

# Voting policy at Annual General Meetings

March 2022

## 1 Principles-based exercise of voting rights with efficient implementation

In the analysis process<sup>1</sup> for the voting behaviour at Annual General Meetings (AGMs), Swisscanto Asset Management International S.A. ("Swisscanto") uses the services of an independent, recognised proxy voting adviser and the expertise of its asset managers. This enables Swisscanto, with a high degree of competence and efficiency, to cast all the relevant votes in the domestic and international equity investments in the best interests of our investors. Our proxy voting guidelines and our voting behaviour are published at [swisscanto.com/voting](https://www.swisscanto.com/voting).

## 2 Active and independent exercise of voting rights in investors' interests

Swisscanto invests in equities globally through its investment funds and, responsibly, safeguards shareholders' rights in the interests of its investors. By actively and independently exercising its voting rights, Swisscanto aims to promote and enforcing best-practice corporate governance<sup>2</sup> in accordance with recognised principles and to support sustainability themes at these companies.

With direct equity investments in companies domiciled in Switzerland, Swisscanto exercises its votes comprehensively across all investments.

With direct equity investments in companies domiciled outside Switzerland, Swisscanto exercises its votes at the

shareholder meetings, if the position of the shares held exceed/s the market value<sup>3</sup> of CHF 5 million, respectively.

We cast votes for all share positions held across our fund products<sup>4</sup>, i.e. this includes active<sup>5</sup>, passive and private label fund products.

Below are the key topics of our voting guidelines that Swisscanto uses when exercising the voting rights.

## 3 Continuous improvement in the enterprise value of the equity investments of our investment funds

Sound corporate governance reduces the asymmetry of information between shareholders and the management board (principal-agent problem). This is central to a corporate strategy that aims to secure the going concern and focuses on continuously improving the enterprise value. Swisscanto's proxy voting guidelines and the respective exercise of voting rights is based on Swiss and international corporate governance rules and sustainability standards, which incorporate a comprehensive set of environmental, social and corporate governance (ESG<sup>6</sup>) principles into the decision-making process for our voting behaviour. The guidelines are revised annually together with an independent, recognised proxy voting adviser and our asset managers at Zürcher Kantonalbank.

---

<sup>1</sup> The processes and voting behavior are based on an internal Swisscanto directive and the Swisscanto Sustainability Proxy Voting Guidelines are published at [swisscanto.com/voting](https://www.swisscanto.com/voting).

<sup>2</sup> The proxy voting guidelines take as a reference the "Swiss Code of Best Practice for Corporate Governance" for Swiss companies and "UK Corporate Governance Code" for international companies.

<sup>3</sup> Number of shares held multiplied by the specific share price and forex rate at the record date of the AGM.

<sup>4</sup> Due to the "acting-in-concert" ruling (pursuant to art. 121 FinMIA in connection with art. 12 FinMIO-FINMA) the exercise of voting

rights does not comprise wealth management mandates of Zürcher Kantonalbank.

<sup>5</sup> This voting policy is not applied to our private equity investments, such as Swisscanto Private Equity CH I AG and Swisscanto (CH) Private Equity Switzerland Growth I KmGK.

<sup>6</sup> Aligned towards the 17 "Goals for Sustainable Development" of the resolution "Transformation of our World: Agenda 2030 for Sustainable Development" of the United Nations General Assembly (UN SDGs).

### 3.1 Our behaviour concerning the most important voting items

The following remarks relate to some of the most important agenda items, which are often controversial, and which frequently give Swisscanto cause to vote against the recommendations of the Board of Directors.

#### Dividends

The dividend represents the financial participation of shareholders in the company's earnings and should therefore be distributed to them. In general, Swisscanto votes in favour of a dividend pay-out ratio of at least 30%. Exceptions apply in the case of companies that are in a growth phase and that reinvest their earnings accordingly in the company or use them to reduce debt. In addition, we do not expect a distribution, if the financial situation of the company does not allow it.

#### Compensation

The remuneration system of a company can result in adverse management incentives, which are not in the best interests of the company and the shareholders. For this reason, we focus on sustainable and long-term value generation and take the following into account:

- positive share price performance and dividends (total return) compared to the previous year and
- improvements in return metrics (i.e. ROE / ROIC / EVA, inter alia) over three years.

A relative comparison of these key figures is performed considering listed peers' companies (in the same industry<sup>7</sup>). All these elements are closely related to the fundamental investment process at Swisscanto Invest.

The compensation scheme and related remuneration must be aligned to match the company's performance and should be focused on long-term value creation for shareholders (pay-for-performance). Payments which are guaranteed or subject to a large margin of discretion (incl. excessive earnings management) must be avoided.

The objectives for remuneration should focus on improving the enterprise value and should be made public in a transparent and measurable manner in the remuneration report so that any assessment by shareholders can be made in advance of the shareholder meetings<sup>8</sup>. The Board

of Directors' remuneration should, only include non-variable elements such as monetary payments and share allocations. The remuneration for the executive management primarily should consist of a basic, non-variable remuneration component, a performance-based, short-term component and a long-term component based on an improvement in shareholder value. In addition, a compensation scheme should also include measurable ESG KPIs.

Swisscanto will refuse to re-elect the former members of the Remuneration Committee to this Board, if Swisscanto repeatedly rejects the remuneration or the remuneration report.

#### Board independence

Conflicts of interest may result in decisions being made against the interests of shareholders. The majority of Board of Directors should, in principle, consist of independent members. When casting votes, Swisscanto takes care to ensure that the ratio of non-independent and independent members of the Board of Directors is equal<sup>9</sup>.

An exception is made for listed companies with significant shareholders. In this case, their proportional representation in accordance with their equity stake is consented, if the company has a uniform capital structure and the "one share, one vote" principle is respected.

Provided that shareholder value has been created, we pursue a family-shareholder and founder friendly policy when electing members of the Board of Directors.

#### Diversity of the Board of Directors

In the election of the members of the Board of Directors, attention is paid to professional diversity as well as industry expertise on the Board of Directors. Moreover, Swisscanto supports in the long term an allocation of seats for women of at least 30 % in Swiss Boards of Directors. In the event of a board rotation (i.e. by-elections or complementary election) at least one female candidate should be nominated to the Board of Directors if there is no female board representation so far.

#### Dual mandate

"Checks and balances" are a proven principle for better decision-making and exercising effective control over the

<sup>7</sup> E.g. Global Industry Classification Standard (GICS).

<sup>8</sup> In accordance with the "Swiss Code of Best Practice for Corporate Governance" para. 30 ff.

<sup>9</sup> To ensure the continuity and quorum of the Board of Directors, in general Swisscanto elects a total of at least three of the nominees to the Board of Directors.

management. In general, Swisscanto votes against dual mandates, i.e. those who are nominated as a member of the Board of Directors and who are members of the executive board at the same time.

In exceptional circumstances and on an interim basis, a dual mandate may be approved, e.g. if the company is in financial distress or is in a turnaround situation.

At Swiss and international<sup>10</sup> companies, we vote against the nomination of the former CEO as chairperson of the Board of Directors in cases where no two-year cooling-off period has been respected.

### Discharge

The granting of discharge restricts recourse by the company and shareholders to members of the Board of Directors. Swisscanto therefore refuses to grant discharge in cases of gross misconduct by a member of the Board of Directors or where criminal acts are suspected. The discharge is also refused in the case of significant and repeated earnings adjustments by the management.

### Limited duration of service of the auditing firm

Auditors with a duration of service that is too long can result in a non-critical audit. Swisscanto will therefore reject any vote for the auditor if there has been no auditor rotation for more than 20 years<sup>11</sup>.

### Corporate actions and capital structure

Capital increases without pre-emptive rights for the present shareholders dilute their stakes. Swisscanto votes in favour of a proposed capital increase of up to a maximum of 50% of the existing capital if pre-emptive rights are guaranteed for existing shareholders. Without pre-emptive rights, the upper limit is 10%<sup>12</sup>.

Unequal participation rights mean that certain shareholders receive a disproportionate return in relation to the invested capital. Swisscanto votes against the introduction of share classes with different voting powers and/or other unequal rights.

### Mergers and acquisitions

Acquisitions are part of a dynamic economy but can also lead to large losses. Mergers and acquisitions are assessed on a case-by-case basis. In the first instance, a merger should be strategically appropriate, and the valuation should be reasonable.

### Special cases

There are situations or agenda items in which we deviate from our guidelines based on a case-by-case analysis for reasons that are in the investor's interest, in particular to ensure a continuous improvement in the shareholder value. To be able to protect the investor's interest in the best possible way also in special cases, we rely in our decision-making process on the advice and competence of our asset managers.

## 3.2 Support for sustainability-oriented resolutions<sup>13</sup>

At AGMs, we support resolutions designed to promote best-practice ESG standards in accordance with recognised principles, as long as these are appropriate and sensible for the company's current value creation (along its value chain) or fit to the strategic orientation of the company. Among other things, Swisscanto supports shareholder resolutions that promote, measure and introduce guidelines and reporting with respect to (not conclusive):

- Clear responsibilities in the Board of Directors with regard to ESG topics (e.g. creation of a board committee on ESG/sustainability or naming of a person-related board responsibility for ESG).
- Resolutions that improve transparency and targets on climate issues as well as other ESG issues (e.g. strategy and target for reducing the respective company's greenhouse gas emissions).
- Compensation schemes with ESG KPIs (e.g. medium-term greenhouse gas emission reduction targets as well as other industry-relevant environmental and social KPIs).
- The improvement of human rights standards (e.g. the promotion of fair working conditions and transparency to promote equal pay).

<sup>10</sup> In the proxy voting markets Germany, Austria and the Netherlands a similar cooling-off period is implemented.

<sup>11</sup> The maximum duration will be reduced to 11 years in 2023 (in accordance with EU Regulation 537/2014).

<sup>12</sup> Within the scope of liquidity requirements, such a capital increase can also be approved above 10% of the currently issued capital, if

the company is active in a research-intensive industry and is in an early stage, i.e. the company is not yet generating any earnings.  
<sup>13</sup> Zürcher Kantonalbank is signatory to the Principles for Responsible Investment (UN PRI) since 2009.

- The protection of biodiversity and related data generation.
- The responsible handling of resources (e.g. improving resource efficiency or the promotion of renewable energy and recycling).
- The promotion of data privacy.
- Improving product safety and compatibility.
- The promotion of best-practice for corporate governance (e.g. increasing the transparency of remuneration: pay-for-performance).
- The avoidance of conflicts of interest (e.g. disclosure of political contributions).

#### **4 Transparency and information for investors on voting behaviour**

The Swisscanto Sustainability Proxy Voting Guidelines are available at [swisscanto.com/voting](https://www.swisscanto.com/voting). After an AGM, our actual voting behaviour is also disclosed on this page.

#### **Contact**

Swisscanto Asset Management International S.A.  
19, rue de Bitbourg  
L-1273 Luxembourg

Requests concerning our voting policy and voting behaviour (investors) should be directed to:

[voting@swisscanto.ch](mailto:voting@swisscanto.ch)