Introduction

As a responsible 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 responsible investment policy is based on our Fundamental Investment Principles for companies and sovereign issuers as well as several thematic position papers. Active ownership is central to ACTIAM’s responsible investment strategy. ACTIAM achieved the highest possible score for active ownership in the 2016 PRI assessment, an A+, positioning us among the top 10% of investment managers worldwide. By identifying three focus themes in our responsible investment strategy, climate, land and water, 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 responsible 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. It also mirrors the focus of our stewardship activities on the themes of water, climate and land.
Executive Summary

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 Annex II or 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.

VOTING ON MANAGEMENT PROPOSALS

Based on these guidelines, ACTIAM has developed a general voting policy (see Part 1) which covers typical shareholder meeting agenda items across the markets covered by ACTIAM’s voting service. 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 may diverge from the general voting policy. These cover a total of twenty-nine markets around the world.

To increase the impact of our active ownership activities related to our focus themes of climate, land and water, ACTIAM will link voting choices to engagement activities in two ways. First, ACTIAM has more stringent requirements for companies in sectors considered to be high-impact in terms of our focus themes. 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.

Secondly, 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

Alongside our general voting policy, 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 (see Part 2). 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. ESG issues covered by our principles are:

- Human Rights;
- Fundamental Labour Rights;
- Corruption;
- The Environment;
- Weapons; and
- Client and Product Integrity.

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 focus themes of climate, land and water. This mirrors not only our desire to promote best practice in these areas, but also the growth in activism on 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 focus themes of climate, water and land;
- 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 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.
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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. 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 focus themes of climate, land and water, ACTIAM will link voting to engagement activities in two ways. First, ACTIAM has more stringent requirements for engagement companies and companies in sectors considered to be high-impact in terms of our focus themes.

For these purposes, we have designated the sectors in the table below to be high-risk in relation to each focus theme.

<table>
<thead>
<tr>
<th>CLIMATE</th>
<th>WATER</th>
<th>LAND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sectors considered to be high-impact</td>
<td>Metals &amp; mining</td>
<td>Metals &amp; mining</td>
</tr>
<tr>
<td>Metals &amp; mining</td>
<td>Utilities</td>
<td>Utilities</td>
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<tr>
<td>Oil, gas &amp; consumable fuels</td>
<td>Oil, gas &amp; consumable fuels</td>
<td>Paper&amp;forest</td>
</tr>
<tr>
<td>Transportation &amp; logistics</td>
<td>Food &amp; beverages</td>
<td>Food &amp; beverages</td>
</tr>
<tr>
<td>Consumer durables &amp; apparel</td>
<td>Chemicals</td>
<td>Households &amp; personal products</td>
</tr>
<tr>
<td>Pharmaceuticals</td>
<td>Semiconductors</td>
<td>Capital goods 2: building products</td>
</tr>
</tbody>
</table>

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 the proposed incentive scheme.
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 but an explicit Environmental & Social Audit is lacking.

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 and reincorporation, expansion of business activities
ACTIAM will assess the consequences of any such proposal against ACTIAM’s 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 to slowly.

1.1 ANNUAL REPORTING AND INCOME ALLOCATION PROPOSALS

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.

1.2 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 Chairman of the Nominations Committee 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
ACTIAM will consider all proposals to (re)elect board members on a case-by-case basis. 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 without clearly disclosed and acceptable reasons;
- The number of outside mandates held by the director is deemed to prevent him/her from devoting sufficient time to the company’s affairs;
- 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 support proposals to vote on directors’ elections on an individual basis.

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.

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

Cumulative voting/Slate of directors
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.

Where directors are elected by slates, ACTIAM will make its voting decisions on a case-by-case basis.
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 vote in favour of 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.

1.3 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.
- ACTIAM will vote on the proposals to introduce binding shareholder votes on the remuneration arrangements of directors and managers, where it is not required by law, on a case-by-case basis.

Remuneration of non-executive directors/supervisory board members
- ACTIAM will normally vote in favour of proposals to award cash fees to non-executive directors/supervisory board members unless the amounts are 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.
- ACTIAM will normally support remuneration arrangements that allow for a part of non-executive directors’ fees to be paid in company shares (non-performance related).
- ACTIAM will normally vote against a remuneration policy that allows for the payment of retirement benefits to non-executive directors, other than statutory superannuation contributions (where applicable).
- ACTIAM will normally support 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.

Remuneration of executive directors/management board members
- ACTIAM will vote against 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.
- ACTIAM will support the implementation of national governments’ recommendations on the maximum pay levels for executive directors/management board members if considered reasonable.
- ACTIAM will support 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.
- ACTIAM will vote against 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.
ACTIAM is supportive of remuneration proposals that explicitly take into consideration stakeholder value (e.g. employee safety/satisfaction) as well as shareholder value.

ACTIAM will vote against 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.

ACTIAM will vote against remuneration structures that allow for the use of derivatives or other instruments to hedge director or executive share ownership or unvested equity-linked remuneration.

ACTIAM will vote against 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.

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

ACTIAM will normally vote against a remuneration policy which allows for any element of executive remuneration, other than base salary, to be pensionable.

ACTIAM will support proposals to defer part of the annual bonus payment over a number of years (typically 3 to 5) 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.

**Equity-based remuneration plans**

ACTIAM will not 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.

ACTIAM is supportive of the use of social, environmental and ethical key performance indicators in the incentive plans for executive management.

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 the proposed incentive scheme.

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.

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.

ACTIAM will normally not support proposals for equity-based remuneration plans that may result in substantial dilution of existing shareholders.

ACTIAM will normally support equity-based all-employee savings plans provided they are within acceptable dilution limits.

**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 Chairman) where:

- We have serious concerns with respect to the remuneration arrangements for directors and senior management;
- The committee has failed to respond to concerns expressed by shareholders and/or other stakeholders with respect to the existing/proposed remuneration arrangements.

### 1.4 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;
- 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.
- In the case of engagement and Key Sector companies, 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 but an explicit Environmental & Social Audit is lacking.

1.5 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.

**Increase debt or borrowing powers**
ACTIAM will vote on all proposals to increase debt or borrowing powers on a case-by-case basis.

**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.

**Use of assets as security**
ACTIAM will vote on all proposals to use the company’s assets as security on a case-by-case basis.

### 1.6 OTHER MAJOR DECISIONS

**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 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 and asset sales, corporate reorganisation/restructuring and reincorporation, expansion of business activities**
ACTIAM’s vote on such proposals will be based on the analysis of the overall benefits of the proposed trans-actions 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 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.

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 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).

ACTIAM will vote for proposals 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.

Amend quorum requirements
ACTIAM will vote on any proposal to amend quorum requirements for shareholder meetings or for the adoption of specific meeting business items on a case-by-case basis.

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

ACTIAM will normally vote against charitable donations.

Bundled proposals
ACTIAM will 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, provided that sufficient 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.
ACTIAM will vote on any other items on the agenda of shareholder meetings on a case-by-case.
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:
- Human Rights;
- Fundamental Labour Rights;
- Corruption;
- The Environment;
- Weapons; and
- Client and Product Integrity.

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 focus themes of climate, land and water. 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. 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.

A. HUMAN RIGHTS

Criterion
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 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;
- 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;
- Request reporting on foreign military sales or offset agreements.

Land
ACTIAM tends to vote for shareholder proposals that:

- 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 and their suppliers report on displacement, resettlement, and compensation policies for local communities affected by the company’s business operations;
- Request reporting on the environmental impacts of the company’s activities in relation to local communities.

Water
ACTIAM tends to vote for shareholder proposals that request that companies respect the human right to water.

B. FUNDAMENTAL LABOUR RIGHTS

Criterion
Fundamental 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 – 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, 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;

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.

Water
ACTIAM tends to support shareholder proposals that request that companies provide decent Water, Sanitation and Hygiene (WASH) facilities to its employees.

C. CORRUPTION

Criterion
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
- 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 (tax, conditions) 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 that non-transparent procurement practices contribute to high levels of corruption;
- Ask pharmaceutical companies to report on the implementation of ethical guidelines for clinical trials in developing countries.

D. THE ENVIRONMENT

Criterion
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, and the IFC Performance Standards on Social & Environmental Responsibility and the Paris Climate Agreement under the UNFCCC, 2015.

Further, 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;

**Climate Change**
ACTIAM tends to vote for shareholder proposals that:
- 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 quantitative and/or qualitative reporting on environmental and social impacts of shale energy operations, or on efforts to mitigate methane emissions resulting from such 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 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, adopt measurable energy use reduction targets and energy efficient practices, in line with the ambitions set out in the 2015 Paris Agreement;
- 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 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 reporting on the company’s energy management policies, practices and metrics in line with the GRI;
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**Water**
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.

**Land**
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, 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 (FSC, RSPO, RTRS, MSC, Five Freedoms of Animals) in its own operations and/or its supply chain.
E. **WEAPONS**

**Criterion**
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;
- Corporate compliance with national arms export regulations and international or regional arms embargoes.

ACTIAM will vote case by case on shareholder proposals that ask companies to pull out of fragile states.

F. **CLIENT AND PRODUCT INTEGRITY**

**Criterion**
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;
- 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 (eg. fair lending policies) and reduce the likelihood of product abuses;
- Seek reporting on company efforts to improve product safety;
- Seek greater disclosure of criteria for operations closures.

2.1 **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 into account the following factors:
- whether the resolution is in line with ACTIAM’s engagement focus themes (which are currently climate change, water and land);
- 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.
3 Stock-Lending, Share-Blocking Policies

3.1 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.

3.2 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, but decrease 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.
AnnEx 1  Market-Specific Considerations

1.1 AFRICA

SOUTH AFRICA

ACTIAM supports the South African King III Code on corporate governance. ACTIAM recommends that listed companies disclose relevant information about their corporate governance rules and practices in accordance with the provisions of the Code.

Corporate boards
- ACTIAM would welcome a system whereby significant shareholders have 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.
- ACTIAM expects boards to take account of diversity in its broadest sense when considering possible candidates for the board and other senior positions.
- ACTIAM would expect at least a majority of independent non-executive directors so as to ensure appropriate balance of independence and objectivity.
- ACTIAM expects directors to devote sufficient time to the boards of which they are members. We expect directors not to carry out the role at more than five companies.
- ACTIAM would withdraw support for the re-election of over-committed directors or directors with a poor attendance record.
- ACTIAM expects a board evaluation to be carried annually by an independent provider and the board to disclose the main outcomes of the evaluation.
- In companies that have a combined Chairman/CEO, ACTIAM expects companies to appoint a Lead Independent Director.

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 will normally vote against the remuneration policy and/or incentive plans if material changes have been made without shareholder approval. ACTIAM believes that boards should take the necessary steps to provide shareholders with mandatory remuneration disclosures. ACTIAM expects companies to align the interests of executives with those of shareholders.

ACTIAM notes that King III Code intend that the 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 may support grants of shares that are not performance related to non-executive directors, provided the directors are required to retain these shares until the end of their tenure.
- ACTIAM will not support non-executive directors’ participation in incentive plans designed for executives.
- ACTIAM will not support performance targets lowered without justification.
- ACTIAM will vote in favour of proposals to abolish “guaranteed bonuses”.
- 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.

Related party transactions and other fundamental
- ACTIAM encourages boards to clearly disclose the process for reviewing and monitoring related party transactions.
- ACTIAM encourages directors to disclose any conflict or potential conflict of interest.

Authorities to issue shares for cash and to place unissued shares under the control of the directors
- ACTIAM will be supportive of general autorisations 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 200 South African Government Black Economic Empowerment Act (BEE) as a means to redress the country’s inequalities. The BEE Act 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.
ACTIAM VOTING POLICY
JANUARY 2017

1.2 AMERICAS

BRAZIL

ACTIAM endorses the recommendations of the Brazilian Institute of Corporate Governance’s (IBGC) 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 welcomes the fact that companies are expected 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 would expect at least 50% independent non-executive directors so as to ensure appropriate balance of independence and objectivity.
- 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 Nível 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 so that independent directors can serve as an adequate counterweight to the controlling shareholders’ influence. At least one third of all members and 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 (SID).
- Brazilian law allows for the establishment of a supervisory council (conselho fiscal), which should be comprised entirely of outside, independent members. ACTIAM believes that such entities provide an important safeguard for shareholders.
- ACTIAM is supportive of the appointment of minority shareholders’ slates.

Remuneration

ACTIAM will normally vote against the remuneration policy and/or incentive plans if material changes have been made without shareholder approval. ACTIAM believes that boards should take the necessary steps to provide shareholders with mandatory remuneration disclosures. ACTIAM expects companies to align the interests of executives with those of shareholders. 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 (IBEF) so as to avoid disclosure of the remuneration paid to their highest-paid executives.

- ACTIAM may support grants of shares that are not performance related to non-executive directors, provided the directors are required to retain these shares until the end of their tenure.
- ACTIAM will not support non-executive directors’ participation in incentive plans designed for executives.
- ACTIAM will not support performance targets lowered without justification.
- ACTIAM will vote in favour of proposals to abolish “guaranteed bonuses”.
- 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’s total remuneration.
- ACTIAM may consider supporting severance packages that are limited to a maximum of 18 months’ 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’s salary and benefits (excluding bonus).
Related party transactions
ACTIAM encourages boards to clearly disclose the process for reviewing and monitoring related party transactions.

Multiple-class share structures and Tag-along rights
ACTIAM expects companies to provide sufficient information about the material attributes of all of the company’s share classes and series of shares and this 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 can 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 can 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 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. 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.

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); and the 2009 Law 20,382.

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 $60M with a free float of at least 12.5 per cent, they are 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.

Remuneration
- Companies are not required to submit remuneration of executives.
- Public companies must disclose director remuneration in the annual report, including figures representation, travel and other expenses.
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 also comparing the fee level to other companies.

Ratification of auditors

- ACTIAM understands that external auditors must be independent by standards defined in the Code of Ethics and Auditing Standards of the Association of Auditors.
- 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 generally supports the ratification of auditor proposals, unless there is evidence of misconduct.
- 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.

CANADA

In 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 January 2013 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 will expect that a substantial majority (at least two-thirds) of a corporate board should be directors from outside the company and independent of the company’s management and business operations.

- ACTIAM will oppose the re-election of non-independent directors on a board that has neither an independent Chairman nor a lead director.
- 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 shareholders’ 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 normally vote against the remuneration policy and/or incentive plans if material changes have been made without shareholder approval.
- 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.

Capital-related issues

- ACTIAM will support proposals to approve increased authorised capital if a company’s shares are in danger of being de-listed and/or a company’s ability to continue to operate is uncertain.

Anti-takeover Provisions/Shareholder Rights Plans

ACTIAM will support only those “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.

MEXICO

ACTIAM is generally supportive of the 2010 Mexican Corporate Governance Code (Codige de Mejores Practicas 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 may 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.

**Allocation of profits**
- ACTIAM will not support the proposal to approve the dividend if the company has not provided information on the dividend a reasonable time in advance of the meeting.

**Corporate Boards**
Mexican companies utilise unitary boards comprising predominantly non-executive directors. Mexican Securities Law requires that at least 25% of the board should be independent, while the Corporate Governance Code recommends independent representation of at least 60%.
- 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**
- 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.

**UNITED STATES**
In the US, ACTIAM is generally supportive of the principles and recommendations of the April 2015 Council of Institutional Investors (CII) Corporate Governance Policies and other best practice guidelines.

**Corporate Boards**
- ACTIAM expects that a substantial majority (at least two-thirds) of a corporate board should be 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 only support the election of an incumbent combined chair/CEO if the board includes a lead independent director.
- ACTIAM will oppose 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.
- ACTIAM will oppose 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.
- ACTIAM will oppose the re-election of members of the Audit Committee at a board that has not proposed that shareholders vote to ratify the auditors.
- ACTIAM favours improved access to the proxy for shareholders and will support reasonable proposals for change.
- ACTIAM favours majority vote standards for the election of directors, and will support proposals requesting by-law changes to that effect.
- ACTIAM will oppose 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.
- ACTIAM will oppose proposals to adopt cumulative voting at those companies that have adopted a majority vote standard for the election of directors.

**Remuneration**
- ACTIAM will normally vote against the remuneration policy and/or incentive plans if material changes have been made without shareholder approval.
- 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 advisory votes on remuneration, ACTIAM will take into consideration a company’s record of the following:
- Stock ownership and holding policies
- Claw-backs
- Performance drivers
- Perquisites
- Internal pay equity
- Stock option practices
- Performance goals
- Post-employment pay
- Compensation policy, philosophy and disclosure
- Independence of compensation advisor.

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 Issues
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.

1.3 ASIA-PACIFIC

AUSTRALIA

ACTIAM is generally supportive of the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations, IFSA’s Guidelines on Corporate Governance for Fund Managers and Corporations, IFSA’s Guidance Notes on Executive Equity Plan, Employee Share Ownership Plan and Non-binding Shareholder Vote on Remuneration Reports, 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 policy

- ACTIAM will normally vote against the remuneration policy and/or incentive plans if material changes have been made without shareholder approval.
- 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 with regard to 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 this year’s AGM;
  - Any progress made by the company in remuneration matters since last 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.
- 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 issuance and cancellation).
- Some Australian incentive plans allow for vesting of equity incentives when a takeover bid is announced (regardless of whether or not it succeeds) or when a party acquires a shareholding well 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 for 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. Australian companies routinely seek such ratifications. 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 share-holder 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 reinsert the clause into the constitution, at every third AGM. ACTIAM will consider such proposals on a case-by-case basis.
CHINA

ACTIAM is generally supportive of the 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 vote against the (re)election of a non-executive director who has served on the board for three consecutive three-year terms unless he/she will be subject to annual re-election thereafter.
- 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.

HONG KONG

In Hong Kong, ACTIAM is generally supportive of the Code on Corporate Governance Practices and Corporate Governance Report, the governance-related provisions of the Hong Kong Stock Exchange Listing Rules, the Hong Kong Stock Exchange’s 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 there are at least three independent directors, or one third of the board represented by independent directors, whichever is greater, on the boards of listed companies. 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 vote against (re)election of a non-executive director who has served on the board for three consecutive three-year terms unless he/she will be subject to annual re-election thereafter.
- ACTIAM would expect that Audit and Remuneration Committees comprise a majority of independent non-executive directors.
- 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 or, in any case, if there is an intention that he/she will serve on the company’s Audit Committee.

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 (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 the 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.

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 not support 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 not support 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 will expect 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 issuance requests

• 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.
INDONESIA

ACTIAM is generally supportive of Indonesia’s Code of Good Corporate Governance 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. We note that the OJK in the process of implementing aspects of the Roadmap, with listed companies now having to disclose whether or not they comply with aspects of the OJK’s governance-related rules and regulations in their annual reports for the period ending 31 December 2016.

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
Indonesian companies usually have a two-tier board structure. There is 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.
- The election of both members of the board of directors and board of commissioners is usually by slate and often the election of both boards is combined into one proposal. ACTIAM will consider the slate(s) and make its voting decision on a case-by-case basis.
- 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 regulation, 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 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 remuneration and nomination committee that are chaired by an independent commissioner. We note that public banks, under Indonesia regulation, must have a remuneration and nomination committee that are chaired by an independent commissioner and that should have no directors as members.

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 of the fees for 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 also comparing the fee level to 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 regulation, abstentions in Indonesia are counted among the majority 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 is restricted under the Bapepam-LK regulation and so the provision of these types of services is 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 also takes into consideration the spirit and underlying principles of recent regulatory developments.

Corporate Boards

- There are three possible board structures that Japanese companies may adopt. The most common is the two-tier structure with directors (who have voting rights) and statutory auditors (who have no voting rights). ACTIAM will vote against the management in the following way when two-tier boards have fewer than two outside directors who can be considered highly independent or where less than 1/3 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
  - where it is a smaller board, Actiam will vote against the chair of the nomination committee (even if they are the board chair) or, if there is no nomination committee, the board chair
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.
- For a company with audit and supervisory committee, recently adopted new option structure, ACTIAM will apply the same criteria as the above.
- ACTIAM will look favourably upon a US- or UK-style three-committee board structure.
- ACTIAM will support management resolutions to adopt a three-committee board structure.
- ACTIAM will vote against directors where the board has more than 20 members.
- ACTIAM will support resolutions reducing the frequency of director re-elections from the normal two years to one year.
- ACTIAM will oppose 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.
- ACTIAM will oppose traditional stock option plans that allow for options grants to outsiders.
- ACTIAM will support proposals for bonuses of executive board members to be be paid in restricted shares.

Capital-related issues

- 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 who approved new share issues with significant dilution impact but failed to be fully accountable for the necessity of raising capital.

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 for outsiders to be adopted.
ACTIAM will oppose resolutions seeking to indemnify the public (external) auditors against derivative shareholder lawsuits.

ACTIAM will normally support proposals seeking to bring the record date closer to the date of the annual general meeting.

ACTIAM will normally support proposals adding new lines of business as long as they are in line with the company’s stated strategy.

ACTIAM will support proposals allowing smaller tradable lots of shares.

ACTIAM will oppose proposals to limit the number of representatives that a shareholder can appoint to vote at a general meeting.

MALAYSIA

ACTIAM is generally supportive of the Malaysian Code on Corporate Governance 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 Code and the Listing Requirements, at least one third of the board should comprise independent directors and, if the chairman is not independent, a majority of directors should be independent.

ACTIAM may vote against the election or re-election of non-independent directors where less the level of independence on the board is lower than specifications of the Code and the Listing Requirements.

ACTIAM may not support the election or re-election of non-independent members of the audit committee.

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 Issuances and repurchases

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.

PHILIPPINES

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

Corporate Boards
Companies have a one-tiered board structure. Under the Corporate Governance Code, at least twenty percent of the board should comprise independent directors. The Code also states that the roles of the Chair and CEO should as much as practicable, be separate.

ACTIAM may vote against the election or re-election of non-independent directors where less the level of independence on the board is lower than specifications of the Code.

Ratification of previous corporate acts

This is a routine request for Philippine companies. 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 of the company.

NEW ZEALAND

ACTIAM is generally supportive of the NZX Corporate Governance Best Practice 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 the 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 all 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.

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 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 at 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 director participation in employee share schemes.

ACTIAM will vote on proposals to amend the articles of association on a case-by-case basis.

SINGAPORE

ACTIAM is generally supportive of the 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.

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 global 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.

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, ACTIAM will vote 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.
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 vote against the 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, remuneration and nomination committee, as recommended by the Korean Code of Best Practices for Corporate Governance.
- ACTIAM expects that the Audit Committee and Remuneration Committee are solely comprised of 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 the 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 recently there have been a number of corporate restructurings and/or mergers amongst and within family-owned conglomerates in South Korea, known as ‘Chaebols’. These restructurings and/or mergers have been perceived as being constructed to cement the controlling family’s ownership of the company. 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.

THAILAND

ACTIAM is generally supportive of the governance-related provisions in the Public Limited Companies Act, 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, Thai 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 on 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 vote against (re)election of a non-executive director who has served on the board for nine years or more unless he/she will be subject to annual re-election thereafter.
- ACTIAM expects that companies have an audit committee comprised 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 nomination committee. ACTIAM expects that the majority of the members
of the remuneration and nomination committees 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.

**Capital-related proposals**
- Thai companies seek shareholder approval of share and convertible securities issuances up to the maximum limits allowed under the SET’s rules, i.e.:
  - To issue up to 30 percent of the share capital with pre-emptive rights; and
  - To issue up to 20 percent of the share capital without pre-emptive rights and, within this 20 percent, to issue up to 10 percent by way of a private placement.
- These general authorities last for one year and must be renewed at an AGM or EGM.
- ACTIAM will decide on any share issuance proposals in excess of the limits specified in our global policy on a case-by-case basis.

**TAIWAN**
ACTIAM is generally supportive of the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies (the ‘Principles’) and the governance-related provisions of the Company Act, the Securities and Exchange Act and the TWSE and GreTai listing regulation.

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

**Corporate Boards**
Taiwanese listed companies may either display 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 their name or sufficient biographical information to permit shareholders to make a sound choice.

Company law provides that shareholders must approve of the essential contents of any acts committed by a director that 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 about the nature of the director’s potential or current other commitments and if any such commitments do not represent 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 Issuance Requests**
- ACTIAM may support proposals to issue shares without rights of pre-emption 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
  - The election of directors
  - The acquisition and disposal of assets
  - Loans
  - 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 have a purely technical nature.
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 has now been implemented by most European markets in our voting universe.

- ACTIAM will support proposals for bonuses of executive board members to be deferred into shares.
- ACTIAM believes that financial institutions that make use of the option to offer variable remuneration to identified staff working outside the European Economic Area above 100% of fixed pay ought to put this change to the shareholder vote. ACTIAM may withhold support from members of the remuneration committee if financial institutions adopt such a change without the approval of the AGM.

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 (central 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 comprised of a majority of independent directors, which means that we would expect all non-employee representatives on the committees to be independent.

Capital issuance 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.

BELGIUM

In Belgium, ACTIAM is generally supportive of the principles and recommendations set out in the Belgian 2009 Code on Corporate Governance. ACTIAM understands that the CBFA (Belgian Banking, Finance and Insurance Commission) 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
- Belgian companies have a unitary board structure. ACTIAM would expect a majority of 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 administrateurs réciproques (reciprocal board directors) and will vote against election of directors who have such connections with the company, except in the case of a joint business venture.
- ACTIAM is supportive of proposals that the Nomination and Remuneration Committees should be separate. 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 committee’s Chairman.

Remuneration
ACTIAM will normally vote against the remuneration policy and/or incentive plans if material changes have been made without shareholder approval.
- ACTIAM may support grants of shares that are not performance related to non-executive directors, provided the directors are required to retain these shares until the end of their tenure.
- ACTIAM will vote in favour of proposals to abolish “guaranteed bonuses”.
- 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 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’ 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’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 and 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 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 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. 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 - convertible into shares - to existing shareholders. This possibility would make an offer de facto more expensive.
  - Authorising the board in advance to buy back shares during a takeover period.

FRANCE
ACTIAM is supportive of the corporate governance principles based on consolidation of the various AFEP and MEDEF codes. ACTIAM expects companies to explain why and to what extent they deviate from these principles, which are based on the April 2010 corporate governance recommendations of listed corporations (revised in March 2011) and the June 2013 AFEP-MEDEF revised corporate governance recommendations code. ACTIAM welcomes the MEDEF recommendations on executive remuneration and the FBF’s (Fédération Bancaire Française) 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 and 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 binding legislation on executive compensation.

Corporate boards
- The 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 on the board if employee shareholdings exceed 3%. ACTIAM will support the appointment of employee directors on the board with a number of representatives that adequately reflects the share ownership structure.
- In companies with 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 the market best practice. In companies with 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 recommendations that each board appoints three committees: Nomination, Audit and Remuneration. ACTIAM believes that:
  - Executives should not serve on either Audit or Remuneration Committees;
  - A representative of a large shareholder should not be the Chairman of the Audit Committee.

Remuneration
- ACTIAM will normally vote against the remuneration policy and/or incentive plans if material changes have been made without shareholder approval.
- ACTIAM may support grants of shares that are not performance related to non-executive directors, provided the directors are required to retain these shares until the end of their tenure.
- ACTIAM will vote in favour of proposals to abolish “guaranteed bonuses”.
- 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 welcomes the implementation of the CRD IV through the 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 more 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 AFG recommendations:
- 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 and 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 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 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 which is subject to a hostile takeover bid to issue warrants - convertible into shares - for existing shareholders. This possibility would make an offer de facto more expensive.
- Authorising the board in advance to buy back shares during a takeover period.

## Related-party transactions
- Listed companies in France must follow special procedures for approval of regulated related-party transactions (RPT). Such transactions may include:
  - Agreements between companies;
  - Remuneration of board members;
  - Retirement and severance agreements;
  - Loans;
  - Rental agreements; and
  - Other self-dealing transactions
- The board 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 not included in their entirety in the annual report.

## 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 June 2015 German Corporate Governance Code.

### 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 or 2000 employees in Germany, employees are also represented in the supervisory board, which then is composed of employee representatives up to one third or one half respectively. 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 comprised of and chaired by independent directors.
Remuneration
In Germany, companies seek an advisory vote on the remuneration policy in line with the Act on the Appropriateness of Management Board Remuneration that came into force in August 2009. There is no obligation for an annual vote and few companies have sought repeat shareholder approval of their remuneration systems since their initial efforts in 2010. 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.

ACTIAM will vote against 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.

In making its decision, 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.

German companies are not obliged to put the remuneration system to the Management Board for a vote on an annual basis. However, the supervisory board as a whole reviews and approves management board remuneration each year. Therefore, in the absence of a resolution on executive compensation on the agenda, ACTIAM will, on a case-by-case basis, 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 policy.

ACTIAM is not supportive of the short-term oriented variable pay elements (e.g. based on dividend or earnings targets) for supervisory directors and prefer 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 would consider a long-term oriented variable pay element 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 board acts and management compensation
- 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 compensation. If a significant proportion of shareholders has previously voted against the compensation 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 compensation policy, or an explanation of the rationale for its continuation in the next annual report.

Capital pools
In view of the general market practice in Germany to seek capital-related authorities for a period of five years, ACTIAM would 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 according to article 186 of the corporate law (“bedingte Kapitalerhöhung”) that are intended for share-based remuneration if the respective incentive plan receives our support.

Ratification of auditors
- ACTIAM may withhold support from ratifying the auditors in cases of lack of information regarding the auditors’ tenure, appointment process, tendering, and rotation.

Articles of association
- ACTIAM will oppose a resolution that asks for the approval of majority requirements to enable the recall of supervisory board members above the 75% majority rule, which represents the default legal value of the
corporate law. ACTIAM will support proposals to either maintain or introduce a 50% majority rule for the recall of a supervisory board member according to § 103 (1) AktG.

ACTIAM will object to the KGaA legal form as an alternative to the AG because of the limited shareholder rights. 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.).

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 three committees: Nomination, Audit and Remuneration.
- 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 chairman of the audit committee.

Remuneration
- ACTIAM will normally vote against the remuneration policy and/or incentive plans if material changes have been made without shareholder approval.
- ACTIAM may support grants of shares that are not performance related to non-executive directors, provided the directors are required to retain these shares until the end of their tenure.
- ACTIAM will vote in favour of proposals to abolish “guaranteed bonuses”.
- 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; or is entitled to exercise his/her rights to pension in the near future.

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 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 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.

ITALY

ACTIAM supports the corporate governance principles based on 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 joint stock companies) and ASSOGESTIONI (Italian fund management association).
ACTIAM is concerned that the August 2014 Growth Decree allowing companies to issue multiple voting rights, up to three votes per share and increased voting rights (azioni a voto maggiorato) 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 comment 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 three committees: Nomination, Audit and Remuneration. ACTIAM believes that executives should not serve on either the Audit or Remuneration Committee.

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: control the administration of the company; check that the balance sheet and income statement conform to the underlying accounting records; and lastly 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
  - The auditors have served on collegio sindacale for more than 12 years.

Remuneration

- ACTIAM will normally vote against the remuneration policy and/or incentive plans if material changes have been made without shareholder approval.
- ACTIAM may support grants of shares that are not performance related to non-executive directors, provided the directors are required to retain these shares until the end of their tenure.
- ACTIAM will vote in favour of proposals to abolish “guaranteed bonuses”.
- 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; or is entitled to exercise his/her rights to pension in the near future.

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 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 share issuance proposals in excess of the limits specified in our global policy on a case-by-case basis.
THE NETHERLANDS

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

General Meeting (GM)

- ACTIAM is supportive of the recommendation that each substantial change in the corporate governance structure of the company and in 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 the Dutch best practice recommendations regarding the supervisory board composition, 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 should not be 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 shall 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 normally vote against the remuneration policy and incentive plans if material changes have been made without shareholder approval.

- 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 will vote in favour of proposals to abolish “guaranteed bonuses”.

- 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

- Effective 1 January 2014, a law came into effect allowing all companies to adjust and claw-back variable remuneration of executive directors. As a result, all Dutch companies will be empowered with a claw-back 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 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; change his/her position; or is entitled to exercise his/her rights to pension in the near future.

Capital-related issues

- ACTIAM will generally support the 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 fall 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, to 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.

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

In Denmark, Finland, Sweden and Norway, ACTIAM is supportive of the Codes of Corporate Governance and other recognised best practice guidance in each of these markets.

Corporate boards
In Denmark and Norway, the majority of companies have a two-tier board structure. In Finland, two-tier board structures are still common; however, there has been an increase in the one-tier boards comprising the managing director and non-executive directors. 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 when not including 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, and increasingly in Finland, 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 adequate representation of the interests all shareholders.

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

Remuneration
- ACTIAM may support grants of shares that are not performance related to non-executive directors, provided the directors are required to retain these shares until the end of their tenure.
- Some companies in the Nordic markets still grant market priced options which are not subject to any performance criteria. Some boards believe that a remuneration structure that relies on a bonus with demanding short-term metrics that executives have control over 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.
- ACTIAM will oppose any loans to executives for the purpose of purchasing shares.
- ACTIAM will oppose stock option plans that result in excessive dilution.
- In Finland, few listed companies subject management remuneration to a regular shareholder vote. Even though this is not required by law, ACTIAM believes that regular say-on-pay is a crucial element of accountability to shareholders. ACTIAM may abstain on supervisory board discharge if the board has failed to submit management compensation to AGM approval for more than five years.

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 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; change his/her position; or is entitled to exercise his/her rights to pension in the near future. 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 pools
- 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 a 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 case of a takeover.

POLAND

ACTIAM is generally supportive of the 2016 Corporate Governance Code (Best Practice of GPW listed Companies)

Corporate Boards
Polish companies have a two-tiered board, consistent of a management board and a supervisory board. Chair and CEO roles are always separate. The 2016 Corporate Governance Code stipulates that at least two supervisory board members should be independent. The Code refers to the definition of director independence contained in Annex II to the European Commission Recommendation of Feb. 15, 2005, on the role of non-executive or supervisory directors of listed companies and on the committees of the board.

- The supervisory board of each company has to establish an audit committee, composed of at least three members. At least one of the audit committee members has to be a finance/accounting expert. This particular member has to be an independent director.
- The chair of the audit committee should be independent.
- In companies whose supervisory board members are composed of five or fewer members, all the directors are allowed to authorise the entire supervisory board to fulfil the functions of an audit committee.
- Where the presence of significant shareholders or their representatives on the board effectively guarantees their re-election, ACTIAM may choose to cumulate their 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 sit on the audit or remuneration committees.

Remuneration
ACTIAM expects companies to fully comply with the Code in relation to the remuneration of the governing bodies.
- Companies are expected to include in their its 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’s 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 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.

**PORTUGAL**

ACTIAM is generally supportive of the January 2014 Código de Governo das sociedades, the October 2013 CMVM corporate governance code and other recognised best practice guidance.

**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.
- ACTIAM is supportive of the appointment of a lead independent director when the roles of Chairman and CEO are combined.

**Remuneration**

- ACTIAM will normally vote against the remuneration policy and/or incentive plans if material changes have been made without shareholder approval.
- ACTIAM may support grants of shares that are not performance related to non-executive directors, provided the directors are required to retain these shares until the end of their tenure.
- ACTIAM will vote in favour of proposals to abolish “guaranteed bonuses”.
- 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; change his/her position; or is entitled to exercise his/her rights to pension in the near future.

**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 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 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 global policy, ACTIAM will oppose any takeover defences, including:
  - Control over shares: although Portuguese company law prohibits by-laws 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.

**SPAIN**

ACTIAM is supportive of the February 2015 Unified Code on Good Corporate Governance Code for listed companies 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 (CSR).
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 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 comprised 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 Chairman of the Audit Committee.

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 will be required every three years whenever changes are made to the policy.
- ACTIAM will normally vote against the remuneration policy and/or incentive plans if material changes have been made without shareholder approval.
- ACTIAM may support grants of shares that are not performance related to non-executive directors, provided the directors are required to retain these shares until the end of their tenure.
- ACTIAM will vote in favour of proposals to abolish “guaranteed bonuses”.
- 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; change his/her position; or is entitled to exercise his/her rights to pension in the near future.

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 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 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 repurchases 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.

Anti-takeover measures

In line with our global policy, 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 - convertible into shares - to existing shareholders. This possibility would make an offer de facto more expensive.
- Authorising the board in advance 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 any 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, submitted to shareholder vote.

Split votes

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

SWITZERLAND

ACTIAM is generally supportive of the 2014 Swiss Code of Best Practice for Corporate Governance and other recognised best practice guidance. ACTIAM welcomes 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 Chairman of the Audit Committee.
- ACTIAM welcomes the requirement that provides that shareholders have to elect, for a one-year term, all board and Compensation Committee members and the Chairman.

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 will normally vote against the remuneration policy and/or incentive plans if material changes have been made without shareholder approval.
- ACTIAM may support grants of shares that are not performance related to non-executive directors, provided the directors are required to retain these shares until the end of their tenure.
- ACTIAM would expect indemnification payments paid to a new hire to compensate her/him 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 to 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; change his/her position; or is entitled to exercise his/her rights to pension in the near future.

Capital-related issues
- 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 a 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 the management members 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 listed equity securities of said company (offeree 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.

UNITED KINGDOM & IRELAND

In the United Kingdom (UK) & Ireland, ACTIAM is supportive of the principles and recommendations set out in the UK Corporate Governance Code, the IMA Principles of Remuneration (UK), the Irish Association of Investment Managers (“IAIM”) Corporate Governance, Share Option and other Incentive Scheme Guidelines, 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 will vote against the annual report and accounts on a case-by-case basis in instances of egregious corporate governance failures.

Corporate boards
- In view of the unitary structure of UK company boards and the market best practice with respect to the board composition, ACTIAM will expect at least half of the board, excluding the Chairman, to be comprised of independent non-executive directors. In smaller companies (i.e. outside 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 determining director independence, ACTIAM will consider the existence of relationships or circumstances that may impede a director’s independence outlined in Section B.1.1 of the UK Corporate Governance Code.

Remuneration
- ACTIAM will normally vote against the remuneration policy and/or incentive plans if material changes have been made without shareholder approval.
- 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 (see Part 1 above)
  - The policy on loss of office payments (see below)
  - The statement of how employment conditions elsewhere in the company have been taken into account
  - 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 (i.e. no bonus payment), unless there are exceptional circumstances which are clearly explained and are considered to be 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 and 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.
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 will support these on a case-by-case basis, taking into account the circumstances of the individual company and the checks and balances offered to shareholders in return.

ACTIAM will support vendor placing proposals where shareholders are offered a right of claw-back 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 share issuance proposals in excess of the limits specified in our global policy on a case-by-case basis.

**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 of directors, 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 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 also comparing the previous year’s fee level to other companies.
- If neither the past or 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.
The ICGN Global Governance Principles (“the Principles”) describe the responsibilities of boards of directors and investors respectively, and aim to enhance dialogue between the two parties. They embody ICGN’s mission to inspire effective standards of governance and to advance efficient markets world-wide. The Principles are the ICGN’s primary standard for well-governed companies and set the framework for a global work programme focused around influencing public policy, connecting peers around the world and informing governance debate.

The combination of responsibilities of boards of directors and investors in a single set of Principles emphasises a mutual interest in protecting and generating sustainable corporate value.

Sustainability implies that the company must manage effectively the governance, social and environmental aspects of its activities as well as financial operations. In doing so, companies should aspire to meet the cost of capital invested and generate a return over and above such capital. This is achievable if the focus on economic returns and strategic planning includes the effective management of company relationships with stakeholders such as employees, suppliers, customers, local communities and the environment as a whole.

First initiated at the founding of the ICGN in 1995, this is the fourth edition of the Principles. They generally reflect the views of the ICGN membership, the majority being institutional investors (asset owners and asset managers) responsible for assets under management in excess of US$26 trillion. The recommendations are therefore substantively developed from an investor perspective, while taking into account other relevant parties including company directors, professional advisors and the standard-setting community.

The Principles apply predominantly to publicly listed companies and set out expectations around corporate governance issues that are most likely to influence investment decision-making. They are also relevant to non-listed companies which aspire to adopt high standards of corporate governance practice. The Principles are relevant to all types of board structure including one-tier and two-tier arrangements. We refer to both non-executive and independent non-executive directors (also known as ‘outside directors’) throughout the Principles. This recognises the different approaches to board composition in various markets and the role of executive officers, non-executive directors and independent non-executive directors. The latter refers to directors who are free from any external relationships which may influence the directors’ judgement.

We refer to the term ‘investor’ throughout the Principles and, more specifically, to institutional investors in Section B who act on behalf of beneficiaries or clients, such as individual savers or pension fund members. This includes collective investment vehicles or asset owners which pool the savings of many (e.g. insurance companies, pension funds, sovereign wealth funds and mutual funds), or asset managers to which such collective vehicles or individuals allocate funds. We note that in controlled companies (where there is a dominant shareholder or block such that they ultimately have the majority power) the governance considerations are primarily concerned with protecting the interests of minority shareholders. In this regard, many of the recommendations in the Principles will apply but others may be less relevant.

We also acknowledge different investment strategies, for example as employed by passive or active funds, and advocate that investors embrace their obligations to act fully aligned in the interests of the company, or as institutional investors, to their beneficiaries or clients, over relevant time-horizons. As such, the Principles set out a series of recommendations on the governance of investors themselves as well as their external stewardship responsibilities related to investee companies.

The Principles are intended to be of general application, irrespective of national legislative frameworks or listing rules. As global recommendations, they should be read with an understanding that local rules and cultural norms may lead to different approaches to governance practices. National codes reflect local standards and explanation is encouraged where there is divergence from the Principles against this framework. Members of the ICGN support the flexible application of these Principles, and therefore the specific circumstances of individual companies, investors and the markets within which they operate should be recognised.

The Global Governance Principles are supplemented by ICGN Guidelines on a range of governance themes which are issued from time to time to elaborate on key concepts and practices. A full list of ICGN Guidelines is provided in Annex 1. Both the Principles and the more specific Guidelines are often used by ICGN members as benchmarks in assessing investee company governance practices, in voting guidelines and are referenced by academia and standard-setters. The recommendations are subject to change in recognition of continually evolving standards and practices and are reviewed at appropriate intervals.
SECTION A: BOARD

1 RESPONSIBILITIES

1.1 DUTIES

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

1.2 RESPONSIBILITIES

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

a) guide, review and approve corporate strategy and financial planning, including major capital expenditures, acquisitions and divestments;

b) monitor the effectiveness of the company’s governance, environmental impacts, and social practices, and adhere to applicable laws;

c) embody high standards of business ethics and oversee the implementation of codes of conduct that engender a corporate culture of integrity;

d) oversee the management of potential conflicts of interest, such as those which may arise around related party transactions;

e) oversee the integrity of the company’s accounting and reporting systems, its compliance with internationally accepted standards, the effectiveness of its systems of internal control, and the independence of the external audit process;

f) oversee the implementation of effective risk management and proactively review the risk management approach and policies annually or with any significant business change;

g) ensure a formal, fair and transparent process for nomination, election and evaluation of directors;

h) appoint and, if necessary, remove the chief executive officer (CEO) and develop succession plans;

i) align CEO and senior management remuneration with the longer term interests of the company and its investors; and

j) conduct an objective board evaluation on a regular basis, consistently seeking to enhance board effectiveness.

1.3 DIALOGUE

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

1.4 COMMITMENT

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

1.5 DIRECTORSHIPS

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

1.6 INDUCTION

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

Committees should be established to deliberate on issues such as audit, remuneration and nomination. Where the board chooses not to establish such committees, the board should disclose the fact and the procedures it employs to discharge its duties and responsibilities effectively.

1.8 ADVICE

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

2 LEADERSHIP AND INDEPENDENCE

2.1 CHAIR AND CEO

The board of directors should have independent leadership. There should be a clear division of responsibilities between the chairmanship of the board and the executive management of the company’s business.

2.2 LEAD INDEPENDENT DIRECTOR

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

2.3 SUCCESION

If, exceptionally, the board of directors decides that a CEO should succeed to become chair, the board should communicate appropriately with investors in advance setting out a convincing rationale and providing detailed explanation in the annual report. Unless extraordinary circumstances exist there should be a break in service between the roles, (e.g. a period of two years).

2.4 EFFECTIVENESS

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

2.5 INDEPENDENCE

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

- is or has been employed in an executive capacity by the company or a subsidiary and there has not been an appropriate period between ceasing such employment and serving on the board;
- is or has within an appropriate period been a partner, director or senior employee of a provider of material professional or contractual services to the company or any of its subsidiaries;
- receives or has received additional remuneration from the company apart from a director’s fee, participates in the company’s share option plan or a performance-related pay scheme, or is a member of the company’s pension scheme;
- has or had close family ties with any of the company’s advisers, directors or senior management;
- holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;
- is a significant shareholder of the company, or an officer of, or otherwise associated with, a significant share-holder of the company;
- is or has been a nominee director as a representative of minority shareholders or the state;
- has been a director of the company for such a period that his or her independence may have become compromised.
2.6 INDEPENDENT MEETINGS

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

3 COMPOSITION AND APPOINTMENT

3.1 COMPOSITION

The board of directors should comprise a majority of non-executive directors, the majority of whom are independent, noting that practice may legitimately vary from this standard in controlled companies where a critical mass of the board is preferred to be independent. There should be a sufficient mix of individuals with relevant knowledge, independence, competence, industry experience and diversity of perspectives to generate effective challenge, discussion and objective decision-making.

3.2 DIVERSITY

There should be a policy on diversity which should include measurable targets for achieving appropriate diversity within its senior management and board (both executive and non-executive) and report on progress made in achieving such targets. Aspects of diversity include gender, nationality, and special skills required by the board.

3.3 TENURE

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

3.4 APPOINTMENT PROCESS

The process for director nomination and election/re-election should be disclosed, along with information about board candidates which includes:

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

3.5 NOMINATIONS

Shareholders should be able to nominate candidates for board appointment. Such candidacies should be proposed to the appropriate board committee and, subject to an appropriate nomination threshold, be nominated directly on the company’s proxy.

3.6 ELECTIONS

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

3.7 EVALUATION

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

3.8 NOMINATION COMMITTEE

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

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

4 CORPORATE CULTURE

4.1 CODES OF CONDUCT/ETHICS

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

4.2 BRIBERY AND CORRUPTION

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

4.3 WHISTLE-BLOWING

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

4.4 POLITICAL LOBBYING

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

4.5 EMPLOYEE SHARE DEALING

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

4.6 BEHAVIOUR AND CONDUCT

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

5.1 PROACTIVE OVERSIGHT

The board of directors should proactively oversee, review and approve the approach to risk management regularly or with any significant business change and satisfy itself that the approach is functioning effectively. Strategy and risk are inseparable and should permeate all board discussions and, as such, the board should consider a range of plausible outcomes that could result from its decision-making and actions needed to manage those outcomes.

5.2 COMPREHENSIVE APPROACH

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

5.3 RISK CULTURE

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

5.4 DYNAMIC PROCESS

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

5.5 RISK COMMITTEE

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

6 REMUNERATION

6.1 ALIGNMENT

Remuneration should be designed to effectively align the interests of the CEO and executive officers with those of the company and its investors. The board is responsible to ensure that remuneration should be reasonable and equitable in both structure and quantum, and should be determined within the context of the company as a whole.

6.2 PERFORMANCE

Performance measurement should integrate risk considerations so that there are no rewards for taking inappropriate risks at the expense of the company and its investors. Performance related elements should be rigorous and measured over timescales, and with methodologies which help ensure that performance pay is directly correlated with sustained value creation. Companies should include provisions in their incentive plans that enable them to withhold the payment of any sum (‘malus’), or recover sums paid (‘clawback’), in the event of serious misconduct or a material misstatement in the company’s financial statements.

6.3 DISCLOSURE

A clear, understandable and comprehensive remuneration policy should be disclosed, which is aligned with the company’s long-term strategic objectives. The remuneration report should also describe how awards granted to individual directors and the CEO were determined and deemed appropriate in the context of the company’s underlying performance in any given year. This extends to noncash items such as director and officer insurance, fringe benefits and terms of severance packages if any.
6.4 **SHARE OWNERSHIP**

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

6.5 **SHAREHOLDER APPROVAL**

Shareholders should have an opportunity to vote on the remuneration policies, particularly where significant change to remuneration structures is proposed or where significant numbers of shareholders have opposed a remuneration resolution. In particular, share-based remuneration plans should be subject to shareholder approval before being implemented.

6.6 **EMPLOYEE INCENTIVES**

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

6.7 **NON-EXECUTIVE DIRECTOR PAY**

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

6.8 **REMUNERATION COMMITTEE**

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

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

7 **REPORTING AND AUDIT**

7.1 **COMPREHENSIVE DISCLOSURE**

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

7.2 **MATERIALITY**

Relevant and material information should be disclosed on a timely basis so as to allow investors to take into account information which assists in identifying risks and sources of wealth creation. Issues material to investors should be set out succinctly in the annual report, or equivalent disclosures, and approved by the board itself.
7.3 **AFFIRMATION**

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

a) be relevant to investment decisions, enabling investors to evaluate risks, past and present performance, and to draw inferences regarding future performance;

b) enable investors, who put up the risk capital, to fulfil their responsibilities as owners to assess company management and the strategies adopted;

c) be a faithful representation of the events it purports to represent;

d) generally be neutral and report activity in a fair and unbiased way except where there is uncertainty. Prudence should prevail that assets and income are not overstated and liabilities and expenses are not understated. There should be substance over form. Any off-balance sheet items should be appropriately disclosed;

e) be verifiable so that when a systematic approach and methodology is used the same conclusion is reached;

f) be presented in a way that enables comparisons to be drawn of both the entity’s performance over time and against other entities; and

g) recognise the ‘matching principle’ which requires that expenses are matched with revenues.

7.4 **SOLVENCY RISK**

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

a) risk in the context of the company’s strategy;

b) risk to returns expected by investors with a focus on key consequences;

c) risk oversight approach and processes;

d) how lessons learnt have been applied to improve future outcomes; and

e) the principal risks to the company’s business model and the achievement of its strategic objectives, including risks that could threaten its viability.

7.5 **NON-FINANCIAL INFORMATION**

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

Such disclosures should:

a) be linked to the company’s business model;

b) be genuinely informative and include forward-looking elements where this will enhance understanding;

c) describe the company’s strategy, and associated risks and opportunities, and explain the board’s role in assessing and overseeing strategy and the management of risks and opportunities;

d) be accessible and appropriately integrated with other information that enables investors to obtain a picture of the whole company;

f) use key performance indicators that are linked to strategy and facilitate comparisons;

g) use objective metrics where they apply and evidence-based estimates where they do not; and

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

7.6 **INTERNAL CONTROLS**

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

The report from the external auditor should provide an independent and objective opinion whether the accounts give a true and fair view of the financial position and performance of the company. The engagement partner should be named in the audit report and the company should publish its policy on audit firm rotation. If the auditor resigns then the reasons for the resignation should be publicly disclosed by the resigning auditor.

7.8 NON-AUDIT FEES

The audit committee should, as far as practicable, approve any non-audit services and related fees provided by the external auditor to ensure that they do not compromise auditor independence. The non-audit fees should be disclosed in the annual report with explanations where appropriate. Non-audit fees should normally be less than the audit fee and, if not, there should be a clear explanation as to why it was necessary for the auditor to provide these services and how the independence and objectivity of the audit was assured.

7.9 AUDIT COMMITTEE

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

This includes:

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

8 GENERAL MEETINGS

8.1 SHAREHOLDER IDENTIFICATION

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

8.2 NOTICE

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

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

8.4 **VOTE MECHANISMS**

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

8.5 **VOTE DISCLOSURE**

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

9 **SHAREHOLDER RIGHTS**

9.1 **SHARE CLASSES**

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

9.2 **MAJOR DECISIONS**

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

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

b) company share repurchases (buy-backs);

c) any new share issues.

The board should be mindful of dilution of existing shareholders and provide full explanations where pre-emption rights are not offered;

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

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

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

9.3 **CONFLICTS OF INTEREST**

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

9.4 **RELATED PARTY TRANSACTIONS**

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

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

a) the identity of the ultimate beneficiaries including, any controlling owner and any party affiliated with the controlling owner with any direct/indirect ownership interest in the company;
b) other businesses in which the controlling shareholder has a significant interest; and
c) shareholder agreements (e.g. commitments to related party payments such as licence fees, service agreements and loans).

**SHAREHOLDER QUESTIONS**

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

**SHAREHOLDER RESOLUTIONS**

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

**SHAREHOLDER MEETINGS**

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

**THRESHOLDS**

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

**EQUALITY AND REDRESS**

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

**RESPONSIBILITIES**

**DUTIES**

Institutional investors, both asset owners and asset managers, should focus on delivering value by promoting and safeguarding the interests of beneficiaries or clients over an appropriate time-horizon. This is often expressed as a fiduciary duty, requiring prudence, care and loyalty on the part of all agents which are subject to such obligations.

Asset owners should actively consider which of their agents should be subject to the strictures of fiduciary duty and if such requirements are not applied what lower standards of behaviour are appropriate. Asset owners cannot delegate their underlying fiduciary duties. Even when they employ agents to act on their behalf, asset owners need to ensure through contracts or by other means that the responsibilities of ownership are appropriately and fully delivered in their interests and on their behalf by those agents, who are to be held to account for doing so.

While different agents in the investment chain play different roles, each should focus on the needs of its beneficiaries or clients such that it is always seeking to deliver value over their required time horizon. Benchmarks for measuring success should be tailored to the needs and risk exposures of beneficiaries or clients, with reporting designed to provide them with an understanding of success toward meeting those needs and managing related risks, in addition (as relevant) to providing applicable market-relative performance metrics.
SECTION B: INSTITUTIONAL INVESTORS

10.4 RESPONSIBILITIES

Asset owners should fully align the interests of their fund managers with their own obligations to beneficiaries by setting out their expectations in fund management contracts (or similar instruments) to ensure that the responsibilities of ownership are appropriately and fully delivered in their interests.

This should include:

a) ensuring that the timescales over which investment risk and opportunity are considered match those of the client;
b) setting out an appropriate internal risk management approach so that material risks are managed effectively;
c) effectively integrating relevant environmental, social and governance factors into investment decisionmaking and ongoing management;
d) aligning interests effectively through appropriate fees and pay structures;
e) where engagement is delegated to the fund manager, ensuring adherence to the highest standards of stewardship recognising a spectrum of acceptable stewardship approaches;
f) ensuring commission processes and payments reward relevant and high quality research;
g) ensuring that portfolio turnover is appropriate, in line with expectations and managed effectively; and
h) providing appropriate transparency such that clients can gain confidence about all these issues.

10.5 REPORTING

Institutional investors should adopt and disclose clearly stated, understandable and consistent policies to guide their approaches to stewardship and voting. Asset owners should report at least annually to those to whom they are accountable on their stewardship policy and its execution. Fund managers and other agents should seek a clear set of objectives and expectations from their clients and beneficiaries, in particular with regard to their investment time-horizon.

10.6 PUBLIC POLICY

Institutional investors should engage as appropriate in the development of relevant public policy and good practice standards and be willing to encourage change where this is deemed helpful by beneficiaries or clients to the delivery of value over appropriate time horizons.

11 LEADERSHIP AND INDEPENDENCE

11.1 OVERSIGHT

Institutional investors should be overseen by boards or other governance structures that act independently and without bias, advancing beneficiary or client interests as their primary obligation. Governing bodies, and where relevant, individuals in a fiduciary position of responsibility for ultimate investors, such as pension fund trustees and representative boards, should be aware of their primary oversight role.

11.2 CONSTITUTION

All decisions should be taken in the interests of the beneficiaries or clients. The governing bodies of investment institutions should therefore have a structure and constitution that reflects this and should be disclosed to beneficiaries and clients, together with explanations as to how such arrangements address alignment with beneficiary interests. They should have mechanisms in place to solicit and receive ongoing feedback from beneficiaries and respond to their concerns.

11.3 REVIEW

Institutional investors should also make use of regular independent reviews of their internal governance structures, and respond to recommendations arising from them, to ensure that they meet expectations of accountability.

11.4 TIME HORIZONS

Governing bodies should clearly understand the objectives of their beneficiaries or clients, communicate such objectives to fund managers and other agents employed, and ensure they are being met. They should oversee the
management of risk and the work of all their agents such that they deliver fully in the interests of the beneficiaries or clients over appropriate time-horizons. In considering what time-horizons are appropriate, institutional investors will need to consider the best interests of their clients and beneficiaries, and any issues of intergenerational fairness between them as well as where the ultimate risk-bearing lies. They should make clear which, if any, public or regulatory authorities have responsibility to monitor and enforce their fiduciary functioning.

11.5 APPOINTMENTS

The way in which individuals are appointed to serve on the governing body should be disclosed to beneficiaries as well as the criteria that are applied to such appointments. Such criteria should always take account of the need for expertise and understanding of the matters for which the governing body is responsible. Governing bodies, particularly of institutional investors where the beneficiaries or clients face the underlying investment risk, should also include representatives of those beneficiaries or clients to build confidence in the collegiality of interests between them. They should reflect the diversity of interests of those whom they represent.

12 CAPACITY

12.1 EXPERIENCE

Institutional investors should be led by governing bodies and staff with the appropriate capacity and experience to oversee effectively and manage all relevant activities in the interests of beneficiaries or clients. Decision-makers along all parts of the investment chain should be appropriately resourced and meet relevant standards of experience and skill in matters subject to deliberation. All should have appropriate training and induction processes made available to them, and should be able to allocate sufficient time both to that training and induction and to ongoing decision-making.

12.2 ADVICE

Governing bodies should have the right to outside advice, independent from any received by the sponsoring body; they need to have the capacity critically and prudently to evaluate any advice received and to take appropriate decisions themselves, not simply defer to that advice. Fund managers and others in a similar agency position should deploy sufficient, qualified resources to deliver properly on clients’ expectations. Institutional investors should be able to justify to beneficiaries or clients specific actions taken on their behalf whether by themselves or by their agents. Institutional investors remain accountable for the delivery of actions even where they have delegated the day-to-day responsibility for carrying them out.

12.3 COLLABORATION

Where an investment institution is not of sufficient scale to have governance structures or internal resources to deliver effective oversight on behalf of beneficiaries or clients, it should consider ways to consolidate, collaborate or build scale such that it is capable of this necessary oversight. This may require dialogue with policymakers and government authorities to facilitate such developments.

13 CONFLICTS OF INTEREST

13.1 POLICIES

Institutional investors should have robust policies to clarify, minimise and help manage conflicts of interest to help ensure that they maintain focus on advancing beneficiary or client interests. In particular, policies should address how matters are handled when the interests of clients or beneficiaries diverge from each other. Any conflict should be promptly disclosed to those to whom the party is immediately accountable in the investment chain.

13.2 COMPLIANCE

Institutional investors should have effective programmes for dealing with compliance matters and should also consider their obligations to beneficiaries or clients in terms of broader ethical considerations. For example, they should manage appropriately and effectively the risks of bribery and corruption, money laundering and other like risks. They should have effective policies to deal with inside information, avoid market manipulation, and foster transparency and fairness in share trade execution and reporting.
**14 REMUNERATION**

**14.1 ALIGNMENT**

Institutional investors should reinforce their obligations to act fully in the interests of beneficiaries or clients by setting fee and remuneration structures that provide appropriate alignment over relevant time-horizons, and communicate this to beneficiaries or clients. In large part this will require the structure for fees paid to parties in the investment chain to be more associated with the long-term perspectives which will generate returns over the time-horizon that beneficiaries or clients are seeking. Collective investment vehicles may also seek transparency of the remuneration structures for individuals within the agents that they hire, in particular to gain assurance that these provide appropriate incentives to those individuals. In particular, they may wish to assure themselves that pay structures for individuals do not inappropriately incentivize risk-taking behaviours.

**14.2 PERFORMANCE**

Consideration should be given to including a long-term performance incentive that reflects long-term investment results or is in the form of an interest in the fund that extends through the period of responsibility for the investments. Good practice is for institutional investors to disclose to their beneficiaries or clients an explanation of how their remuneration structures and performance horizons for individual staff members advance alignment with the interests of beneficiaries or clients. Asset owners may wish to ensure that remuneration frameworks do not unduly constrain their ability to attract and retain well-qualified personnel.

**14.3 CULTURE**

Remuneration plays a crucial role in establishing and maintaining an appropriate culture or ‘investment behaviour’ within an organisation. As such, institutional investors should consider whether pay is adequately aligned with performance, whether there is an appropriate balance between base pay and incentives, and whether the period over which performance is measured is both short term and longer term. Having greater proportions of variable rewards deferred for longer periods of time and subject to performance adjustment mechanisms such as claw-back structures, particularly if the deferred awards are invested alongside beneficiaries or clients, is likely to help instil the right mind-set and culture. These measures are an appropriate context for the delivery of value over time for beneficiaries and clients.

**15 MONITORING**

**15.1 MONITORING APPROACH**

Institutional investors should regularly monitor investee companies in order to assess their individual circumstances, performance and long-term potential, and to consider whether there is value in intervening to encourage change. Investors should be clear what standards they are applying, and how they monitor investee companies.

Monitoring should include:
- maintaining awareness of the company’s ongoing performance, as well as developments within and external to the company that might affect its value and the risks it faces;
- all relevant factors including the company’s approach to environmental and social matters;
- assessing the effectiveness of the company’s governance and leadership;
- considering the quality of the company’s reporting;
- attending relevant meetings with senior company officers and board directors when appropriate; and
- where practicable, attendance at general meetings.

**15.2 COMPANY DIALOGUE**

Institutional investors should seek to identify, as early as possible, any problems that may put significant investment value at risk. If they have concerns they should seek to ensure that the appropriate members of the investee company’s board or management are made aware of them as soon as possible.
Institutional investors should carefully consider explanations given for any departure from relevant corporate governance codes and make reasoned judgements in each case. Where this could lead to a negative vote or an abstention at a general meeting, the investee company’s board should, at least in respect of significant holdings, be contacted to discuss the issue and, if it remains unresolved, notified in writing of the reasons for the decision.

15.4 REVIEW

Institutional investors should periodically measure and review the effectiveness of their monitoring and ownership activities and communicate the results to their clients or beneficiaries. Asset owners should monitor the activities and effectiveness of their fund managers and other agents, holding them to account for delivery of value over time according to relevant mandates.

16 ENGAGEMENT

16.1 PROACTIVE ENGAGEMENT

Institutional investors should engage intelligently and proactively as appropriate with investee companies with the aim of preserving or enhancing value on behalf of beneficiaries or clients. This is particularly constructive in advance of general meetings, to work together to identify agreeable positions and enhance understanding around company strategy, financial performance, risk to long term performance, governance, operations and with respect to social and environmental matters. Engagement is most effective when investors have the adequate knowledge and skills to encourage and effect necessary change.

16.2 MARKET ABUSE

Institutional investors should respect market abuse rules and not seek trading advantage through possession of price-sensitive information when engaging with companies. Where appropriate and feasible, investors should consider formally becoming insiders in order to support a process of longer term change, and the intention whether or not to become insiders should be made clear at the outset of the engagement. Companies should ensure that all sensitive information and decisions resulting from engagement are made public for the benefit of all investors at the appropriate time.

16.3 ENGAGEMENT APPROACH

Institutional investors should have a clear approach to engagement which should be communicated to companies as part of an engagement policy. The spectrum of engagement activities may vary, for example depending on the nature of the investment or the size of shareholding, and this will affect the appropriateness of the engagement approach taken with investee companies. In situations where dialogue is not producing the desired result, additional engagement steps that may be taken by investors include:

a) expressing concerns to corporate representatives or non-executive directors, either directly or in a shareholders’ meeting;
b) expressing their concern collectively with other investors;
c) making a public statement;
d) submitting shareholder resolutions;
e) speaking at general meetings;
f) submitting one or more nominations for election to the board as appropriate and convening a shareholders’ meeting;
g) seeking governance improvements and/or damages through legal remedies or arbitration; and
h) exit or threat of exit from the investment as a last resort.

16.4 COLLECTIVE ENGAGEMENT

Institutional investors should act collectively as appropriate when engaging with investee companies where this would assist in advancing beneficiary or client interest, taking account of relevant law and regulation. Institutional investors should disclose their policy on collective engagement. Investors should not face regulatory barriers to discussions between themselves regarding forthcoming voting decisions or concerning other governance matters. Concert party rules and/or takeover regulations should not prevent investors from sharing perspectives about companies in which they have mutual interests and/or concerns.
17 VOTING

17.1 INFORMED VOTING

Institutional investors should seek to vote shares held and make informed and independent voting decisions at investee companies, applying due care, diligence and judgement. They should have a clear policy on voting made available to investee companies and beneficiaries or clients.

17.2 PROXY VOTING

Institutional investors should disclose the extent to which they use proxy research and voting services, including the identity of the service provider and the degree to which any recommendations are followed. Investors should clearly specify how they wish votes to be cast, noting that they cannot delegate their ownership responsibilities, and should ensure that votes cast by intermediaries are carried out in a manner consistent with their own voting policies.

17.3 VOTE DECISIONS

Institutional investors should seek to reach a clear decision either for or against each resolution or, in specific cases, may wish to abstain. Voting decisions and the rationale taken should be made publicly available in due course and, where a vote is contrary to the company board’s recommended position, should be communicated to the company in advance of the general meeting. Where an institutional investor chooses not to vote in specific circumstances, or in particular markets or where holdings are below a certain scale threshold, this should be disclosed to clients or beneficiaries in a clear policy.

17.4 VOTING RECORDS

Institutional investors should regularly disclose (e.g. quarterly or annually) a summary of their voting activity on a website or other appropriate means and, where possible, their full voting records Voting records should include an indication of whether the votes were cast for or against the recommendations of the company’s board of directors.

17.5 STOCK LENDING

Institutional investors should disclose their approach to stock lending and voting in a clear policy which should clarify the types of circumstances when shares would be recalled to vote. The policy should be communicated to relevant agents in the chain of the vote execution, and, in respect of shares out on loan, to the agent lender.

17.6 Institutional investors should recognise that if shares are lent out, they temporarily lose their voting rights for the duration of the loan because they are no longer the legal owner of those shares (unless contractual arrangements to the contrary are made). In order for the votes to be cast, lent stock must be recalled before the record date declared by the company. In order to preserve the integrity of the shareholders’ meeting it is important that the shares never be borrowed or received as collateral for the primary purpose of voting them.

17.7 The results of stock lending should be transparent to the beneficial owners of shares. The portion of the return from a position due to lending activity should be made known in the regular reports. Similarly, the percentage and number of shares of a given security which were not voted due to stock lending should also be reported to beneficiaries.
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