the UK Corporate Governance Code 2018, the UK Investment Association Principles of Remuneration, the Irish Corporate Governance Annex, the Pre-emption Group Guidelines and other recognised best practice guidance.

Annual reporting

ACTIAM will typically vote in favour of the approval of the annual report and accounts. ACTIAM may vote against the annual report and accounts in instances of egregious corporate governance failures.

Corporate boards

In light of market best practice, ACTIAM will expect at least half of the board, excluding the chairman, to be composed of independent non-executive directors. In smaller companies (i.e. outside the FTSE 350), ACTIAM will expect the board to have at least two independent non-executive directors.

Where there is an insufficient number of independent non-executive directors on the board, ACTIAM will vote against the (re)election of non-independent non-executive directors in order to encourage a board composition with an appropriate balance of independent and non-independent directors.

In determining director independence, ACTIAM will consider the existence of relationships or circumstances that may impede a director's independence outlined in section 2, provision 10 of the UK Corporate Governance Code.

Remuneration

UK companies are required to propose an ex-ante binding vote on remuneration policy and an ex-post non-binding vote on remuneration practice. ACTIAM will seek to avoid voting against the same issue with respect to both resolutions ("double-counting").

When voting on remuneration policy, ACTIAM will take into account the following elements:

- How the different elements of remuneration support company strategy;
- Annual and equity incentive structures;
- The policy on loss of office payments;
- The statement of how employment conditions elsewhere in the company have been taken into account; and
- The statement on whether, and if so how, the views of shareholders have been taken into account.

ACTIAM will expect all equity-based incentive schemes to observe the following dilution limits:

- UK: 10% of the issued ordinary share capital (adjusted for share issuance and cancellation) in any rolling 10-year period under all equity-based incentive schemes and 5% of the issued ordinary share capital of the company (adjusted for share issuance and cancellation) in any rolling 10-year period under executive (discretionary) schemes.
- Ireland: no more than 10% of issued ordinary share capital, adjusted for scrip, bonus and rights issues, over a period of 10 years for all equity-based incentive schemes (with additional 5% of the issued share capital over a period of 10 years to be used, following approval by the IAIM, for broadly based employee share schemes of all kinds). Within the above 10% limit, 5% of the issued ordinary share capital can be used under a basic tier share option scheme with an additional 5% of the issued share capital to be used under a second tier share option scheme, such options being exercisable only on the basis of exceptional performance.

Termination provisions and severance packages

ACTIAM will vote against a remuneration policy that allows for compensation on early termination of an executive's contract to exceed the equivalent of one year's salary and benefits, unless there are exceptional circumstances which are clearly explained and are considered acceptable.

Capital-related issues

ACTIAM will vote in favour of routine capital issuance requests with pre-emptive rights up to a maximum of one-third of the issued share capital.

A number of companies propose extended capital issuance requests with pre-emptive rights of up to an additional one-third of the issued share capital. ACTIAM may support these if the additional third is to be used in a rights issue and with regard for the circumstances of the individual company and the checks and balances offered to shareholders in return.

ACTIAM will support routine capital issuance requests without pre-emptive rights up to a maximum of 5% of the issued share capital provided that such authorities are renewed every year. ACTIAM will support the extension of this authority by up to 5% of the issued share capital to permit acquisitions or other capital investments.

ACTIAM will support vendor placing proposals where shareholders are offered a right of clawback of their pro rata share of the issue for any issues involving more than 10% of issued equity share capital or a discount greater than 5%.

ACTIAM will decide on any other share issuance proposals in excess of the limits specified in our global policy on a case-by-case basis.

Political Donations

UK companies routinely seek authority from shareholders to make 'political donations' or incur 'political expenditure'. The UK Companies Act prohibits companies from such spending unless they have received permission from shareholders. However, companies usually state that their purpose in putting forwards such proposals is not to make political donations in the ordinary sense of the word (ie. supporting a political party or candidate), but rather to permit them to support bodies concerned with policy review, law reform or representation of the business community.

ACTIAM will consider supporting such resolutions if the company:

- states that it will not use the authority to make political donations or incur political expenditure in the ordinary sense of the word;
- states (in its annual report or elsewhere) that it has not made any political donations or incurred political expenditure in the preceding twelve months; and
- the value of the authority does not seem disproportionately high.

ACTIAM N.V.

Visiting address

Graadt van Roggenweg 250
3531 AH Utrecht

Postal address

P.O. Box 679
3500 AR Utrecht



+31-(0)20-543 6777



marcom@actiam.nl



www.actiam.com