Swisscanto
Asset Management
International S.A.

Swisscanto Sustainability Proxy Voting Guidelines

For Swiss and International Companies
1. January 2026

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Introduction

These proprietary Swisscanto Sustainability Proxy Voting Guidelines (hereafter "**Guidelines**") are valid for Swiss and international companies[1] and take into account emerging issues and trends on environmental, social, and corporate governance (ESG) topics, market standards or regulations, and client feedback. Swisscanto developed these Guidelines in collaboration with ISS, a renowned and independent external proxy adviser, and they are informed by five main factors:

- Global governance standards, such as those defined by the Organisation for Economic Co-operation and Development (OECD), the International Corporate Governance Network (ICGN), the United Nations Sustainable Development Goals (UN SDGs), the UN Principles for Responsible Investment (UNPRI), the Global Reporting Initiative (GRI), the Carbon Principles, the International Labour Organization Conventions (ILO), the CERES Principles, the Global Sullivan Principles, and the MacBride Principles.
- Local regulation and soft regulation, such as Codes of Best Practices and Stewardship Codes.
- Local market practices, regulations, and other market-specific factors.
- Input from other market constituents.

These Guidelines aim to support institutional investors in fulfilling their fiduciary duties by promoting long-term shareholder value creation, risk mitigation, and responsible corporate governance.

The ultimate decision remains with Swisscanto. As a consequence, Swisscanto may make individual, divergent voting decisions if company-specific circumstances or local regulatory requirements necessitate it, in order to best safeguard the interests of investors and shareholder value.

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[1] For shareholder meetings of publicly traded U.S.-incorporated companies, further market specific guidelines are applied: https://www.issgovernance.com/file/policy/active/specialty/Sustainability-US-Voting-Guidelines.pdf

1 Operational Items

1.1 Financial Results/Director and Auditor Reports

Policy Recommendation: Vote for approval of financial statements and director and auditor reports, unless:

- There are concerns about the accounts presented or audit procedures used; or
- The company is not responsive to shareholder questions about specific items that should be publicly disclosed

1.2 Approval of Non-Financial Information Statement/Report

Policy Recommendation: Generally, vote for the approval of mandatory non-financial information statement/report, unless the independent assurance services provider has raised material concerns about the information presented.

Additional Policy Recommendation: For **Switzerland**, vote AGAINST non-financial information statement/report, if

- **The non-financial reporting is not audited and reflecting a non-binding item on the meeting agenda**;
- the company has not declared a target of Net Zero by 2050 or sooner and the target does not include scope 1, 2 and the most relevant scope 3 emissions and/or the company is not taking the steps needed to be aligned with a Net Zero by 2050 trajectory (**e.g. SBTI et al**);
- the report lacks quantitative measures and targets on material ESG topics, particularly where they relate to remuneration;
- significant ESG controversies are not published (**subject to a case-by-case analysis**);
- the **non-financial report** does **not fulfil the TCFD** and/or Swiss legal requirements (**foremost Art. 964b OR**).

1.3 Appointment of Auditors and Auditor Fees

Policy Recommendation: Generally, vote for proposals to (re)appoint auditors and/or proposals authorizing the board to fix auditor fees, unless:

- The name of the proposed auditors has not been published;
- There are serious concerns about the effectiveness of the auditors;
- The lead audit partner(s) has been linked with a significant auditing controversy;
- There is reason to believe that the auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position;
- The lead audit partner(s) has previously served the company in an executive capacity or can otherwise be considered affiliated with the company;
- The auditors are being changed without explanation; or
- Fees for non-audit services exceed either 100 percent of standard audit-related fees or any stricter limit set in local best practice recommendations or law; or
- Audit fees are undisclosed.
- For Continental Europe, the auditor has been engaged for more than 10 years without a public tender, or for more than 20 years (24 years in case of a joint audit) following a public tender after 10 years, for companies listed on a regulated market.[2] A public commitment to conduct a tender process will be considered a mitigating factor.

In circumstances where fees for non-audit services include fees related to significant one-time capital structure events, such as initial public offerings, bankruptcy emergence, and spinoffs; and the company makes public disclosure of the amount and nature of those fees which are an exception to the standard "non-audit fee" category, then such fees may be excluded from the non-audit fees considered in determining the ratio of non-audit to audit fees.

[2] Applicable from Feb. 1, 2026.

For concerns relating to the audit procedures, independence of auditors and their tenure, and/or name of auditors, the Sustainability policy will focus on the auditor election and/or the audit committee members. For concerns relating to fees paid to the auditors, the Sustainability policy will focus on remuneration of auditors if this is a separate voting item, otherwise the Sustainability policy would focus on the auditor election.

Additional Policy Recommendation: Vote against for the re-election of auditors and/or proposals authorizing the board to fix auditor fees, if:

– the auditor has been engaged for more than 10 years without a public tender, or for more than 20 years (24 years in case of a joint audit) following a public tender after 10 years, for companies listed on a regulated market. A public commitment to conduct a tender process will be considered a mitigating factor.[3]

1.4 Appointment of Internal Statutory Auditors

Policy Recommendation: Vote for the appointment or re-election of statutory auditors, unless:

– There are serious concerns about the statutory reports presented or the audit procedures used;
– Questions exist concerning any of the statutory auditors being appointed; or
– The auditors have previously served the company in an executive capacity or can otherwise be considered affiliated with the company.

1.5 Allocation of Income

Policy Recommendation: Vote for approval of the allocation of income, unless:

– The proposed dividend payout ratio is below 30 percent without adequate explanation; or
– The payout is excessive given the company's financial position.

Additional Policy Recommendation: Vote for the approval of the allocation of income irrespective of any threshold in terms of dividend payout ratio:

– If the subject is a growth company (e.g. constituent of a growth index)
– If that company uses its free cash flow or net income to pay down debt in order to improve its financial position or to decrease its leverage. A case-by-case analysis is required in this event

1.6 Stock (Scrip) Dividend Alternative

Policy Recommendation: Vote case-by-case on stock (scrip) dividend proposals, considering factors such as:

– Whether the proposal allows for a cash option; and
– If the proposal is in line with market standards.

1.7 Amendments to Articles of Association

Policy Recommendation: Vote amendments to the articles of association on a case-by-case basis.
If a restriction is introduced through an amendment to the articles of association, vote against it.

[3] In accordance with Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities.

1.8 Virtual Meetings (UK/Ireland, Japan, Australia, and Europe)

Policy Recommendation: Generally, vote for proposals allowing for the convening of hybrid[4] shareholder meetings.

Vote case-by-case on proposals concerning virtual-only meetings[5], considering:

- Whether the company has committed to ensuring shareholders will have the same rights participating electronically as they would have for an in-person meeting;
- Assurance that a virtual-only meeting will only be convened in the case of extraordinary circumstances that necessitate restrictions on physical attendance;
- The use of past authorizations to hold virtual-only meetings and the accompanying rationale for doing so;
- In-person or hybrid meetings are not precluded;
- Whether an authorization is restricted in time or allows for the possibility of virtual-only meetings indefinitely; and
- Local laws and regulations concerning the convening of virtual meetings.

1.9 Change in Company Fiscal Term

Policy Recommendation: Vote for resolutions to change a company's fiscal term unless a company's motivation for the change is to postpone its AGM.

1.10 Lower Disclosure Threshold for Stock Ownership

Policy Recommendation: Vote against resolutions to lower the stock ownership disclosure threshold below 5 percent unless specific reasons exist to implement a lower threshold.

1.11 Amend Quorum Requirements

Policy Recommendation: Vote proposals to amend quorum requirements for shareholder meetings on a case-by-case basis.

1.12 Transact Other Business

Policy Recommendation: Vote against other business when it appears as a voting item.

[4] The phrase "hybrid shareholder meeting" refers to an in-person meeting in which shareholders are also permitted to participate online.
[5] The phrase "virtual-only shareholder meeting" refers to a meeting of shareholders that is held exclusively through the use of online technology without a corresponding in-person meeting.

2 Board of Directors

2.1 Director Election

Policy Recommendation: Vote for management nominees in the election of directors, unless:

- Adequate disclosure has not been provided in a timely manner;
- There are clear concerns over questionable finances or restatements;
- There have been questionable transactions with conflicts of interest;
- There are any records of abuses against minority shareholder interests; or
- The board fails to meet minimum corporate governance standards
- There are specific concerns about the individual, such as criminal wrongdoing or breach of fiduciary responsibilities; or
- Repeated absences at board and key committee[6] meetings have not been explained (in countries where this information is disclosed).

Vote for employee and/or labor representatives if they sit on either the audit or compensation committee and are required by law to be on those committees. Vote against employee and/or labor representatives if they sit on either the audit or compensation committee, if they are not required to be on those committees.

Additional Policy Recommendation: For Switzerland, if adequate public disclosure has not been provided in a timely manner, classify a management nominee using the classification rules in section 2.2 and based on the Director's information published by the company (such as the annual report).

2.1.1 Diversity

Generally, vote against or withhold from the chair of the nominating committee if the board lacks at least one director of an underrepresented gender identity.

- For **Japan**, if the company has an audit-committee-board structure or a traditional two-tier board structure as opposed to three committees, vote against incumbent representative directors if the board lacks at least one director of an underrepresented gender identity.
- For **Malaysia** and **New Zealand**, vote against or withhold from incumbent members of the nominating committee if the board is not comprised of at least 30 percent underrepresented gender identities.
- For **India**, vote against or withhold from the incumbent nominating committee chair if the board lacks at least one independent director of an underrepresented gender identity.
- For **Canada**, vote against or withhold from the chair of the nominating committee if:
  - the board is not comprised of at least 30 percent underrepresented gender identities; or
  - the board lacks at least one racially or ethnically diverse director.
- For the **UK** and **Ireland**, generally vote against or withhold from the incumbent chair of the nominating committee, if:
  - the board is not comprised of at least 40 percent underrepresented gender identities; or
  - the board lacks at least one racially diverse director;
  - the company does not have at least one gender-diverse director in a senior management position (CEO, CFO, Board Chair, or Senior Independent Director).
- For **Australia**, vote against or withhold from the chair of the nominating committee if the board is not comprised of at least 30 percent underrepresented gender identities.

[6] Key committees are usually the ones performing the functions of audit, remuneration, governance, and nomination (plus risk for financial institutions).

– For **Continental European** markets, generally vote against or withhold from incumbent members of the nominating committee if the board is not comprised of at least 40 percent underrepresented gender identities.
– Vote against or withhold from other director nominees on a case-by-case basis.

Additional Policy Recommendation: Swisscanto supports a 30 percent quota of female directors in Swiss from the beginning of 2026 at the latest (in line with the Swiss regulation). While aknowledging the issuers efforts to such a quota, Swisscanto promotes and supports any resolutions where at least one female director is being elected to the board for the time being.

For **Switzerland**, if the board does not comprise any female directors and should there be no female candidate up for election in the event of a board rotation (by-election) or complementary election of board members, we vote AGAINST:

– the respective new[7] male candidate to the board; and
– if the chairperson below is up for election in a separate resolution only (i.e. two separate agenda items as chairperson and regular board member):
  – the responsible chairperson of the related board committee (normally the nomination/renumeration committee) in his/her capacity as chairperson and member of that committee; or
  – the chairperson of the board of directors (in case no related board committee is respsonible).

Comprehensive justifications ("comply or explain") by issuers for an exception to this rule can only be taken into account in a case-by-case analysis, if they are publicly available and have been published timely (well in advance of general meetings). An exemption to this gender diversity rule may only be granted if the new candidate represents a significant shareholder (i.e. we would not vote against this shareholder or shareholder representative, but AGAINST another male candidate); if the issuer can explain the rationale for the candidacy by disclosing timely the share participation and representation. Swisscanto supports gender diversity in boards and among significant shareholders.

Additional Policy Recommendation: For **United States**, vote against or withhold from the new candidate of the overrepresented gender identity and the chair of the nominating committee if the board is not comprised of at least 30 percent underrepresented gender identities.

2.1.2 Material ESG Failures

Vote against or withhold from directors individually, on a committee, or potentially the entire board due to:

– Material failures of governance, stewardship, risk oversight8, or fiduciary responsibilities at the company, including failure to adequately manage or mitigate environmental, social and governance (ESG) risks;
– A lack of sustainability reporting in the company's public documents and/or website in conjunction with a failure to adequately manage or mitigate ESG risks;
– Failure to replace management as appropriate;
– Egregious actions related to the director(s)' service on the boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company.

[7] The new candidate did not serve the respective board so far.
[8] Examples of failure of risk oversight include, but are not limited to: bribery; large or serial fines or sanctions from regulatory bodies; significant environmental incidents including spills and pollution; large scale or repeat workplace fatalities or injuries; significant adverse legal judgments or settlements; hedging of company stock; or significant pledging of company stock.

For director elections, Sustainability Advisory Services will also take into consideration market-specific provisions which are listed below.

2.1.3 Climate Risk Mitigation and Net Zero

For companies that are significant greenhouse gas (GHG) emitters[9], through their operations or value chain, generally vote against or withhold from the incumbent chair of the responsible committee (or other directors on a case-by-case basis) in cases where Sustainability Advisory Services determines that the company is not taking the minimum steps needed to be aligned with a Net Zero by 2050 trajectory.

The minimum steps needed to be considered to be aligned with a Net Zero by 2050 trajectory are (all minimum criteria will be required to be in alignment with policy):

- Detailed disclosure of climate-related risks, such as according to the framework established by the Task Force on Climate-related Financial Disclosures (TCFD), including:
  - Board governance measures;
  - Corporate strategy;
  - Risk management analyses; and
  - Metrics and targets.

- The company has declared a target of Net Zero by 2050 or sooner and the target includes scope 1, 2, and relevant scope 3 emissions.
- The company has set a medium-term target for reducing its GHG emissions.

2.1.4 Canadian Guidelines

Board Structure and Independence (TSX)

Vote withhold for any Executive Director or Non-Independent, Non-Executive Director where:

- The board is less than majority independent; or
- The board lacks a separate compensation or nominating committee

Non-Independent Directors on Key Committees (TSX)

Vote withhold for members of the audit, compensation, or nominating committee who:

- Are Executive Directors;
- Are Controlling Shareholders; or
- Is Non-employee officer of the company or its affiliates if he/she is among the five most highly compensated

Non-Independent Directors on Key Committees-TSX-V

Vote withhold for Executive Directors, Controlling Shareholders or a Non-employee officer of the company or its affiliates if he/she is among the five most highly compensated who:

- Are members of the audit committee;
- Are members of the compensation committee or the nominating committee and the committee is not majority independent; or
- Are board members and the entire board fulfills the role of a compensation committee or a nominating committee and the board is not majority independent.

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[9] Companies defined as "significant GHG emitters" are those on the Climate Action 100+ Focus Group list.

Overboarding-TSX and Venture-Listed

Generally, vote withhold for individual director nominees who:

- Are non-CEO directors and serve on more than five public company boards; or
- Are CEOs of public companies who serve on the board of more than two public company besides their own – withhold only at their outside boards.[10]

Transitioning directors

It is preferable for a director to step down from a board at the annual meeting to ensure orderly transitions, which may result in a director being temporarily overboarded (e.g. joining a new board in March but stepping off another board in June). Sustainability Advisory Services will generally not count a board for policy application purposes when it is publicly-disclosed that the director will be stepping off that board at its next annual meeting. This disclosure must be included within the company's proxy circular to be taken into consideration. Conversely, Sustainability Advisory Services will include the new boards that the director is joining even if the shareholder meeting with his or her election has not yet taken place.

Externally-Managed Issuers (EMIs) – TSX and TSXV

Vote case-by-case on say-on-pay resolutions where provided, or on individual directors, committee members, or the entire board as appropriate, when an issuer is externally-managed and has provided minimal or no disclosure about their management services agreements and how senior management is compensated. Factors taken into consideration may include but are not limited to:

- The size and scope of the management services agreement;
- Executive compensation in comparison to issuer peers and/or similarly structured issuers;
- Overall performance;
- Related party transactions;
- Board and committee independence;
- Conflicts of interest and process for managing conflicts effectively;
- Disclosure and independence of the decision-making process involved in the selection of the management services provider;
- Risk mitigating factors included within the management services agreement such as fee recoupment mechanisms;
- Historical compensation concerns;
- Executives' responsibilities; and
- Other factors that may reasonably be deemed appropriate to assess an externally-managed issuer's governance framework.

Unilateral Adoption of an Advance Notice Provision

For Canadian companies, generally withhold from individual directors, committee members, or the entire board as appropriate in situations where an advance notice policy has been adopted by the board but has not been included on the voting agenda at the next shareholders' meeting.

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[10] Although a CEO's subsidiary boards will be counted as separate boards, do not recommend a withhold vote for the CEO of a parent company board or any of the controlled (>50 percent ownership) subsidiaries of that parent, but may do so at subsidiaries that are less than 50 percent controlled and boards outside the parent/subsidiary relationship.

Continued lack of shareholder approval of the advanced notice policy in subsequent years may result in further withhold recommendations.

2.1.5 European Guidelines

In **European markets**, Sustainability Advisory Services looks at a different set of factors to make determinations regarding director elections. The following factors are taken into account:

Director Terms

For **Belgium**, **France**, **Greece**, **Netherlands**, **Spain**, and **Switzerland**, vote against the election or re-election of any director when his/her term is not disclosed or when it exceeds four years and adequate explanation for non-compliance has not been provided. In these markets, the maximum board terms are either recommended best practice or required by legislation. Under best practice recommendations, companies should shorten the terms for directors when the terms exceed the limits suggested by best practices. The policy will be applied to all companies in these markets, for bundled as well as unbundled items.

For general meetings held on or after Feb. 1, 2021, the above policy will be applied to all European companies, for bundled as well as unbundled items.

Beyond that, as directors should be accountable to shareholders on a more regular basis, the Sustainability policy may consider moving to maximum board terms of less than four years in the future.
Vote against article amendment proposals to extend board terms. In cases where a company's articles provide for a shorter limit and where the company wishes to extend director terms from three or fewer years to four years, for example, the Sustainability policy will recommend a vote against, based on the general principle that director accountability is maximized by elections with a short period of renewal.

Bundling of Proposals to Elect Directors

Bundling together proposals that could be presented as separate voting items is not considered good market practice, because bundled resolutions leave shareholders with an all-or-nothing choice, skewing power disproportionately towards the board and away from shareholders. As director elections are one of the most important voting decisions that shareholders make, directors should be elected individually.

For the markets of **Bulgaria, Croatia, Czech Republic, Estonia, France, Germany, Hungary, Latvia, Lithuania, Poland**[11]**, Romania, Slovakia, Slovenia** and **Spain**, vote against the election or re-election of any directors if the company proposes a single slate of directors.

Board Independence

Widely-held companies

A. Non-controlled companies

Generally, vote against the election or reelection of any non-independent directors (excluding the CEO) if:

1. Fewer than 50 percent of the board members elected by shareholders – excluding, where relevant, employee shareholder representatives – would be independent; or

[11] Bundled director elections in Poland may be supported for companies that go beyond market practice by disclosing the names of nominees on a timely basis.

2. Fewer than one-third of all board members would be independent.

Portugal is excluded from Provision (1.) in the above-mentioned voting policy.

B. Controlled companies

Generally, vote against the election or reelection of any non-independent directors (excluding the CEO) if less than one-third of the board members are independent.

Non-widely held companies

Generally, vote against the election or reelection of any non-independent directors (excluding the CEO) if less than one-third of the board members are independent.

Definition of terms

'Widely-held companies' are determined based on their membership in a major index and/or the number of Sustainability Advisory Services clients holding the securities. For Sweden, Norway, Denmark, and Finland, this is based on membership on a local blue chip market index and/or either the Nasdaq Nordic Large Cap list or Oslo Børs Benchmark GI index.

A company is considered to be controlled for the purposes of the above-mentioned voting policies if a shareholder, or multiple shareholders acting in concert, control a majority of the company's equity capital (i.e. 50 percent + one share). If a company is majority-controlled by virtue of a shareholder structure in which shareholders' voting rights do not accrue in accordance with their equity capital commitment (e.g. unequal or multi-class share structures), the company will not be classified as controlled unless the majority shareholder/majority shareholding group also holds a majority of the company's equity capital

Additional Policy Recommendation:

If a company is

- family-controlled
- and/or has a majority (i.e. 50 percent + 1 share or more of the company's equity capital)
- and/or significant (i.e. between 10 and 50 percent of the company's equity capital and publicly disclosed) shareholder
- and if the principle of "one-share, one-vote" is respected
- and if the company has a single-class capital structure in place (Swisscanto actively supports a single-class capital structure);

then a controlling/majority/significant shareholder-representation rule will be applied to board elections or re-elections that is proportionate to the economic interest of the controlling family or majority/significant shareholder. **A controlling/majority/significant equity stake is defined based on economic interest and not voting power.**

The following rules apply to board independence criteria and board elections or re-elections for this additional policy recommendation, the prioritisation takes place the following way (from 1. to 3.):

1. Vote against the election or re-election of any non-independent non-executive directors, if the board will be less than 50 percent independent. Vote also against the election or re-election of any non-independent director (including the CEO or any other executive director) if the board will be less than one third independent. However, support the election or re-election of non-independent directors acting as shareholder representatives by considering the additional rules (points 2-3). In case of any imbalance of economic interest and board

representation manifested by overrepresentation of controlling/majority/significant shareholders by the proposed candidates, adopt the following rules proportionally.
2. Generally, support the election or re-election of non-independent directors appointed by a majority (controlling) shareholder (or a group of shareholders acting collectively) up to a maximum of his/her/their economic interest (while applying mathematical rounding rules).
3. Generally, support the election or re-election of non-independent directors appointed by each main (significant) shareholder, i.e., which control at least 10 percent of the company's equity capital, up to a maximum of his/her/their economic interest (while applying mathematical rounding rules).

In general, if any other rule within this additional policy recommendation would lead to an adverse vote on the election and/or re-election of any board member (including the chairperson of the board or the CEO), then this other rule (outside this additional policy recommendation) will be applied irrespective of the above additional criteria.

Additional specification: If a significant shareholder proposes more directors for election or re-election to the board than its economic interest would 'allow', then the following rules apply as well:
Vote against the additional (newly) proposed director by the significant shareholder, unless

a. The newly proposed candidate is the founder or the main/significant shareholder itself. In such a case, support the election of the founder or the main/significant shareholder and vote against the former incumbent director or newly proposed candidate, who is (re-)proposed by the significant shareholder and who possesses the lowest 'industry specific competencies'.
b. The company's (EPS, ROE) or share price performance (TSR) has been negative over the last 3 years. In such a case, support the election of the newly proposed candidate and vote against the former incumbent director, who is re-proposed by the significant shareholder and who possesses the 'lowest industry specific competencies'.

The 'industry specific competencies' will be analysed on a case-by-case basis.
In Switzerland, in case of insufficient board independence, Swisscanto will support the election of a number of non-independent members equal to the number of independent members. In order to determine the non-independent board members whose election or re-election on the board will be supported, Swisscanto will examine each candidature on a case-by-case basis and will consequently generally vote in favour of:

– The non-independent director who is the founder or a representative of the founder/founding family of the company, a significant shareholder or a representative of a significant shareholder of the company;
– The incumbent non-independent board members with the highest industry specific competencies, provided that the company has generated shareholder value for the year under review;
– The new non-independent board members, possessing the highest industry specific competencies. The total number of directors (both non-independent and independent) that will always be supported will never be lower than 3.

Disclosure of Nominee Names

Vote against the election or re-election of any and all director nominees when the names of the nominees are not available at the time the proxy analysis is being written. This policy will be applied to all companies in these markets, for bundled and unbundled items.

Combined Chairperson/CEO

Generally, vote against the (re)election of combined chair/CEOs at widely held companies.

When the company provides assurance that the chair/CEO would only serve in the combined role on an interim basis (no more than two years), the vote recommendation would be made on a case-by-case basis.

In the above-mentioned situation, Sustainability Advisory Services will consider the rationale provided by the company and whether it has set up adequate control mechanisms on the board (such as a lead independent director, a high overall board independence, and a high level of independence on the board's key committees).

Election of Former CEO as Chairperson of the Board

Generally vote against the (re)election of a former CEO to the supervisory board or board of directors in **Austria**, **Germany**, and the **Netherlands**, if the former CEO is to be chair of the relevant board. To this end, companies are expected to confirm prior to the general meeting that the former CEO will not be (re)appointed as chair of the relevant board.

Given the importance of board leadership, Sustainability Advisory Services, may consider that the chair of the board should be an independent non-executive director according to Sustainability Advisory Services' Classification of Directors.

Additional Policy Recommendation: In Switzerland, we generally consider the official publication of the function in the Swiss commercial register with regards to the BoD classification (executive / non-executive).

Additional Policy Recommendation: In Switzerland, vote AGAINST the former CEO proposed to be elected as the board's chairperson, if there is no cooling-off period of at least two years between.

Additional Policy Recommendation: If a company has a dual board structure and if a CEO or any other executive is also proposed as "regular" member of the board of directors for election and/or re-election, generally this will result in an adverse voting recommendation against this proposed candidate. In order to better respect the check and balance principle at Swiss companies, generally vote against the election or re-election of any executive director to the board of directors. For other markets, apply this rule accordingly as indicated by the associated legal framework (in case of a clear two-tier or dual board structure this rule is being applied). In exceptional circumstances, the vote recommendation would be made on a case-by-case basis.
Exception: In Switzerland, Swisscanto will:

- support the election of executive directors (but NOT the election of a combined Chair/CEO) if the company is in a turnaround situation.
- support the election of executive directors, including a combined Chair/CEO if the company has generated positive shareholder value and at the same time the company is not a constituent of the Swiss Market Index (SMI), and the nominee is a founder or a member of the founding family, or a (representative of) significant shareholder, or the company operates in a research-intensive sector.

Overboarded Directors

In **Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Italy, Luxembourg, Malta, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, and Switzerland**, recommend a vote against a candidate when they hold an excessive number of board appointments, as referenced by the more stringent of the provisions prescribed in local law or best practice governance codes, or the following guidelines:

- Any person who holds more than five mandates at listed companies will be classified as overboarded. For the purposes of calculating this limit, a non-executive directorship counts as one mandate, a non-executive chairpersonship counts as two mandates, and a position as executive director (or a comparable role) is counted as three mandates.

– Also, any person who holds the position of executive director (or a comparable role) at one company and serves as a non-executive chairperson at a different company will be classified as overboarded.

Additional Policy Recommendation:
For **Switzerland**, do not vote against the overboarded director if they are significant shareholder[12]/founder of the company, or the chair of the company.

CEOs and Board Chairs

An adverse vote recommendation will not be applied to a director within a company where they serve as CEO; instead, any adverse vote recommendations will be applied to their additional seats on other company boards. For chairs, negative recommendations would first be applied towards non-executive, non-chair positions held, but the chairpersonship position itself would be targeted where they are being elected as chairperson for the first time or, when in aggregate their chair positions are three or more in number, or if the chairperson holds an outside executive position.

Additional Policy Recommendation: If a candidate holds an excessive number of board appointments, then, as part of an overall assessment, approval or prioritisation is given for those mandates in which the candidate is or represents a significant shareholder.

One Board Seat per Director

In cases where a director holds more than one board seat on a single board and the corresponding votes, manifested as one seat as a physical person plus an additional seat(s) as a representative of a legal entity, vote against the election/reelection of such legal entities and in favor of the physical person.

However, an exception is made if the representative of the legal entity holds the position of CEO. In such circumstances, the Sustainability policy will typically recommend a vote in favor of the legal entity and against the election/reelection of the physical person.

While such occurrences are rare, there have been cases where a board member may have multiple board seats and corresponding votes. Holding several board seats concurrently within one board increases this person's direct influence on board decisions and creates an inequality among board members.

This situation has manifested in Belgium, Luxembourg, and France. This is not a good corporate governance practice, as it places disproportionate influence and control in one person.

Composition of Committees

For **Audit Committees** at widely-held companies, generally vote against the (re)election of any non-independent members of the audit committee if: fewer than 50 percent of the audit committee members, who are elected by shareholders in such capacity or another - excluding, where relevant, employee shareholder representatives - would be independent.

Generally, vote against the election or reelection of the non-independent member of the audit committee designated as chairperson of that committee.

[12] Owns direct or indirect at least 10 percent of the company's equity capital.

Additional Policy Recommendation:
For **Switzerland**, at least half of the Audit Committee must be composed of independent members. If there are dismissals from the board of directors, the following cascade applies:
1. The non-independent Audit Committee member who is not a significant shareholder[13]/founder must be voted out.
2. The non-independent Audit Committee member who is not a financial expert must be voted out.

For **Remuneration Committees** at widely-held companies, generally vote against the (re)election of any non-independent members of the remuneration committee if fewer than 50 percent of the remuneration committee members, who are elected by shareholders in such capacity or another - excluding, where relevant, employee shareholder representatives - would be independent.

Unequal Voting Rights

For meetings held on or after Feb. 1, 2024, at widely-held companies, generally vote against directors or against the discharge of (non-executive) directors, if the company employs a stock structure with unequal voting rights[14]. Vote recommendations will generally be directed against the nominees primarily responsible for, or benefiting from, the unequal vote structure.

Exceptions to this policy will generally be limited to:
- Newly-public companies[15] with a sunset provision of no more than seven years from the date of going public;
- Situations where the unequal voting rights are considered de minimis[16]; or
- The company provides sufficient protections for minority shareholders, for example such as allowing minority shareholders a regular binding vote on whether the capital structure should be maintained or a commitment to abolish the structure by the next AGM.

Additional Policy Recommendation: If the same individual is submitted to shareholder vote on the same agenda both as a board member and board committee member and the application of the Swisscanto Sustainability Proxy Voting Guidelines results in a vote against the election of the candidate in his/her capacity as a board member, vote against the election of the same individual in his/her capacity as a committee member.

Additional Policy Recommendation: Vote against the re-election of incumbent members of the remuneration committee in case the election of members of the remuneration committee is taking place as a separate vote and at the same time the company's remuneration report or any other executive remuneration related proposal for the last three fiscal years is being opposed.

Voto di Lista (Italy)

In Italy, director elections generally take place through the voto di lista mechanism (similar to slate elections). Since the Italian implementation of the European Shareholder Rights Directive (effective since Nov. 1, 2010), Italian issuers whose shares are listed on the Italian regulated market Euronext Milan must publish the various lists 21 days in advance of the meeting.

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[13] Owns direct or indirect at least 10 percent of the company's equity capital.
[14] This generally includes classes of common stock that have additional votes per share than other shares; classes of shares that are not entitled to vote on all the same ballot items or nominees; or stock with time-phased voting rights ("loyalty shares" or "double-voting" shares).
[15] Newly-public companies generally include companies that emerge from bankruptcy, SPAC transactions, spin-offs, direct listings, and those who complete a traditional initial public offering.
[16] Distortion between voting and economic power does not exceed 10 percent, where this is calculated relative to the entire share capital for multiple share classes and on individual shareholder or concert level in case of loyalty share structures.

Since shareholders only have the option to support one such list, where lists are published in sufficient time, the Sustainability policy will recommend a vote on a case-by-case basis, determining which list of nominees it considers is best suited to add value for shareholders.

Those companies that are excluded from the provisions of the European Shareholder Rights Directive generally publish lists of nominees seven days before the meeting. In the case where nominees are not published in sufficient time, Sustainability will recommend a vote against the director elections before the lists of director nominees are disclosed. Once the various lists of nominees are disclosed, the Sustainability policy will issue an alert to its clients and, if appropriate, change its vote recommendation to support one particular list.

The Florange Act (France)- Double Voting Rights

For French companies that:

- Did not have a bylaw allowing for double voting rights before the enactment of the Law of 29 March 2014 (Florange Act); and
- Do not currently have a bylaw prohibiting double-voting rights; and either
  - Do not have on their ballot for shareholder approval a bylaw amendment to prohibit double-voting, submitted by either management or shareholders; or
  - Have not made a public commitment to submit such a bylaw amendment to shareholder vote before April 3, 2016;

Then, on a case-by-case basis, the Sustainability policy may recommend against the following types of proposals:

- The re-election of directors or supervisory board members; or
- The approval of the discharge of directors; or
- If neither re-election of directors/supervisory board members nor approval of discharge is considered appropriate, then the approval of the annual report and accounts.

Composition of the Nominating Committee (Sweden/Norway/Finland)

Vote for proposals in **Finland**, **Iceland**, **Norway**, and **Sweden** to elect or appoint a nominating committee consisting mainly of non-board members.

Vote for shareholder proposals calling for disclosure of the names of the proposed candidates at the meeting, as well as the inclusion of a representative of minority shareholders in the committee.

Vote against proposals where the names of the candidates (in the case of an election) or the principles for the establishment of the committee have not been disclosed in a timely manner.

Vote against proposals in **Sweden** to elect or appoint such a committee if the company is considered widely-held and the following conditions exist:

- A member of the executive management would be a member of the committee;
- More than one board member who is dependent on a major shareholder would be on the committee; or
- The chair of the board would also be the chair of the committee.

In cases where the principles for the establishment of the nominating committee, rather than the election of the committee itself, are being voted on, vote against the adoption of the principles if any of the above conditions are met for the current committee, and there is no publicly available information indicating that this would no longer be the case for the new nominating committee.

Election of Censors (France)

For widely held companies, the Sustainability policy will generally recommend a vote against proposals seeking shareholder approval to elect a censor, to amend bylaws to authorize the appointment of censors, or to extend the maximum number of censors to the board.

However, the Sustainability policy will recommend a vote on a case-by-case basis when the company provides assurance that the censor would serve on a short-term basis (maximum one year) with the intent to retain the nominee before his/her election as director. In this case, consideration shall also be given to the nominee's situation (notably overboarding or other factors of concern).

In consideration of the principle that censors should be appointed on a short-term basis, vote against any proposal to renew the term of a censor or to extend the statutory term of censors.

Please see the International Classification of Directors on the following page.

Cumulative Voting – Middle East and Africa (MEA)

Under a cumulative voting system, each share represents a number of votes equal to the size of the board that will be elected. These votes may be apportioned equally among the candidates or, if a shareholder wishes to exclude some nominees, among the desired candidates.

For MEA markets, when directors are elected through a cumulative voting system, or when the number of nominees exceeds the number of board vacancies, vote case-by-case on directors, taking into consideration additional factors, to identify the nominees best suited to add value for shareholders.

Generally, vote to abstain from all candidates if the disclosure provided by the company is not sufficient to allow the assessment of independence and the support of all proposed candidates on equal terms.

If the disclosure is sufficient to allow an assessment of the independence of proposed candidates, generally vote in favor of the following types of candidates:

- Candidates who can be identified as representatives of minority shareholders of the company, or independent candidates
- Candidates whose professional background may have the following benefits:
  - Increasing the diversity of incumbent directors' professional profiles and skills (thanks to their financial expertise, international experience, executive positions/directorships at other listed companies, or other relevent factors.
  - Bringing to the current board of directors relevant experience in areas linked to the company's business, evidenced by current or past board memberships or management functions at other companies.
- Incumbent board members and candidates explicitly supported by the company's management.

2.2 Classification of Directors

Executive Director

- Employee or executive of the company or a wholly-owned subsidiary of the company (i. e. for Switzerland: based on the publication of the function in the Swiss commercial register[17]);

[17] Zefix: www.zefix.ch.

– Any director who is classified as a non-executive, but receives salary, fees, bonus, and/or other benefits that are in line with the highest-paid executives of the company. **This classification rule is not applied for the companies listed in Switzerland**.

Non-Independent Non-Executive Director (NED)

– Any director who is attested by the board to be a non-independent NED. **This classification rule is not applied for the companies listed in Switzerland**;
– Any director specifically designated as a representative of a shareholder of the company;
– Any director who is also an employee or executive of a significant[1] shareholder of the company;
– Any director who is also an employee or executive of a subsidiary, associate, joint venture, or company that is affiliated with a significant[1] shareholder of the company;
– Any director who is nominated by a dissenting significant shareholder unless there is a clear lack of material[2] connection with the dissident, either currently or historically;
– Beneficial owner (direct or indirect) of at least 10 percent of the company's stock, either in economic terms or in voting rights (this may be aggregated if voting power is distributed among more than one member of a defined group, e.g., members of a family that beneficially own less than 10 percent individually, but collectively own more than 10 percent), unless market best practice dictates a lower ownership and/or disclosure threshold (and in other special market-specific circumstances);
– Government representative;
– Currently provides or has provided (or a relative[3] provides) professional services[4] to the company, to an affiliate of the company, or to an individual officer of the company or of one of its affiliates in the latest fiscal year in excess of USD 10,000 per year;
– Represents customer, supplier, creditor, banker, or other entity with which the company maintains a transactional/commercial relationship (unless the company discloses information to apply a materiality test[2]);
– Any director who has a conflicting relationship with the company, including but not limited to cross-directorships with executive directors or the chairperson of the company;
– Relative[3] of a current or former executive of the company or its affiliates;
– A new appointee elected other than by a formal process through the general meeting (such as a contractual appointment by a substantial shareholder);
– Founder/co-founder/member of founding family but not currently an employee or executive;
– Former executive or employee (five-year cooling off period)[7]; Years of service is generally not a determining factor unless it is recommended best practice in a market and/or in extreme circumstances, in which case it may be considered.[6]
– Any additional relationship or principle considered to compromise independence under local corporate governance best practice guidance[8].

Independent NED

– No material[2] connection, either direct or indirect, to the company (other than a board seat) or to a significant shareholder.

Employee Representative

– Represents employees or employee shareholders of the company (classified as "employee representative" and considered a non-independent NED).

Footnotes

[1] At least 10 percent of the company's stock, unless market best practice dictates a lower ownership and/or disclosure threshold.

[2] For purposes of Sustainability Advisory Services' director independence classification, "material" will be defined as a standard of relationship financial, personal, or otherwise that a reasonable person might conclude could potentially influence one's objectivity in the boardroom in a manner that would have a meaningful impact on an individual's ability to satisfy requisite fiduciary standards on behalf of shareholders.[5]

[3] "Relative" follows the definition of "immediate family members" which covers spouses, parents, children, stepparents, step-children, siblings, in-laws, and any person (other than a tenant or employee) sharing the household of any director, nominee for director, executive officer, or significant shareholder of the company.

[4] Professional services can be characterized as advisory in nature and generally include the following: investment banking/financial advisory services; commercial banking (beyond deposit services); investment services; insurance services; accounting/audit services; consulting services; marketing services; and legal services. The case of participation in a banking syndicate by a non-lead bank should be considered a transaction (and hence subject to the associated materiality test) rather than a professional relationship.

[5] A business relationship may be material if the transaction value (of all outstanding transactions) entered into between the company and the company or organization with which the director is associated is equivalent to either 1 percent of the company's turnover or 1 percent of the turnover of the company or organization with which the director is associated; or

A business relationship may be material if the transaction value (of all outstanding financing operations) entered into between the company and the company or organization with which the director is associated is more than 10 percent of the company's shareholder equity or the transaction value (of all outstanding financing operations) compared to the company's total assets is more than 5 percent.

[6] For example, in continental Europe and Latin America, directors with a tenure exceeding 12 years will be considered non-independent. In the United Kingdom, Ireland, Hong Kong and Singapore, directors with a tenure exceeding nine years will be considered non-independent, unless the company provides sufficient and clear justification that the director is independent despite his long tenure.

[7] For purposes of independence classification of directors incorporated in the Middle East and Africa region, this criterion will be taken into account in accordance with market best practice and disclosure standards and availability.

[8] For MEA markets, directors' past services as statutory auditor/partner of the statutory audit firm will be considered, with cooling-off periods in accordance with local market best practice.

2.3 Contested Director Elections

Policy Recommendation: For contested elections of directors, e.g. the election of shareholder nominees or the dismissal of incumbent directors, the Sustainability policy will make its recommendation on a case by-case basis, determining which directors are considered best suited to add value for shareholders.

The analysis will generally be based on, but not limited to, the following major decision factors:

- Company performance relative to its peers;
- Strategy of the incumbents versus the dissidents;
- Independence of directors/nominees;
- Experience and skills of board candidates;
- Governance profile of the company;

- Evidence of management entrenchment;
- Responsiveness to shareholders;
- Whether a takeover offer has been rebuffed; and
- Whether minority or majority representation is being sought.

When analyzing a contested election of directors, Sustainability will generally focus on two central questions: (1) Have the proponents proved that board change is warranted? And if so, (2) Are the proponent board nominees likely to effect positive change (i.e. maximize long-term shareholder value).

2.4 Discharge of Board and Management

Policy Recommendation: Generally, vote for discharge of directors, including members of the management board and/or supervisory board, unless there is reliable information about significant and compelling controversies that the board is not fulfilling its fiduciary duties such as:

- A lack of oversight or actions by board members which invoke shareholder distrust related to malfeasance or poor supervision, such as operating in private or company interest rather than in shareholder interest;
- Any legal issues (e.g. civil/criminal) aiming to hold the board responsible for breach of trust in the past or related to currently alleged actions yet to be confirmed (and not only the fiscal year in question), such as price fixing, insider trading, bribery, fraud, and other illegal actions; or
- Other material failures of governance or fiduciary responsibilities at the company, including failure to adequately manage or mitigate environmental, social and governance (ESG) risks; or
- A lack of sustainability reporting in the company's public documents and/or website in conjunction with a failure to adequately manage or mitigate environmental, social and governance (ESG) risks.

For markets which do not routinely request discharge resolutions (e.g. common law countries or markets where discharge is not mandatory), analysts may voice concern in other appropriate agenda items, such as approval of the annual accounts or other relevant resolutions, to enable shareholders to express discontent with the board.

Vote against proposals to remove approval of discharge of board and management from the agenda.

Additional Policy Recommendation: Significant and recurring earnings adjustments/restatements over the last three years lead to an against vote recommendation for the discharge of board and/or management.

Definition of "Recurring": The significant adjustments and/or restatements have persisted for the last 3 years.

Definition of "Significant": A positive difference of 1/3 or more (between diluted EPS and diluted pro-forma / adjusted EPS figures) is considered a significant adjustment/restatement.

2.5 Director, Officer, and Auditor Indemnification and Liability Provisions

Policy Recommendation:

- Vote proposals seeking indemnification and liability protection for directors and officers on a case-by-case basis.
- Vote against proposals to indemnify auditors.

2.6 Board Structure

Policy Recommendation:

- Vote for proposals to fix board size.
- Vote against the introduction of classified boards and mandatory retirement ages for directors.

– Vote against proposals to alter board structure or size in the context of a fight for control of the company or the board.

3 Capital Structure

3.1 Share Issuance Requests

General Issuances:

Policy Recommendation: Evaluate share issuance requests on a case-by-case basis taking into consideration market-specific guidelines as applicable.

For **European markets**, vote for issuance authorities with preemptive rights to a maximum of 50 percent over currently issued capital and as long as the share issuance authorities' periods are clearly disclosed (or implied by the application of a legal maximum duration) and in line with market-specific practices and/or recommended guidelines (e.g. issuance periods limited to 18 months for the **Netherlands**).

Vote for issuance authorities without preemptive rights to a maximum of 10 percent (or a lower limit if local market best practice recommendations provide) of currently issued capital as long as the share issuance authorities' periods are clearly disclosed (or implied by the application of a legal maximum duration) and in line with market-specific practices and/or recommended guidelines (e.g. issuance periods limited to 18 months for the **Netherlands**).

These thresholds are mutually exclusive.

When calculating the defined limits, all authorised and conditional capital authorizations are considered, including existing authorizations that will remain valid beyond the concerned shareholders' meeting.

For **UK** and **Irish** companies, generally vote for a resolution to authorize the issuance of equity, unless:

- The general issuance authority exceeds one-third (33 percent) of the issued share capital. Assuming it is no more than one-third, a further one-third of the issued share capital may also be applied to a fully pre-emptive rights issue taking the acceptable aggregate authority to two-thirds (66 percent);
- The routine authority to disapply pre-emption rights exceeds 20 percent of the issued share capital, provided that any amount above 10 percent is to be used for the purposes of an acquisition or a specified capital investment. For the general disapplication authority and specific disapplication authority, a further disapplication of up to 2 percent may be used for each authority for the purposes of a follow-on offer.

For **French** companies:

- Vote for general issuance requests with preemptive rights, including with a binding "priority right", for a maximum of 50 percent over currently issued capital.
- Generally, vote for general authorities to issue shares without preemptive rights up to a maximum of 10 percent of share capital. When companies are listed on a regulated market, the discount on share issuance price proposed in the resolution must comply with a maximum of 10 percent for a vote for to be warranted.

For **Hong Kong**-based companies, generally vote for the general issuance mandate being the issuance of additional shares and/or the resale or transfer of treasury shares (if permitted) for companies that:

- Limit the request to 10 percent or less of the relevant class of issued share capital for issuance for cash and non-cash consideration;
- Limit the discount to 10 percent of the market price of shares (rather than the maximum 20 percent permitted by the Listing Rules) for issuance for cash and non-cash consideration; and;
- Have no history of renewing the general issuance mandate several times within a period of one year which may result in the share issuance limit exceeding 10 percent of the relevant class of issued share capital for issuance for cash and non-cash consideration within the 12 month period

Generally, vote for a general issuance of equity or equity-linked securities without preemptive rights when the share issuance limit is not more than 10 percent of the company's issued share capital and 50 percent with preemptive rights for all **Singaporean** companies, with the exception of Catalist-listed companies and Real Estate Investment Trusts.

For **Singaporean** companies listed on the Catalist market of the SGX, generally vote for a general issuance of equity or equity-linked securities without preemptive rights when the share issuance limit is not more than 20 percent of the company's issued share capital and 100 percent with preemptive rights. For Real Estate Investment Trusts, generally vote for a general issuance of equity or equity-linked securities without preemptive rights when the unit issuance limit is not more than 20 percent of its issued unit capital and 50 percent with preemptive rights.

For companies listed on the Main Market and ACE Market of the Bursa Malaysia Securities Bhd (Exchange), vote for issuance requests without preemptive rights to a maximum of 10 percent of currently issued capital. For real estate investment trusts (REITs), vote for issuance requests without preemptive rights to a maximum of 20 percent of currently issued capital.

For **Latin American** companies, generally vote for issuance requests with preemptive rights to a maximum of 100 percent over currently issued capital. Vote for issuance requests without preemptive rights to a maximum of 20 percent of currently issued capital. Specific Issuances requested will be evaluated on a case-by-case basis.

For shelf registration programs at Latin American companies (**Argentina**, **Colombia**, **Chile**, **Mexico** and **Peru**) vote on a case-by-case basis on all requests, with or without preemptive rights. Approval of a multi-year authority for the issuance of securities under Shelf Registration Programs will be considered on a case-by-case basis, taking into consideration, but not limited to, the following:

- Whether the company has provided adequate and timely disclosure including detailed information regarding the rationale for the proposed program;
- Whether the proposed amount to be approved under such authority, the use of the resources, the length of the authorization, the nature of the securities to be issued under such authority, including any potential risk of dilution to shareholders is disclosed; and
- Whether there are concerns regarding questionable finances, the use of the proceeds, or other governance concerns

Additional Policy Recommendation: For **Switzerland**, Swisscanto will:

Vote for conditional and / or authorized capital increase without preemptive rights even above 10 percent of currently issued capital as long as

- the periods for the capital increase(s) are clearly disclosed (or implied by the application of a legal maximum duration[18]); and
- the capital increase(s) without preemptive rights is in line with market-specific practices; and
- the company operates in a research-intensive sector and / or is in a early stage phase (with no or little earnings yet). The capital increase is crucial for such companies in terms of liquidity management and going concern.

[18] Authorized capital increase: The authorisation of the Board of Directors is currently limited to two years according to Swiss law (art. 651 para. 1 CO; SR 220).

3.2 Increases in Authorized Capital

Policy Recommendation: Vote for proposals to increase authorized capital on a case-by-case basis if such proposals do not include the authorization to issue shares from the (pre-) approved limit.
In case the proposals to increase authorized capital include the authorization to issue shares according to the (pre-)approved limit without obtaining separate shareholder approval, the general issuance policy applies.

3.3 Reduction of Capital

Policy Recommendation: Vote for proposals to reduce capital for routine accounting purposes unless the terms are unfavorable to shareholders.

Vote proposals to reduce capital in connection with corporate restructuring on a case-by-case basis.

3.4 Capital Structures

Policy Recommendation: Vote for resolutions that seek to maintain or convert to a "one-share, one-vote" and/or single-class capital structure.

Vote against requests for the creation or continuation of dual-class capital structures or the creation of new or additional supervoting shares.

3.5 Preffered Stock

Policy Recommendation:

- Vote for the creation of a new class of preferred stock or for issuances of preferred stock up to 50 percent of issued capital unless the terms of the preferred stock would adversely affect the rights of existing shareholders.
- Vote for the creation/issuance of convertible preferred stock as long as the maximum number of common shares that could be issued upon conversion meets the guidelines on equity issuance requests.
- Vote against the creation of a new class of preference shares that would carry superior voting rights to the common shares.
- Vote against the creation of blank check preferred stock unless the board clearly states that the authorization will not be used to thwart a takeover bid.
- Vote proposals to increase blank check preferred authorizations on a case-by-case basis.

3.6 Debt Issuance Requests

Policy Recommendation: Vote non-convertible debt issuance requests on a case-by-case basis, with or without pre-emptive rights.

Vote for the creation/issuance of convertible debt instruments as long as the maximum number of common shares that could be issued upon conversion meets the guidelines on equity issuance requests.

Vote for proposals to restructure existing debt arrangements unless the terms of the restructuring would adversely affect the rights of shareholders.

3.7 Pledging of Assets for Debt

Policy Recommendation: Vote proposals to approve the pledging of assets for debt on a case-by-case basis.

3.8 Increase in Borrowing Powers

Policy Recommendation: Vote proposals to approve increases in a company's borrowing powers on a case-by-case basis.

3.9 Share Repurchase Plans

Policy Recommendation: Generally, vote for market repurchase authorities (share repurchase programs) if the terms comply with the following criteria:

- A repurchase limit of up to 10 percent of issued share capital;
- A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf"); and
- Duration of no more than 5 years, or such lower threshold as may be set by applicable law, regulation, or code of governance best practice.

Authorities to repurchase shares in excess of the 10 percent repurchase limit will be assessed on a case-by-case basis. The Sustainability policy may support such share repurchase authorities under special circumstances, which are required to be publicly disclosed by the company, provided that, on balance, the proposal is in shareholders' interests. In such cases, the authority must comply with the following criteria:

- A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf"); and
- Duration of no more than 18 months.

In markets where it is normal practice not to provide a repurchase limit, the Sustainability policy will evaluate the proposal based on the company's historical practice. However, the Sustainability policy expects companies to disclose such limits and, in the future, may recommend a vote against companies that fail to do so. In such cases, the authority must comply with the following criteria:

- A holding limit of up to 10 percent of a company's issued share capital in treasury ("on the shelf"); and
- Duration of no more than 18 months.
- In addition, the Sustainability policy will recommend against any proposal where:
- The repurchase can be used for takeover defenses;
- There is clear evidence of abuse;
- There is no safeguard against selective buybacks;
- Pricing provisions and safeguards are deemed to be unreasonable in light of market practice.

Market-Specific Exceptions

For **Italy** and **Germany**, vote for share-repurchase plans and share reissuance plans that would use call and put options if the following criteria are met:

- The duration of the authorization is limited in time to no more than 18 months;
- The total number of shares covered by the authorization is disclosed;
- The number of shares that would be purchased with call options and/or sold with put options is limited to a maximum of 5 percent of currently outstanding capital (or half of the total amounts allowed by law in Italy and Germany);
- A financial institution, with experience conducting sophisticated transactions, is indicated as the party responsible for the trading; and
- The company has a clean track record regarding repurchases.

For **Singapore**, generally vote for resolutions authorizing the company to repurchase its own shares, unless the premium over the average trading price of the shares as implied by the maximum price paid exceeds 5 percent for on-market and/or off-market repurchases.

3.10 Reissuance of Shares Repurchased

Policy Recommendation: Vote for requests to reissue any repurchased shares unless there is clear evidence of abuse of this authority in the past.

3.11 Capitalization of Reserves for Bonus Issues/Increase in Par Value

Policy Recommendation: Vote for requests to capitalize reserves for bonus issues of shares or to increase par value.

3.12 Private Placement

Policy Recommendation: For Canadian companies, vote case-by-case on private placement issuances taking into account:

- Whether other resolutions are bundled with the issuance;
- Whether the rationale for the private placement issuance is disclosed;
- Dilution to existing shareholders' position:
- issuance that represents no more than 30 percent of the company's outstanding shares on a non-diluted basis is considered generally acceptable;
- Discount/premium in issuance price to the unaffected share price before the announcement of the private placement;
- Market reaction: The market's response to the proposed private placement since announcement; and
- Other applicable factors, including conflict of interest, change in control/management, evaluation of other alternatives.

Generally, vote for the private placement issuance if it is expected that the company will file for bankruptcy if the transaction is not approved or the company's auditor/management has indicated that the company has going concern issues.

4 Compensation

4.1 Preamble

The assessment of compensation follows the Sustainability Global Principles on Executive and Director Compensation which are detailed below. These principles take into account global corporate governance best practice.

The Global Principles on Compensation underlie market-specific policies in all markets:

- Provide shareholders with clear, comprehensive compensation disclosures;
- Maintain appropriate pay-for-performance alignment with emphasis on long-term shareholder value;
- Avoid arrangements that risk "pay for failure;"
- Maintain an independent and effective compensation committee;
- Avoid inappropriate pay to non-executive directors.

Shareholder Value reflects:

- Positive total shareholder returns and/or
- Improvements in return metrics

Long-term reflects: A period of at least last three financial years and can extend over a longer period.

Excessive earnings management: Significant earnings adjustments/restatements lead to an against vote recommendation for the compensation ballot (i.e. affecting all directors and managers).

Definition of "Significant": A positive difference of 1/3 or more (between diluted EPS and diluted pro-forma / adjusted EPS figures) is considered a significant adjustment/restatement.

Additional Policy Recommendation: For Switzerland when there are two separate proposals to approve the executive compensation, i.e. if there are two separate proposals – one to approve fixed remuneration of executive directors and the second separate one to approve variable remuneration of executive directors – vote against both the fixed remuneration proposal and the variable remuneration proposal when the lead executive's pay is excessive compared to the company's peers. If the lead executive's pay is not excessive compared to the company's peers, and there are other factors that do not comply with the compensation guidelines, only vote against the approval of variable remuneration proposal and support fixed remuneration proposal. Other mitigating factors, such as financial performance of the company or significant reduction in compensation, might be taken into account when voting on executive remuneration.

This rule applies also if another ruling within this section (i.e., section 4 Compensation) produces an adverse vote recommendation against executive compensation.

4.2 European Guidelines

Pursuant to the European Directive 2017/828 (a.k.a. the Shareholder Rights Directive II or SRDII), companies which have their registered office in a Member State and the shares of which are admitted to trading on a regulated market situated or operating within a Member State must (i) submit their director remuneration policy to shareholder (binding or advisory) vote at every material change and in any case at least every four years, and (ii) submit a director remuneration report to discussion or shareholder vote on an annual basis.

In applying the Five Global Principles, the Sustainability policy has formulated European Compensation Guidelines which take into account local codes of governance, market best practice, and the Recommendations published by the European Commission. The Sustainability policy analyzes compensation-related proposals based on the role of the beneficiaries and has therefore divided its executive and director compensation policy into two domains:

– Executive compensation-related proposals; and
– Non-executive director compensation-related proposals

4.2.1 Executive Compensation-Related Proposals

Policy Recommendation: Sustainability Advisory Services will evaluate management proposals seeking ratification of a company's executive compensation-related items on a case-by-case basis, and, where relevant, will take into account the European Pay for Performance (EP4P) model[19] outcomes within a qualitative review of a company's remuneration practices. Sustainability Advisory Services will generally recommend a vote against a company's compensation-related proposal if such proposal fails to comply with one or a combination of several of the global principles and their corresponding rules:

– Provide shareholders with clear and comprehensive compensation disclosures:
  – Information on compensation-related proposals shall be made available to shareholders in a timely manner;
  – The level of disclosure of the proposed compensation policy shall be sufficient for shareholders to make an informed decision and shall be in line with what local market best practice standards dictate;
    – Remuneration report disclosure is expected to include amongst others: amounts paid to executives, alignment between company performance and payout to executives, disclosure of variable incentive targets and according levels of achievement and performance awards made, after the relevant performance period (ex-post), and disclosure and explanation of use of any discretionary authority or derogation clause by the board or remuneration committee to adjust pay outcomes.
    – Companies are expected to provide meaningful information regarding the average remuneration of employees of the company, in a manner which permits comparison with directors' remuneration.
  – Companies shall adequately disclose all elements of the compensation, including:
    – Any short- or long-term compensation component must include a maximum award limit.
    – Long-term incentive plans must provide sufficient disclosure of (i) the exercise price/strike price (options); (ii) discount on grant; (iii) grant date/period; (iv) exercise/vesting period; and, if applicable, (v) performance criteria.
    – Discretionary payments, if applicable.
    – The derogation polciy, if applicable, which shall clearly define and limit any elements (e.g., base salary, STI, LTI, etc.) and extent (e.g., caps, weightings, etc.) to which derogations may apply.

– Maintain appropriate pay structure with emphasis on long-term shareholder value:
  – The structure of the company's short-term incentive plan shall be appropriate.
    – The compensation policy must notably avoid guaranteed or discretionary compensation.
  – The structure of the company's long-term incentives shall be appropriate, including, but not limited to, dilution, vesting period, and, if applicable, performance conditions.
    – Equity-based plans or awards that are linked to long-term company performance will be evaluated using Sustainability Advisory Services' general policy for equity-based plans; and
    – For awards granted to executives, Sustainability Advisory Services will generally require a clear link between shareholder value and awards, and stringent performance-based elements.

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[19] **Definition of Pay-for-Performance Evaluation:**
Sustainability Advisory Services annually conducts a pay-for-performance analysis to measure the alignment between pay and performance over a sustained period. With respect to companies in the European Main Indices, this analysis considers the following:
- Peer Group Alignment:
  ✓ The degree of alignment between the company's annualized TSR rank and the CEO's annualized total pay rank within a peer group, each measured over a three-year period.
  ✓ The multiple of the CEO's total pay relative to the peer group median.
- Absolute Alignment – the absolute alignment between the trend in CEO pay and company TSR over the prior five fiscal years - i.e., the difference between the trend in annual pay changes and the trend in annualized TSR during the period.

- The balance between short- and long-term variable compensation shall be appropriate
  - The company's executive compensation policy must notably avoid disproportionate focus on short-term variable element(s)

- Avoid arrangements that risk "pay for failure":
  - The board shall demonstrate good stewardship of investor's interests regarding executive compensation practices (principle being supported by Pay for Performance Evaluation).
    - There shall be a clear link between the company's performance and variable incentives. Financial and non-financial conditions, including ESG criteria, are relevant as long as they reward an effective performance in line with the purpose, strategy, and objectives adopted by the company.
    - There shall not be significant discrepancies between the company's performance, financial and non-financial, and real executive payouts.
    - The level of pay for the CEO and members of executive management should not be excessive relative to peers, company performance, and market practices.
    - Significant pay increases shall be explained by a detailed and compelling disclosure.
  - Termination payments[20] must not be in excess of (i) 24 months' pay or of (ii) any more restrictive provision pursuant to local legal requirements and/or market best practices.
  - Arrangements with a company executive regarding pensions and post-mandate exercise of equity-based awards must not result in an adverse impact on shareholders' interests or be misaligned with good market practices.

- Maintain an independent and effective compensation committee:
  - No executives may serve on the compensation committee.
  - In certain markets the compensation committee shall be composed of a majority of independent members, as per Sustainability Advisory Services policies on director election and board or committee composition.
  - Compensation committees should use the discretion afforded them by shareholders to ensure that rewards properly reflect business performance[21].

In addition to the above, Sustainability Advisory Services will generally recommend a vote against a compensation-related proposal if such proposal is in breach of any other supplemental market-specific voting policies.

4.2.2 Non-Executive Director Compensation

- Avoid inappropriate pay to non-executive directors.

Policy Recommendation: Generally, vote for proposals to award cash fees to non-executive directors.
Vote against where:

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[20] Termination payments' means any payment linked to early termination of contracts for executive or managing directors, including payments related to the duration of a notice period or a non-competition clause included in the contract.

[21] In cases where a remuneration committee uses its discretion to determine payments, it should provide a clear explanation of its reasons, which are expected to be clearly justified by the financial results and the underlying performance of the company.
The remuneration committee should disclose how it has taken into account any relevant environmental, social, and governance (ESG) matters when determining remuneration outcomes. Such factors may include (but are not limited to): workplace fatalities and injuries, significant environmental incidents, large or serial fines or sanctions from regulatory bodies and/or significant adverse legal judgments or settlements.
It is relatively rare that a remuneration committee chooses to amend the targets used for either the annual bonus or the LTIP following the start of the performance period, but where this has occurred, it is good practice for the company to demonstrate how the revised targets are in practice no less challenging than the targets which were originally set.

- Documents (including general meeting documents, annual report) provided prior to the general meeting do not mention fees paid to non-executive directors.
- Proposed amounts are excessive relative to other companies in the country or industry
- The company intends to increase the fees excessively in comparison with market/sector practices, without stating compelling reasons that justify the increase.
- Proposals provide for the granting of stock options, or similarly structured equity-based compensation, to non-executive directors.
- Proposals introduce retirement benefits for non-executive directors.
- Vote on a case-by-case basis where:
  - Proposals include both cash and share-based components to non-executive directors.
  - Proposals bundle compensation for both non-executive and executive directors into a single resolution.

4.2.3 Equity-Based Compensation Guidelines

Policy Recommendation:

Generally vote for equity-based compensation proposals or the like if the plan(s) is(are) in line with long-term shareholder interests and align the award with shareholder value. This assessment includes, but is not limited to, the following factors:

- The volume of awards (to be) transferred to participants under all outstanding plans must not be excessive: awards must not exceed 5 percent of a company's issued share capital. This number may be up to 10 percent for high-growth companies or particularly well-designed plans (e.g., with challenging performance criteria, extended vesting/performance period, etc.);
- The plan(s) must be sufficiently long-term in nature/structure: the vesting of awards (i) must occur no less than three years from the grant date, and (ii) if applicable, should be conditioned on meeting performance targets that are measured over a period of at least three consecutive years;
- If applicable, performance conditions must be fully disclosed, measurable, quantifiable, and long-term oriented;
- The awards must be granted at market price. Discounts, if any, must be mitigated by performance criteria or other features that justify such discount

Employee Share Purchase Plans

Generally, vote for employee stock purchase plans if the number of shares allocated to the plan is 10 percent or less of the company's issued share capital.

Compensation-Related Voting Sanctions

Should a company be deemed:

- To have egregious remuneration practices;
- To have failed to follow market practice by not submitting expected resolutions on executive compensation; or
- To have failed to respond to significant shareholder dissent on remuneration-related proposals;
- an adverse vote recommendation could be applied to any of the following on a case-by case basis:
- The reelection of the chair of the remuneration committee or, where relevant, any other members of the remuneration committee;
- The reelection of the board chair;
- The discharge of directors; or
- The annual report and accounts.

This recommendation could be made in addition to other adverse recommendations under existing remuneration proposals (if any).

4.2.4 Stock Option Plans – Adjustment for Divided (Nordic Region)

Policy Recommendation: Vote against stock option plans in Denmark, Finland, Norway, and Sweden if evidence is found that they contain provisions that may result in a disconnect between shareholder value and employee/executive reward.

This includes one or a combination of the following:

- Adjusting the strike price for future ordinary dividends AND including expected dividend yield above 0 percent when determining the number of options awarded under the plan;
- Having significantly higher expected dividends than actual historical dividends;
- Favorably adjusting the terms of existing options plans without valid reason; and/or
- Any other provisions or performance measures that result in undue award.

This policy applies to both new plans and amendments to introduce the provisions into already existing stock option plans. The Sustainability policy will make an exception if a company proposes to reduce the strike price by the amount of future special (extraordinary) dividends only.

Generally, vote against if the potential increase of share capital amounts to more than 5 percent for mature companies or 10 percent for growth companies or if options may be exercised below the market price of the share at the date of grant, or that employee options do not lapse if employment is terminated.

4.2.5 Share Matching Plans (Sweden and Norway)

Policy Recommendation: The Sustainability policy considers the following factors when evaluating share matching plans:

- For every share matching plan, Sustainability requires a holding period.
- For plans without performance criteria, the shares must be purchased at market price.
- For broad-based share matching plans directed at all employees, Sustainability accepts an arrangement up to a 1:1 ratio, i.e. no more than one free share is awarded for every share purchased at market value.

In addition, for plans directed at executives, we require that sufficiently challenging performance criteria be attached to the plan. Higher discounts demand proportionally higher performance criteria.
The dilution of the plan when combined with the dilution from any other proposed or outstanding employee stock purchase/stock matching plans, must comply with the Sustainability guidelines.

4.3 Canadian Guidelines

Policy Recommendation: Evaluate executive pay and practices, as well as certain aspects of outside director compensation on a case-by-case basis.

Vote against management say on pay (MSOP) proposals, withhold from compensation committee members (or in rare cases where the full board is deemed responsible, all directors including the CEO), and/or against an equity-based incentive plan proposal if:

- There is a misalignment between CEO pay and company performance (pay for performance);
- The company maintains problematic pay practices; or
- The board exhibits poor communication and responsiveness to shareholders.

Pay for Performance:

- Rationale for determining compensation (e.g., why certain elements and pay targets are used, how they are used in relation to the company's business strategy, and specific incentive plan goals, especially retrospective goals) and linkage of compensation to long-term performance;
- Evaluation of peer group benchmarking used to set target pay or award opportunities;
- Analysis of company performance and executive pay trends over time, taking into account our Pay-for-Performance policy;
- Mix of fixed versus variable and performance versus non-performance-based pay.

Pay Practices:

- Assessment of compensation components included in the Problematic Pay Practices policy such as: perks, severance packages, employee loans, supplemental executive pension plans, internal pay disparity and equity plan practices (including option backdating, repricing, option exchanges, or cancellations/surrenders and re-grants, etc.);
- Existence of measures that discourage excessive risk taking which include but are not limited to: clawbacks, holdbacks, stock ownership requirements, deferred compensation practices etc.

Board Communications and Responsiveness:

- Clarity of disclosure (e.g. whether the company's Form 51-102F6 disclosure provides timely, accurate, clear information about compensation practices in both tabular format and narrative discussion);
- Assessment of board's responsiveness to investor concerns on compensation issues (e.g., whether the company engaged with shareholders and / or responded to majority-supported shareholder proposals relating to executive pay.

4.3.1 Advisory Vote on Executive Compensation (Say-on-Pay) Management Proposals

Policy Recommendation: Vote case-by-case on management proposals for an advisory shareholder vote on executive compensation. Vote against these resolutions in cases where boards have failed to demonstrate good stewardship of investors' interests regarding executive compensation practices.

In general, the management say on pay (MSOP) ballot item is the primary focus of voting on executive pay practices - dissatisfaction with compensation practices can be expressed by voting against MSOP rather than withholding or voting against the compensation committee. However, if there is no MSOP on the ballot, then the negative vote will apply to members of the compensation committee. In addition, in egregious cases, or if the board fails to respond to concerns raised by a prior MSOP proposal, then vote against or withhold from compensation committee members (or, if the full board is deemed accountable, all directors). If the negative factors involve equity-based compensation, then vote against an equity-based plan proposal presented for shareholder approval.

4.3.2 Equity Compensation Plans

Policy Recommendation: Vote case-by-case on equity-based compensation plans using an "equity plan scorecard" (EPSC) approach. Under this approach, certain features and practices related to the plan[22] are assessed in combination, with positively assessed factors potentially counterbalancing negatively-assessed factors and vice-versa. Factors are grouped into three pillars:

[22] In cases where certain historic grant data are unavailable (e.g. following an IPO or emergence from bankruptcy), Special Cases models will be applied which omit factors requiring these data.

- Plan Cost: The total estimated cost of the company's equity plans relative to industry/market cap peers, measured by the company's estimated Shareholder Value Transfer (SVT) in relation to peers and considering both:
  - SVT based on new shares requested plus shares remaining for future grants, plus outstanding unvested/unexercised grants; and
  - SVT based only on new shares requested plus shares remaining for future grants.

- Plan Features:
  - Absence of problematic change-in-control (CIC) provisions, including:
    - Single-trigger acceleration of award vesting in connection with a CIC; and
    - Settlement of performance-based equity at target or above in the event of a CIC-related acceleration of vesting regardless of performance.
  - No financial assistance to plan participants for the exercise or settlement of awards;
  - Public disclosure of the full text of the plan document; and
  - Reasonable share dilution from equity plans relative to market best practices.

- Grant Practices:
  - Reasonable three-year average burn rate relative to market best practices;
  - Meaningful time vesting requirements for the CEO's most recent equity grants (three-year lookback);
  - The issuance of performance-based equity to the CEO;
  - A clawback provision applicable to equity awards; and
  - Post-exercise or post-settlement share-holding requirements (S&P/TSX Composite Index only).

Generally, vote against the plan proposal if the combination of above factors, as determined by an overall score, indicates that the plan is not in shareholders' interests. In addition, vote against the plan if any of the following unacceptable factors have been identified:

- Discretionary or insufficiently limited non-employee director participation;
- An amendment provision which fails to adequately restrict the company's ability to amend the plan without shareholder approval;
- A history of repricing stock options without shareholder approval (three-year look-back);
- The plan is a vehicle for problematic pay practices or a significant pay-for-performance disconnect under certain circumstances; or
- Any other plan features that are determined to have a significant negative impact on shareholder interests.

4.3.3 Director Compensation – TSX

Policy Recommendation: On a case-by-case basis, generally vote withhold for members of the committee responsible for director compensation (or, where no such committee has been identified, the board chair or full board) where director compensation practices which pose a risk of compromising a non-employee director's independence or which otherwise appear problematic from the perspective of shareholders have been identified, including:

- Excessive (relative to standard market practice) inducement grants issued upon the appointment or election of a new director to the board (consideration will be given to the form in which the compensation has been issued and the board's rationale for the inducement grant);
- Performance-based equity grants to non-employee directors which could pose a risk of aligning directors' interests away from those of shareholders and toward those of management; and
- Other significant problematic practices relating to director compensation.

4.4 Other Compensation Plans

4.4.1 Employee Stock Plans (ESPPs, ESOPs)

Policy Recommendation: Generally, vote for broadly based (preferably all employees of the company with the exclusion of individuals with 5 percent or more beneficial ownership of the company) employee stock purchase plans where the following apply:

- Reasonable limit on employee contribution (may be expressed as a fixed dollar amount or as a percentage of base salary excluding bonus, commissions and special compensation);
- Employer contribution of up to 25 percent of employee contribution and no purchase price discount or employer contribution of more than 25 percent of employee contribution and SVT cost of the company's equity plans is within the allowable cap for the company;
- Purchase price is at least 80 percent of fair market value with no employer contribution;
- Potential dilution together with all other equity-based plans is 10 percent of outstanding common shares or less; and
- The Plan Amendment Provision requires shareholder approval for amendments to:
  - The number of shares reserved for the plan;
  - The allowable purchase price discount;
  - The employer matching contribution amount.

Treasury funded ESPPs, as well as market purchase funded ESPPs requesting shareholder approval, will be considered to be incentive based compensation if the employer match is greater than 25 percent of the employee contribution. In this case, the plan will be run through the Sustainability compensation model to assess the Shareholder Value Transfer (SVT) cost of the plan together with the company's other equity-based compensation plans.

Eligibility and administration are also key factors in determining the acceptability of an ESPP/ESOP plan.

The Sustainability policy will also take into account other compensation and benefit programs, in particular pensions.

Deferred Share Unit Plans

Policy Recommendation: Generally, vote for Deferred Compensation Plans if:

- Potential dilution together with all other equity-based compensation is ten percent of the outstanding common shares or less.

Other elements of director compensation to evaluate in conjunction with deferred share units include:

- Director stock ownership guidelines of a minimum of three times annual cash retainer;
- Vesting schedule or mandatory deferral period which requires that shares in payment of deferred units may not be paid out until the end of three years;
- The mix of remuneration between cash and equity;
- Other forms of equity-based compensation, i.e. stock options, restricted stock

4.5 International Guidelines

Policy Recommendation: Evaluate executive and director compensation proposals on a case-by-case basis taking into consideration the Global Principles as applicable.

5 Other Items

5.1 Reorganizations/Restructurings

Policy Recommendation: Vote reorganizations and restructurings on a case-by-case basis.

5.2 Mergers and Acquisitions

Policy Recommendation: Vote case-by-case on mergers and acquisitions taking into account the following:
For every M&A analysis, the Sustainability policy reviews publicly available information as of the date of the report and evaluates the merits and drawbacks of the proposed transaction, balancing various and sometimes countervailing factors including:

- Valuation - Is the value to be received by the target shareholders (or paid by the acquirer) reasonable? While the fairness opinion may provide an initial starting point for assessing valuation reasonableness, Sustainability places emphasis on the offer premium, market reaction, and strategic rationale;
- Market reaction - How has the market responded to the proposed deal? A negative market reaction will cause Sustainability to scrutinize a deal more closely;
- Strategic rationale - Does the deal make sense strategically? From where is the value derived? Cost and revenue synergies should not be overly aggressive or optimistic, but reasonably achievable. Management should also have a favorable track record of successful integration of historical acquisitions;
- Conflicts of interest - Are insiders benefiting from the transaction disproportionately and inappropriately as compared to non-insider shareholders? Sustainability will consider whether any special interests may have influenced these directors and officers to support or recommend the merger;
- Governance - Will the combined company have a better or worse governance profile than the current governance profiles of the respective parties to the transaction? If the governance profile is to change for the worse, the burden is on the company to prove that other issues (such as valuation) outweigh any deterioration in governance.
- Stakeholder impact - Impact on community stakeholders including impact on workforce, environment, etc.

Vote against if the companies do not provide sufficient information upon request to make an informed voting decision.

5.3 Mandatory Takeover Bid Waivers

Policy Recommendation: Vote proposals to waive mandatory takeover bid requirements on a caseby-case basis.

5.4 Reincorporation Proposals

Policy Recommendation: Vote reincorporation proposals on a case-by-case basis.

5.5 Expansion of Business Activities

Policy Recommendation: Vote for resolutions to expand business activities unless the new business takes the company into risky areas.

5.6 Related-Party Transactions

Policy Recommendation: Vote related-party transactions on a case-by-case basis considering factors including, but not limited to, the following:

- The parties on either side of the transaction;
- The nature of the asset to be transferred/service to be provided;
- The pricing of the transaction (and any associated professional valuation);
- The views of independent directors (where provided);
- The views of an independent financial adviser (where appointed);

– Whether any entities party to the transaction (including advisers) is conflicted; and
– The stated rationale for the transaction, including discussions of timing.

Commonly seen related-party transactions include (but are not limited to):

- Transactions involving the sale or purchase of property and/or assets;
- Transactions involving the lease of property and/or assets;
- Transactions involving the provision or receipt of services or leases; and
- Transactions involving the acquisition or transfer of intangible items (e.g., research and development, trademarks, license agreements

5.7 Antitakeover Mechanisms

Policy Recommendation: Vote against all antitakeover proposals unless they are structured in such a way that they give shareholders the ultimate decision on any proposal or offer.

As of Feb. 1, 2016, for French companies listed on a regulated market, generally vote against any general authorities impacting the share capital (i.e. authorities for share repurchase plans and any general share issuances with or without preemptive rights, including by capitalization of reserves) if they can be used for antitakeover purposes without shareholders' prior explicit approval.

5.8 Social and Environmental Proposals – Overall Approach

Sustainability Policy generally supports standards-based ESG shareholder proposals that enhance long-term shareholder and stakeholder value while aligning the interests of the company with those of society at large. In particular, the policy will focus on resolutions seeking greater transparency and/or adherence to internationally recognized standards and principles.

Policy Recommendation: Generally, vote in favor of social and environmental proposals that seek to promote good corporate citizenship while enhancing long-term shareholder and stakeholder value. Vote for disclosure reports that seek additional information particularly when it appears companies have not adequately addressed shareholders' social, workforce, and environmental concerns. In determining votes on shareholder social and environmental proposals, the following factors are considered:

– Whether the proposal itself is well framed and reasonable;
– Whether adoption of the proposal would have either a positive or negative impact on the company's short-term or long-term share value;
– The percentage of sales, assets and earnings affected;
– Whether the company has already responded in some appropriate manner to the request embodied in a proposal;
– Whether the company's analysis and voting recommendation to shareholders is persuasive;
– What other companies have done in response to the issue;
– Whether there are significant controversies, fines, penalties, or litigation associated with the company's environmental or social practices;
– Whether implementation of the proposal would achieve the objectives sought in the proposal

5.8.1 Climate Change

– Vote for shareholder proposals seeking information on the financial, physical, or regulatory risks it faces related to climate change- on its operations and investments, or on how the company identifies, measures, and manage such risks.
– Vote for shareholder proposals calling for the reduction of GHG emissions.

– Vote for shareholder proposals seeking reports on responses to regulatory and public pressures surrounding climate change, and for disclosure of research that aided in setting company policies around climate change.
– Vote for shareholder proposals requesting a report/disclosure of goals on GHG emissions from company operations and/or products.
– Vote case-by-case on shareholder proposals that request the company to disclose its upcoming/approved climate transition action plan and provide shareholders the opportunity to express approval or disapproval of its GHG emissions reduction plan. Factors such as the completeness and rigor of the company's climate-related disclosure, the company's actual GHG emissions performance, whether the company has been the subject of recent, significant violations, fines, litigation, or controversy related to its GHG emissions, and whether the proposal's request is unduly burdensome (scope or timeframe) or overly prescriptive will be taken into account. Any science based target committment or target setting will be considered in the (case-by-case) analysis for approval of such resolutions.

5.8.2 Say on Climate (SoC) Management Proposals

Vote case-by-case on management proposals that request shareholders to approve the company's climate transition action plan[23], considering the completeness and rigor of the plan. Information that will be considered where available includes the following:

– The extent to which the company's climate related disclosures are in line with TCFD recommendations and meet other market standards;
– Disclosure of its operational and supply chain GHG emissions (Scopes 1, 2, and 3);
– The completeness, feasibility, and rigor of company's short-, medium-, and long-term targets for reducing operational and supply chain GHG emissions in line with Paris Agreement goals (Scopes 1, 2, and 3 if relevant);
– Whether the company has sought and received third-party approval that its targets are science-based;
– Whether the company has made a commitment to be "net zero" for operational and supply chain emissions (Scopes 1, 2, and 3) by 2050;
– Whether the company has made any science based committments and has set science based targets;
– Whether the company discloses a commitment to report on the implementation of its plan in subsequent years;
– Whether the company's climate data has received third-party assurance;
– Disclosure of how the company's lobbying activities and its capital expenditures align with company strategy;
– Whether there are specific industry decarbonization challenges; and
– The company's related commitment, disclosure, and performance compared to its industry peers.

5.8.3 ESG Related Shareholder Porposals

Swisscanto will generally support ESG related shareholder proposals that enhance long-term shareholder and stakeholder value while aligning the interests of the company with those of society at large. In particular, the policy will focus on resolutions seeking greater transparency and/or adherence to internationally recognized standards and principles. In general, ESG related shareholder resolutions are supported which are economically and financially reasonable for a sustainable corporate development (value creation) and in the best interest of minority shareholders.

Below is an illustrative selection out of the wide range of such environmental (E) and social (S) related shareholder proposals which we intend to support. Nevertheless, their content must be assessed by means of a case-by-case analysis. The shareholder proposals develop dynamically, so that further topics may follow.

[23] Variations of this request also include climate transition related ambitions, or commitment to reporting on the implementation of a climate plan.

E/S related	Proposal	Proposal description	Support for the proposal in tendency
E / S	Establish Environmental/Social Issue Board Committee	These shareholder proposals request the establishment of a board committee to assess the company's policies and response to environmental and social issues.	Yes
E / S	Require Environmental / Social Issue Qualifications for Director Nominees	These resolutions request that at least one member of the company's board have experience or expertise in environmental matters that are relevant to the company's operations.	Yes
E / S	Link Executive Pay to Social Criteria	Typically requests that the board of directors include sustainability, or other social and environmental factors, as one of the performance measures for executive compensation.	Case-by-case analysis (Generally yes, if reasonable)
E / S	Facility Safety	Typically requests that the company report on the safety measures regarding the company's facilities.	Case-by-case analysis
E / S	Genetically Modified Organisms (GMO)	These resolutions address GMO-related issues, such as the use of genetically engineered (GE) ingredients in company products, the environmental impact of GMOs, and the labeling of GE ingredients.	Yes
E / S	Product Toxicity and Safety	Typically requests that the company report on, or take action to address, the potential harmful effects of its products, or ingredients/chemicals used in its products, on consumers.	Case-by-case analysis (Gener-ally yes, if reasonable)
E / S	Sustainability Activities and Action	These resolutions deal with sustainability-related proposals, beyond those requesting that a company prepare or require that its suppliers prepare a sustainability report, such as proposals asking stock exchanges to assess investor interest in sustainable stock markets.	Yes
E / S	Report on Sustainability	These resolutions ask the company to prepare a report on environmental, social, and governance (ESG)-related issues. These proposals sometimes ask the company to include quantitative indicators and goals.	Yes
E	Toxic Emissions	This may include a wide range of environmental resolutions that call for a reduction in toxic emission or waste. For example, a request that the company review available options to reduce or prevent pollution.	Yes

E/S related	Proposal	Proposal description	Support for the proposal in tendency
E	Nuclear Power - Related	Typically requests that the board conduct an open comprehensive study defining the company's risk of, and potentially responsibility for, causing public harm due to its continued participation in nuclear energy programs. Furthermore, these resolutions sometimes call for a company to close or phase out is nuclear power facilities (not to be confused with nuclear weapons proposals).	Yes
E	Report on Environmental Policies	Typically requests that the company issue a report on its environmental policies.	Yes
E	Community -Environmental Impact	Typically requests that the company report on or take action to address the impact of its operations on the environment and surrounding communities. This includes resolutions on water use, palm oil production, deforestation, and mountaintop mining.	Yes
E	Operations in Protected Areas	Typically requests that the company prepare a report on the potential of environmental damage caused by drilling in a protected area, such as the Arctic National Wildlife Refuge (ANWR).	Case-by-case analysis
E	Report on Climate Change	Typically requests that the company report on the financial and physical risks of climate change on the company's operations, and/or its response to rising regulatory, competitive, and public pressure to significantly reduce greenhouse gas emissions.	Yes
E	GHG Emissions	Typically requests greater transparency regarding the company's oversight, control mechanisms, and reduction goals of its GHG emissions, including methane emissions.	Yes
E	Hydraulic Fracturing	These proposals request greater disclosure of a company's (natural gas) hydraulic fracturing operations, including measures the company has taken to manage and mitigate the potential community and environmental impacts of those operations.	Yes
E	Climate Change Action	Asks that the company take action to address climate change, beyond a report.	Yes

E/S related	Proposal	Proposal description	Support for the proposal in tendency
E	Restrict Spending on Climate Change-Related Analysis or Actions	This is for shareholder proposals that request reports on value of environmental activities	No
E	Wood Procurement	Typically requests that the company report on its efforts to use only Forest Stewardship Council (FSC) certified wood or on its sustainable paper purchasing practices. These proposals may also request a call to action.	Yes
E	Renewable Energy	Typically requests that the company report on, or increase, its efforts to promote the use of renewable energy sources.	Yes
E	Energy Efficiency	Typically requests that the company report on, or increase, its efforts to promote energy efficiency in its products or operations.	Yes
E	Recycling	Typically requests that the company report on, or establish, policies on product and packaging recycling, and/or extended producer responsibility (EPR). These resolutions may also ask the company to assess the environmental impact of its current packaging.	Yes
E	Publish Two Degree Scenario Analysis	Typically requests that a company assess the impacts to its portfolio of scenarios consistent with the internationally recognized Paris Agreement goal of limiting global increase in temperature.	Yes
S	Board Diversity	Typically seeks reports on company efforts to diversify the board or seek provisions ensuring the inclusion of women and minorities in director nomination process.	Yes
S	MacBride Principles	Typically requests that the company commit itself to make all possible lawful efforts to implement and/or increase activity on each of the nine MacBride Principles (Northern Ireland).	Yes
S	Human Rights Risk Assessment	These resolutions request that a company conduct an assessment of the human rights risks in its operations or in its supply chain, or report on how it assesses human rights risks in its operations or supply chain.	Yes

E/S related	Proposal	Proposal description	Support for the proposal in tendency
S	Improve Human Rights Standards or Policies	Typically requests that the company to adopt, or report on the implementation of, human rights policies. These resolutions may also request that the company commit to the implementation of a code of conduct based on the International Labor Organization's (ILO) human rights standards.	Yes
S	Plant Closures and Outsourcing	Typically requests that the company evaluate the effect of plant closures on employees and local communities.	Case-by-case analysis
S	Operations in High Risk Countries	Typically requests that the company develop, or report on, criteria for investing in or operating in high-risk countries.	Case-by-case analysis
S	Data Security, Privacy, and Internet Issues	Typically requests that the company adopt policies or operational mechanisms to protect the freedom of the internet (net neutrality), privacy, and data security.	Yes
S	Report on Pay Disparity	Typically requests that the company prepare a report comparing the total compensation of the company's top executives with that of the company's lowest paid workers.	Yes
S	Fair Lending	Typically requests that the company to report on bank lending policies such as predatory loans, payday lending, and reverse mortgages. Generally filed at banks or mortgage lending companies. In addition, these resolutions ask that the board develop a policy for its lending and services to, and operations in, less-developed countries (LDCs) to actively encourage the efficient use of capital and financial stabilization in those countries.	Case-by-case analysis
S	End Production of Tobacco Products	These resolutions request that the company spin off or cease tobacco (cigar, cigarette, or smokeless tobacco) production operations.	Case-by-case analysis
S	Prepare Tobacco-Related Report	These resolutions cover a broad range of reports requested about a company's tobacco operations (such as cost of settlement agreements and efforts to decrease youth smoking).	Case-by-case analysis
S	Avoid Support of Abortion-Related Activities	Typically requests that the company report on its charitable contributions that may	Case-by-case analysis

E/S related	Proposal	Proposal description	Support for the proposal in tendency
		unknowingly support abortion-related activities.	
S	Weapons - Related	Typically relate to the production of military weapons, including nuclear weapons, space based weapons, and depleted uranium. These resolutions may also relate to the sale and manufacturing of civilian firearms.	Case-by-case analysis
S	Review Foreign Military Sales	Typically requests that the board of directors provide a comprehensive report on foreign sales of weapons-related products and services, including offset agreements. Companies must disclose information on its foreign military sales and the impact that such sales may have on national security or social well-being.	Case-by-case analysis
S	Review Drug Pricing or Distribution	Typically requests that the company review its policies and report to shareholders on company response to rising regulatory, legislative, and public pressure to increase the accessibility and affordability of prescription drugs.	Yes
S	Sever Links with Tobacco Industry	These resolutions ask the company to sever links with the tobacco industry	Case-by-case analysis
S	Reduce Tobacco Harm to Health	These resolutions ask the company to adopt policies that prohibit smoking at all company facilities either by employees or by customers (restaurants), or to inform tobacco users of the health consequences of tobacco use.	Case-by-case analysis
S	Review Tobacco Marketing	These resolutions ask the company to cease advertising tobacco products in general, or towards specific groups, such as the poor or youths. These resolutions may also ask the company to report on its marketing practices.	Yes
S	Prepare Report on Health Care Reform	Miscellaneous health-related issues. Often requests the adoption of recognized health care principles or policies.	Case-by-case analysis
S	Disclose Prior Government Service	Typically requests that the company furnish shareholders a list of persons employed by the company as vice president or above, consultants, lobbyists, legal counsels, investment bankers, or directors who have served in any governmental capacity or as a	Yes

E/S related	Proposal	Proposal description	Support for the proposal in tendency
		staff member of any congressional committee or regulatory agency.	
S	Charitable Contributions	Typically requests that the company prepare a report describing its charitable contributions.	Case-by-case analysis
S	Political Contributions Disclosure	Typically requests that the company prepare a report on its payments and policies related to direct and indirect political contributions, including payments made to trade associations.	Case-by-case analysis
S	Political Lobbying Disclosure	Typically requests that the company prepare a report on its payments and policies related to direct and indirect lobbying expenditures, including payments made to trade associations.	Case-by-case analysis
S	Political Activities and Action	These resolutions relate to all non-disclosure political contributions and lobbying resolutions. For example, proposals that ask the company to prohibit political spending and those that ask the company adopt a policy to not ensure that its contributions are consistent with its corporate policies.	Case-by-case analysis
S	Adopt Sexual Orientation Anti-Bias Policy	Typically requests that the company implement and include in its employment policy statement language explicitly prohibiting discrimination based on sexual orientation and/or gender identity.	Case-by-case analysis
S	Report on EEO	Typically requests that the company prepare an updated diversity report identifying employees according to their gender and race in each of the nine EEOC-defined job categories.	Yes
S	Labor Issues – Discrimination and Miscellaneous	Typically proposals pertaining to the prohibition of discrimination and support of fair employment outside of sexual orientation/gender identity and EE0-1 disclosure proposals.	Yes
S	Holy Land Principles	These proposals ask the company to adopt and implement the eight holy land principles, a set of fair employment principles relating to the company's	Case-by-case analysis

E/S related	Proposal	Proposal description	Support for the proposal in tendency
		operations in Israel and the Palestinian Territories.	
S	Gender Pay Gap	These proposals typically ask the company to report on their gender pay gap and/or their policies and goals to reduce the gender pay gap.	Yes
S	Income Inequality	Typically asks for a report on company actions to address economic inequality or to adopt principles for minimum wage reform.	Yes
S	Animal Welfare	Typically requests that the company report on or adopt policies addressing the rights and welfare of animals in the company's operations and supply chain. These resolutions often relate to agricultural practices.	Case-by-case analysis
S	Animal Testing	Typically requests that the company report on its efforts to reduce unnecessary animal testing methods. These resolutions may also ask the company to adopt a policy to restrict non-required animal testing.	Case-by-case analysis
S	Animal Slaughter Methods	Typically requests that the company review or adopt more humane animal slaughter methods in its operations.	Case-by-case analysis
S	Anti-Social Proposal	Anti-social proposals most often seek to rebuke company efforts to mitigate climate change and implement sustainability programs, make charitable contributions to certain organizations, and adopt anti-discrimination protection.	Case-by-case analysis
S	Adult Entertainment	Typically requests that the company review or cease its connection with adult entertainment. Connections may include mature rated video games or adult programming.	Case-by-case analysis
S	Adopt a Policy on Ideological Board Diversity	This is for shareholder proposals that request companies to disclose information about the ideological diversity of board members	Case-by-case analysis
S	Improve Principles of Executive Compensation Program (Pay Gap)	Typically requests that the company report on or limit compensation-specific measures.	Yes

E/S related	Proposal	Proposal description	Support for the proposal in tendency
S	Artificial Intelligence	The proposals address AI-related issues, such as governance, oversight, human rights risks, and ethics.	Case by Case analysis

6 Foreign Private Issuers

Foreign private issuers ("FPIs") are defined as companies whose business is administered principally outside the U.S., with more than 50 percent of assets located outside the U.S.; a majority of whose directors/officers are not U.S. citizens or residents; and a majority of whose outstanding voting shares are held by non-residents of the U.S. Companies that are incorporated outside of the U.S. and listed solely on U.S. exchanges, where they qualify as FPIs, will be subject to the following policy:

Vote against or withhold from non-independent director nominees at companies which fail to meet the following criteria: a majority-independent board, and the presence of an audit, compensation, and a nomination committee, each of which is entirely composed of independent directors. Where the design and disclosure levels of equity compensation plans are comparable to those seen at U.S. companies, U.S. compensation policy will be used to evaluate the compensation plan proposals. All other voting items will be evaluated using the relevant regional or market proxy voting guidelines.

While a firm's country of incorporation will remain the primary basis for evaluating companies, Sustainability Advisory Services will generally apply its U.S. policies to the extent possible with respect to issuers that file DEF 14As, 10-K annual reports, and 10-Q quarterly reports, and are thus considered domestic issuers by the U.S. Securities and Exchange Commission (SEC). U.S. policies will also apply to companies listed on U.S. exchanges as Foreign Private Issuers (FPIs) and that may be exempt from the disclosure and corporate governance requirements that apply to most companies traded on U.S. exchanges, including a number of SEC rules and stock market listing requirements. Corporations that have reincorporated outside the U.S. have found themselves subject to a combination of governance regulations and best practice standards that may not be entirely compatible with an evaluation framework based solely on the country of incorporation.

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