



# Alembeeks VotingLab Voting Guidelines 2021

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## Foreword on Alembeeks VotingLab Voting Guidelines

These guidelines offer detailed and comprehensive information on how Alembeeks VotingLab (“Alembeeks”) assists clients on the most common proxy voting items, which can be grouped in five themes:

1. Board of Directors
2. General corporate governance matters
3. Compensation
4. Capital structural proposals
5. Shareholder proposals

For each issue, these guidelines highlight criteria that tend towards best practices and that we actively advise to support, as well as issues that may trigger an “against” or “abstain” vote advice.

We apply these guidelines to determine whether to support or oppose proposals presented for a shareholder vote. It would be inconsistent with our advisory responsibility to support any management or shareholder-sponsored initiative that we believe is likely to diminish shareholder value over the long term.

Voting assessment decisions are based on the following considerations:

- *For*: The proposed resolution reflects good practice and is in the shareholders’ long-term interest
- *Abstain*: The proposal raises issues of concern for shareholders or lacks sufficient information
- *Against*: The proposal is not acceptable and is not in the shareholders’ long-term interest

These guidelines have been developed over a number of years and are intended to encourage institutional investors and companies to take actions that we believe are in the best long-term economic interest of shareholders.

The following guidelines describe the factors that affect our voting assessment decisions according to the key voting items. Any item that is not covered by these guidelines will be assessed on a case-by-case basis taking into account the ICGN Global Governance Principles, the G20/OECD Principles of Corporate Governance and context of each individual company.

Our guidelines are not regulations and will evolve as circumstances change. We commit to remain open-minded and pragmatic, and will apply the guidelines with thought, giving consideration to the individual circumstances of companies

These guidelines are annually reviewed and approved by the Alembeeks’ board. Since we advise in a number of global markets, our guidelines are principles-based and cover a broad range of corporate governance matters, a number of which may not arise in every jurisdiction. As a result, our guidelines provide us with the flexibility to tailor our approach to reflect the specificities of certain markets.

We welcome comments or feedback on our guidelines and encourage you to contact us at [votinglab@alembeeks.com](mailto:votinglab@alembeeks.com)

# 1. Board of Directors

## Introduction to the responsibilities of a Board

The Board of Directors has a key role to the creation of long-term sustainable corporate value. Boards must organize themselves to constructively challenge management's recommendations, and to evaluate corporate performance from an objective perspective.

Following are what we believe to be the key responsibilities of a board that contribute to effective oversight:

1. Developing a strong corporate governance culture
2. Undertaking effective risk management
3. Communicating clearly and effectively with shareholders
4. Creating a robust succession plan

### *Strong corporate governance culture*

We accept as true that the culture of the board is fundamental to effective governance and sets a tone for the whole organization. We look to boards to set, promote and demonstrate a tone of integrity, openness, diversity and inclusiveness among its members and in its interactions with senior management. In our view, board culture should be an area of constant attention for the directors and this culture should drive how the board executes its oversight function. A strong and healthy board culture leads to a corresponding strong and healthy corporate culture that permeates the entire organization and is, in our view, an integral factor in the creation of long-term sustainable shareholder value.

### *Effective risk management*

Management has responsibility for identifying the risks facing the company and developing an appropriate risk management system. The role of the board is to supervise the risk management process having regard for the company's return objectives. This requires the directors to keep up-to-date on the risk profile of the company and industry, including satisfying themselves that they have knowledge of existing and potential future risks facing the company. A board's ability to effectively manage risk requires a clear and thorough understanding of the company's business and the industry in which it operates.

Under effective risk management, a board oversees the decision of the level of risk a corporation is prepared to assume and the management's plan to generate an appropriate return based on that level of risk. A risk management system identifies, evaluates, and prioritizes risks to the company and develops a coordinated plan to effectively minimize, monitor, and control the probability and/or impact of the risk, or to capitalize on the realization of opportunities presented by the risk.

The board should decide whether responsibility for the supervision of the risk management process should reside with the board as a whole or be delegated to a committee of the board. However, each board committee should incorporate risk management into their regular responsibilities.

### *Communicating Clearly and Effectively with Shareholders*

Boards must be willing and able to communicate clearly with shareholders in form and content. Boards' written communication (e.g., annual proxy statement) should be clear and they should also be available to have regular meetings with shareholders. The content of a board's communication should be transparent and include appropriate disclosures of the company's strategies and objectives. The expectation is that the shareholder-board communication will not involve material non-public information unless both parties mutually agree to enter such a relationship.

### *Robust Succession Plan*

Planning for the orderly succession of the CEO (and senior management) under both planned and unexpected scenarios is one of the board's most important tasks. The board should take a proactive approach to succession planning by working with the incumbent management team to understand the capabilities currently existing within the organization, identify and gain exposure to potential internal candidates, and facilitate their development. A quality succession plan should also prepare for the possibility of an external search being required.

For shareholders to gain confidence that boards are addressing issues of succession, we support the appropriate disclosure of the board's approach to succession planning, on the basis that any such disclosure would not serve to undermine the integrity and effectiveness of the succession plan in place.

## 1.1 Director elections

In general, Alembeeks supports the election of directors as recommended by the board in uncontested elections. However, we may withhold votes from directors or members of particular board committees in certain situations, as indicated below.

## 1.2 Board and director independence

We expect a majority of the directors on the board to be independent. In addition, all members of key committees, including audit, compensation, and nominating/ governance committees, should be independent.

Our view of independence may vary slightly from listing standards—we are typically more stringent when evaluating the independence of founders, family members, and other business relationships.

In particular, common impediments to independence in may include:

- Employment by the company or a subsidiary as a senior executive within the past five years
- Status as a founder of the company
- Substantial business or personal relationships with the company or the company's senior executives
- Family relationships with senior executives or founders of the company
- An equity ownership in the company in excess of 10%
- Excessive tenure according to regional market practices

We may vote against directors serving on key committees that we do not consider to be independent.

When analysing the independence level of the board, Alembeeks only considers board members who are elected by shareholders (excluding government or employee representatives whose presence might be legally required). If the level of board independence is insufficient, Alembeeks would usually vote against the re-election of the members of the nominating/ governance committee as detailed in the section below.

## 1.3 Board oversight

We expect the Board to exercise appropriate oversight over management and business activities of the company. We will consider voting against committee members and/ or individual directors in the following circumstances:

- Where the board has failed to exercise oversight regarding accounting practices or audit oversight, we will consider voting against the current audit committee members, and any other members of the board who may be responsible. For example, this may apply to members of the audit committee during a period when the board failed to facilitate quality, independent auditing if substantial accounting irregularities suggest insufficient oversight by that committee
- Members of the compensation committee during a period in which executive compensation appears excessive relative to performance and peers, and where we believe the compensation committee has not already substantially addressed this issue
- Members of the the nominating/ governance committee where the board is not composed of a majority of independent directors. However, this would not apply in the case of a controlled company.
- Where it appears the director has acted (at the company or at other companies) in a manner that compromises his or her reliability in representing the best long-term economic interests of shareholders

- Where a director has a pattern of poor attendance at combined board and applicable key committee meetings. Excluding exigent circumstances, Alembeeks generally considers attendance at less than 75% of the combined board and applicable key committee meetings by a board member to be poor attendance
- Where a director serves on an excess number of boards, which may limit his/ her capacity to focus on each board's requirements. In this sense, our overboarding approach is detailed in the section External board mandates.

## 1.4 Board of directors' skills and diversity

We encourage boards to periodically renew their membership to ensure relevant skills and experience within the boardroom. To this end, regular performance reviews and skills assessments should be conducted by the nominating/ governance committee.

Furthermore, we expect boards to be comprised of a diverse selection of individuals who bring their personal and professional experiences to bear in order to create a constructive debate of competing views and opinions in the boardroom. In addition to other elements of diversity, we would normally expect to see at least two women directors on every board and that the selection process ensures the target of 30% of women in the board for 2020.

In identifying potential candidates, boards should take into consideration the diversity of experience and expertise of the current directors and how that might be augmented by incoming directors. We encourage boards to disclose their views on:

- The mix of competencies, experience, and other qualities required to effectively oversee and guide management in light of the stated long-term strategy of the company
- The process by which candidates are identified and selected, including whether professional firms or other sources outside of incumbent directors' networks have been engaged to identify and/ or assess candidates
- The process by which boards evaluate themselves and any significant outcomes of the evaluation process, without divulging inappropriate and/ or sensitive details
- The consideration given to board diversity, including, but not limited to, diversity of gender, race, age, experience, geography, and skills, and other factors taken into account in the nomination process

While we support regular board refreshment, we are not opposed in principle to long-tenured directors, nor do we believe that long board tenure is necessarily an impediment to director independence. A variety of director tenures within the boardroom can be beneficial to ensure board quality and continuity of experience.

Our primary concern is that board members are able to contribute effectively as corporate strategy evolves and business conditions change, and that all directors, regardless of tenure, demonstrate appropriate responsiveness to shareholders. We acknowledge that no single person can be expected to bring all relevant skill sets to a board; at the same time, we generally do not believe it is necessary or appropriate to have any particular director on the board solely by virtue of a singular background or specific area of expertise.

Where boards find that age limits or term limits are the most efficient and objective mechanism for ensuring periodic board refreshment, we generally defer to the board's determination in setting such limits.

To the extent that we believe that a company has not adequately accounted for diversity in its board composition, we may vote against the nominating/ governance committee members.

## 1.5 Board size

We typically defer to the board in setting the appropriate size and believe directors are generally in the best position to assess the optimal board size to ensure effectiveness. However, we may oppose boards that appear too small to allow for effective shareholder representation or too large to function efficiently. We consider that the board size should be composed of 15 or less members and more than 2. We will not ordinarily vote against director candidates simply because the size of the board is outside the guideline.

## 1.6 Board committees

Alembeeks expects the audit, remuneration and nomination committees of the board to be composed exclusively of non-executive directors and to be chaired by an independent director. These directors should be independent where called for by market practice. In any event, non-independent committee members should represent no more than a minority of the committee's members. Additionally, the chairman of the board should serve on the audit committee only if he/she is independent.

When the committee composition is not in line with our guidelines due to the presence of shareholder representatives, we would still support the election of these representatives if the shareholder they represent holds less than 30 per cent of the capital or voting rights of the company.

## 1.7 Board chairmanship

We believe that independent leadership is important in the board room. There are two commonly accepted structures for independent board leadership: 1) an independent chairman; or 2) a lead independent director when the roles of chairman and CEO are combined.

In the absence of a significant governance concern, we defer to boards to designate the most appropriate leadership structure to ensure adequate balance and independence. Nevertheless, we believe that the operation of the board is generally enhanced when there is a clearly independent, senior non-executive director to lead it.

In the event that the board chooses a combined chair/ CEO model, we generally support the designation of a lead independent director if there is a sufficient counter-balancing structure and there are implemented mechanisms that may offset a potential concentration of power.

If the board decides to appoint a non-independent chairman, specifically in the case of a former executive, we expect the company to provide strong supporting rationale.

## 1.8 Lead independent director

As stated above, Alembeeks generally considers the designation of a lead independent director as an acceptable alternative to an independent chair if the lead independent director has powers to: 1) provide formal input into board meeting agendas; 2) call meetings of the independent directors; and 3) preside at meetings of independent directors. We expect the lead independent director to be available to meet with shareholders. Where a company does not have a lead independent director who meets these criteria or any other offset mechanisms, we generally support the separation of chairman and CEO.

## 1.9 External board mandates

As the role of director is increasingly demanding, directors must be able to commit an appropriate amount of time to board and committee matters. Given the nature of the role, it is important a director has flexibility for unforeseen events.

Alembeeks is especially concerned that where a full-time executive has a non-executive director role or roles at unrelated companies, there may be a risk that the ability to contribute in either role could be compromised in the event of unforeseen circumstances.

Companies should disclose board and committees' attendance to enable shareholders to monitor directors' availability.

When looking at the number of board mandates, Alembeeks will usually count as one board membership all memberships on boards of listed companies in the same group, except when the subsidiaries operate in different sectors. Alembeeks may vote against the (re)election of a director where there is a risk the director may be over committed in respect of other responsibilities and/or commitments in situations where a board candidate is:

- (1) a director serving on more than 4 other public company boards;
- (2) a chairman chairing a board of another listed company, or
- (3) an executive officer at a public company and is serving on more than 2 other public company boards.

In case of an executive officer, we would vote against his/her (re)election only at external boards. Alembeeks may vote against the election of an outside executive as the chairman of the board as we expect the chairman to have more time availability than other non-executive board members. We expect the company to explain why it is necessary for this external executive to lead the board of directors.

In our experience, the test of an over-committed director is not just attendance record but includes an assessment of a director's ability to provide appropriate time to meet all responsibilities when one of the companies starts facing difficulties.

Alembeeks may vote against the (re)election of any director for whom the disclosure of other already held board and committee positions is deemed to be inadequate, or where a director has a pattern of poor attendance at the board and/or applicable key committee meetings.

### 1.10 CEO and management succession planning

There should be a robust CEO and senior management succession plan in place at the board level that is reviewed and updated on a regular basis. We expect succession planning to cover both long-term planning consistent with the strategic direction of the company and identified leadership needs over time, as well as short-term planning in the event of an unanticipated executive departure. We encourage the company to explain its executive succession planning process, including where accountability lies within the boardroom for this task, without prematurely divulging sensitive information commonly associated with this exercise.

### 1.11 Classified board of directors/ staggered terms

We believe that directors should be re-elected annually if possible, and that a classification of the board dilutes shareholders' right to promptly evaluate a board's performance and limits shareholder selection of directors. As such, we will typically support proposals requesting board de-classification.

Without a voting mechanism to immediately address concerns of a specific director, we may be choosing to vote against or withhold votes from the available slate of directors by default.

### 1.12 Majority vote requirements

Alembeeks believes that directors should generally be elected by a majority of the shares voted and will normally support proposals seeking to introduce bylaws requiring a majority vote standard for director elections. Majority voting standards assist in ensuring that directors who are not broadly supported by shareholders are not elected to serve as their representatives. Some companies with a plurality voting standard have adopted a resignation policy for directors who do not receive support from at least a majority of votes cast. Where we believe that the company already has a sufficiently robust majority voting process in place, we may not support a shareholder proposal seeking an alternative mechanism.

### 1.13 Cumulative voting

We believe that a majority vote standard is in the best long-term interest of shareholders, as it ensures director accountability via the requirement to be elected by more than half of the votes cast. As such, we will generally oppose proposals requesting the adoption of cumulative voting, which may disproportionately aggregate votes on certain issues or director candidates.

### 1.14 Responsiveness to shareholders

We expect a board to be engaged and responsive to its shareholders. Where we believe a board has not substantially addressed shareholder concerns, we may vote against the appropriate committees and/ or individual directors. The following illustrates common circumstances:

- The independent chair or lead independent director, members of the nominating/ governance committee, where we observe a lack of board responsiveness to shareholders, evidence of board entrenchment, and/ or failure to promote adequate board succession planning
- The chair of the nominating/ governance committee, where board member(s) at the most recent election of directors have received withhold votes from more than 30% of shares voting and the board has not taken appropriate action to respond to shareholder concerns. This may not apply in cases where Alembeeks did not support the initial withhold vote
- The independent chair or lead independent director and/ or members of the nominating/ governance committee, where a board fails to implement shareholder proposals that receive a majority of votes cast at a prior shareholder meeting, and the proposals, in our view, have a direct and substantial impact on shareholders' fundamental rights or long-term economic interests

### 1.15 Shareholder rights protection

We expect a board to act with integrity and to uphold governance best practices. Where we believe a board has not acted in the best interests of its shareholders, we may vote against the appropriate committees and/ or individual directors. The following illustrates common circumstances:

- The independent chair or lead independent director and members of the governance committee, where a board implements or renews a poison pill without shareholder approval
- The independent chair or lead independent director and members of the governance committee, where a board amends the charter/ articles/ by-laws such that the effect may be to entrench directors or to significantly reduce shareholder rights
- Members of the compensation committee where the company has repriced options without shareholder approval
- If a board maintains a classified structure, it is possible that the director(s) with whom we have a particular concern may not be subject to election in the year that the concern arises. In such situations, if we have a concern regarding a committee or committee chair that is not up for re-election, we will generally register our concern by withholding votes from all available members of the relevant committee

### 1.16 Directors liability

We will generally support proposals that limit directors' liability and provide indemnification, subject to the qualifications outlined below.

We recognize that corporate directors might be more sensitive to shareholders' concerns if they were to be subject to personal liability in the event of a successful suit by a shareholder. However, we also believe that many individuals would be reluctant to serve as corporate directors if they were to be personally liable for all lawsuits and legal costs.

Limitations on directors' liability can benefit the corporation and its shareholders by facilitating the attraction and retention of qualified directors and officers while affording recourse for shareholders in cases of alleged misconduct by directors. Consequently, in order to encourage the nomination of able directors, we believe that an appropriate indemnification policy is warranted.

### 1.17 Contested director elections

The details of contested elections, or proxy contests, are assessed on a case-by-case basis. We evaluate a number of factors, which may include, the qualifications of the dissident and management candidates; the validity of the concerns identified by the dissident; the viability of both the dissident's and management's plans; the likelihood that the dissident's solutions will produce the desired change; and whether the dissident represents the best option for enhancing long-term shareholder value.

## 2. General corporate governance matters

### 2.1 Approve annual report / financial statements

Where the annual report and/or financial statements are not published sufficiently in advance of the voting deadline to allow a considered vote we may abstain on proposals on the approval or adoption of the reports. Similarly, we may withhold support if doing so would protect shareholders' rights to take legal action should irregularities be discovered at a future date. We may also vote against proposals on the annual report if we have material concerns about the quality of reporting and disclosure.

## 2.2 Dividend proposals

Alembeeks will generally approve dividends taking into consideration market standards and practices. We assess more closely companies that propose a lower allocation to determine if the low dividends are necessitated by company-specific conditions or local market factors. We may oppose dividends that appear excessive given the company's financial position.

Alembeeks will generally support proposals that offer shareholders a choice of a stock or cash dividend. We expect companies to explain their dividend policy and provide a rationale for and terms of any distribution of scrip dividends. We believe companies should repurchase shares to avoid excessive dilution in case of scrip distribution.

## 2.3 Auditor Ratification

Alembeeks recognizes the critical importance of financial statements that provide a complete and accurate portrayal of a company's financial condition. Consistent with our approach to voting on boards of directors, we seek to hold the audit committee of the board responsible for overseeing the management of the audit function at a company, and may withhold votes from the audit committee's members where the board has failed to facilitate quality, independent auditing.

We look to the audit committee report for insight into the scope of the audit committee's responsibilities, including an overview of audit committee processes, issues on the audit committee's agenda and key decisions taken by the audit committee.

We take particular note of cases involving significant financial restatements or material weakness disclosures, and we expect timely disclosure and remediation of accounting irregularities. In addition, to the extent that an auditor fails to reasonably identify and address issues that eventually lead to a significant financial restatement, or the audit firm has violated standards of practice that protect the interests of shareholders, we may also vote against ratification.

The integrity of financial statements depends on the auditor effectively fulfilling its role. To that end, we favour an independent auditor. In order to identify a risk developed from a lack of independence, we expect full disclosure of audit fees and advisory fees and that the compensation for advisory services does not cast doubt on the auditor's independence (least than 20% of total fees).

In our view, auditor rotation is an effective manner to ensure independence. We will vote in favour in those cases where there is a mandatory rotation of the auditors after no more than 15 years, with a clear water period of at least 5 years before the auditor can be reappointed.

From time to time, shareholder proposals may be presented to promote auditor independence or the rotation of audit firms. We may support these proposals when they are consistent with our views as described above.

## 2.4 Amendments to memorandum / articles of association / charter

These proposals vary from routine changes to reflect corporate law or other regulatory revisions through to significant changes that substantially change the governance of the company. Alembeeks will review such proposals and assess the impact of the changes on the rights of shareholders.

## 2.5 Bundled proposals

Alembeeks believes that shareholders should have the opportunity to review substantial governance changes individually without having to accept bundled proposals. Where several measures are grouped into one proposal, Alembeeks may reject certain positive changes when linked with proposals that generally contradict or impede the rights and economic interests of shareholders.

## 2.6 Adjourn meeting to solicit additional votes

We generally support such proposals unless the agenda contains items that we judge to be detrimental to shareholders' best long-term economic interests.

## 2.7 Related-party transactions

In principle, companies should refrain from engaging in transactions with related parties such as their shareholders, directors, and management. If related-party transactions are entered into they should be conducted on an arm's length basis, approved by

independent parties, such as non-interested directors and/or shareholders, and further governed by relevant corporate law or stock exchange listing requirements. Alembeeks expects related-party transactions to be fully disclosed and explained. Disclosure should include, but not be limited to, parties' involved, financial conditions, details of the transaction, and justification from the board on the interest of the transaction. We may support reasonable annual mandates for recurring related-party transactions subject to their not adversely impacting minority shareholders.

Alembeeks will generally vote against substantial business transactions with non-executive directors as conflicts of interests should be avoided.

## 2.8 Change of name of corporation

Alembeeks will normally support management proposals on corporate names.

## 2.9 Reincorporation or change of domicile

Proposals to move domicile from one country to another are frequently undertaken to gain protection from takeover, to avoid certain regulatory requirements or to save costs. We will assess any changes to the company's charter associated with the reincorporation and will not normally support moves that will result in a significant overall reduction in shareholder protections.

## 2.10 Coverage of multi-jurisdictional companies

Where a company is listed on multiple exchanges or incorporated in a country different from its primary listing, we will apply the most relevant market guideline(s) to our analysis of the company's governance structure and specific proposals on the shareholder meeting agenda. In doing so, we typically consider the governance standards of the company's primary listing, the market standards by which the company governs itself, and the market context of each specific proposal on the agenda. If the relevant standards are silent on the issue under consideration we will use our professional judgment as to what voting outcome would best protect the economic interests of long-term investors. We expect that companies will disclose in their annual report the rationale for their selection of primary listing, country of incorporation, and choice of governance structures, in particular where there are contradictions between relevant market governance practices.

## 2.11 Other business

We oppose supporting companies on matters where we are not given the opportunity to review and understand those measures and carry out an appropriate level of shareholder oversight.

## 3. Compensation

### 3.1 Executive Compensation

We note that there are both management and shareholder proposals related to executive compensation. We generally vote on these proposals as described below, except that we typically oppose shareholder proposals on issues where the company already has a reasonable policy in place that we believe is sufficient to address the issue. We may also oppose a shareholder proposal regarding executive compensation if the company's history suggests that the issue raised is not likely to present a problem for that company.

#### 3.1.1 Fixed remuneration

When setting fixed pay, we expect boards to start by determining the right cost for the specific position. This amount should be based on a calculated assessment of what needs to be paid to get the job done and should be aligned with the pay policy of the company for the rest of the workforce. The board should also consider the pay ratio between the CEO and the rest of the executive team, looking at both the fixed and the total remuneration.

We expect companies to select peers that are broadly comparable to the company in question, based on objective criteria that are directly relevant to setting competitive remuneration; we evaluate peer group selection based on factors including, but not limited to, business size, relevance, complexity, risk profile, and/or geography. Benchmarking tools should be used in a transparent manner, i.e. we expect the results to be disclosed by the company, especially the peer group selected.

In case of a significant pay increase year-on-year that is out of line with the rest of the workforce, Alembeeks expects the company to provide a strong supporting rationale. Large increases should not be justified principally by benchmarking or company's performance but should progress in pace with the evolution of the scope of the role and its complexity. If justified by additional complexity, we expect companies to provide a detailed explanation of how the role has substantially changed. We do not see the size of the capital of the company as an appropriate proxy for the complexity of the role or as appropriate justification for an increase in salary.

#### 3.1.2 Variable pay

Given the uniqueness of each listed company, and the numerous industries in which companies operate, we do not believe there is a "one size fits all" approach to the structure of executive remuneration. Boards of directors should structure executive remuneration plans that best suit their company taking into account such factors as the company's pay policy, strategy and business cycle. We do not set forth a preference between cash, restricted stock, performance-based equity awards, and stock options, amongst other remuneration vehicles. We acknowledge that each may have an appropriate role in recruiting and retaining executives, in incentivising behaviour, in fostering the right culture and performance and in aligning shareholders' and executives' interests. Remuneration committees should clearly disclose the rationale behind their selection of pay vehicles and how these fit with intended incentives. We also observe that different types of awards exhibit varying risk profiles, and the risks associated with pay plan design should be in line with the company's stated strategy and risk appetite.

Boards should provide a picture of what the pay package could look like depending on different performance scenarios and on different time horizons for investors to be able to assess adequately the pay-related proposals. The pay package should be linked to transparent pertinent and challenging criteria, relevant to the company business and strategy, precisely specifying pre-established qualitative and quantitative personal and corporate key performance indicators.

We expect companies to disclose the value of the remuneration to be granted in a particular year based on threshold, target and maximum performance (values should be measured by face value at grant date).

Alembeeks may not support long-term incentive plans:

- where vesting of awards is not subject to the achievement of pre-determined performance targets
- where the performance period is not sufficiently long-term oriented (at least 3 years)

- with insufficient disclosure on matters such as grant limits, performance criteria, vesting periods and overall dilution, as this will not allow Alembeeks to fully assess these incentive plans;
- where the total volume of the long-term incentive plans exceeds 10 per cent of the capital, or volume of stock option plans per year exceeds 2.5% of issued capital;
- where free shares distribution per year exceeds 1% of issued capital;
- where they allow re-test exercising conditions;
- where exists a discount on stock-options;
- where they allow for the immediate vesting of awards upon a change of control.

We support incentive plans that foster the sustainable achievement of results. Although we believe that companies should identify those performance measures most directly tied to shareholder value creation, we also believe that emphasis should be on those factors within management’s control to create economic value over the long-term, which should ultimately lead to sustained shareholder returns over the long-term.

We are wary of companies using only “output” metrics such as earnings per share (“EPS”) or total shareholder return (“TSR”). Our preference is for “input” metrics as these are within management’s control. TSR, if used, should be assessed on a relative basis or companies should provide a cogent explanation for why this is not adequate. Companies using EPS should exclude the potential short-term effects of share buybacks and acquisitions. We also encourage companies to use metrics related to the creation of value of the company (e.g. the economic profit or a comparison of return on invested capital (“ROIC”) and the cost of capital).

Performance metrics should be closely aligned with the strategic objectives and should not be created for the sole purpose of compensating executives.

The use of adjusted metrics in the remuneration framework should be consistent with the adjustments used in the statutory reporting.

Short-term and long-term incentive plans should be based on different sets of performance measures.

The performance measures should be majority financial and at least 60 per cent should be based on quantitative criteria. Variable pay should be based on multiple criteria. We expect full disclosure of the performance measures selected and the rationale for the selection of such performance measures. If the board decides to use ESG-type criteria, these criteria should be linked to material issues and they must be quantifiable, transparent and auditable. These criteria should reflect the strategic priorities of the company. For that reason, the inclusion in ESG-indexes is generally not considered to be appropriate criteria. Where financial measures constitute less than 60 per cent of performance measures a cogent explanation should be provided.

Retrospective disclosure should be provided on the performance achieved, broken down by measure, for quantitative and qualitative metrics alike. For markets where it is the expected practice, the performance metrics and targets should be disclosed prospectively.

Regarding long-term incentive plans, we expect the performance duration to be in line with the business cycle of the company. When the vesting period is two years or less, due to a short business cycle, an explanation should be provided and there should be a sufficient subsequent holding period beyond the vesting of awards to ensure the long-term focus by management.

In relation to currency exposure: we do not believe one group of stakeholders should be sheltered from the impact of currency fluctuations. We expect companies to mitigate currency risks as any other risk.

### 3.1.3 Pensions and benefits

Pensions and benefits should not be used in the calculation of variable pay.

We view pensions as being part of the benefits offered by a company and therefore we expect pension contributions for executives to be in line with the rest of the workforce. Contracts for new executives should reflect this alignment. Any downgrade of the workforce’s pensions should also be applied to the executives.

### 3.1.4 Recruitment packages

Any proposed package should be primarily determined in relationship to the nature and the specifics of the role for a company of this size and complexity. Any large disparity with the remuneration of the former executive should be explained in detail by the company.

Buyout awards, if necessary, should only be made in shares or similar at-risk vehicles and should be aligned with the recruiting company's strategy and metrics; vesting can be aligned with the executive's prior employment cycle.

### 3.1.5 Severance, retirement and change in control

Severance payments should not be made to executives whose contracts have been terminated as a result of poor performance, who have chosen to leave the company, or who are retiring.

Severance payments should be limited to two years of fixed remuneration (including bonus in markets where this is the expected practice). This limit includes payments from non-compete agreements.

Severance payments should only be paid in case of forced departure of a good leaver. The non-renewal of a mandate should not be construed as a forced departure.

In case of good leavers, unvested awards should vest pro-rated for time and performance and lapse in full in case of bad leavers. In case of a voluntary change of employment, the executive's unvested awards should lapse in full as well. A good leaver is one which leaves the company due to: retirement, personal circumstances preventing the executive from fulfilling the role, change in control/strategy when the post becomes redundant or the incumbent executive's skills are not aligned. A bad leaver is one which leaves the company due to forced or agreed departure due to inadequate performance or behaviour of that individual.

### 3.1.6 One-off awards

Any one-off award to an executive should be based on very exceptional circumstances that would need to be detailed by the company in the remuneration report.

Without adequate explanation, we will usually oppose one-off awards linked to transactions as these awards could create an incentive for executives to undertake unnecessary (and at times value-destroying) acquisitions. Moreover, any merger or acquisition entails significant risks that investors will have to face for a number of years after the transaction.

We will also usually vote against retention awards as, in our experience, they are not an effective tool to retain employees.

### 3.1.7 Claw back proposals

We generally favour recoupment from any senior executive whose compensation was based on faulty financial reporting or deceptive business practices. In addition to fraudulent acts, we also favour recoupment from any senior executive whose behaviour caused direct financial harm to shareholders, reputational risk to the company or resulted in a criminal investigation, even if such actions did not ultimately result in a material restatement of past results. This includes, but is not limited to, settlement agreements arising from such behaviour and paid for directly by the company. We typically support shareholder proposals on these matters unless the company already has a robust claw back policy that sufficiently addresses our concerns.

### 3.1.8 Golden parachutes

We generally view golden parachutes as encouragement to management to consider transactions that might be beneficial to shareholders. However, a large potential pay-out under a golden parachute arrangement also presents the risk of motivating a management team to support a sub-optimal sale price for a company.

When determining whether to support or oppose an advisory vote on a golden parachute plan, we normally support the plan unless it appears to result in payments that are excessive or detrimental to shareholders. In evaluating golden parachute plans, Alembeeks may consider several factors, including:

- Whether we believe that the triggering event is in the best interest of shareholders

- An evaluation of whether management attempted to maximize shareholder value in the triggering event
- The percentage of total premium or transaction value that will be transferred to the management team, rather than shareholders, as a result of the golden parachute payment
- Whether excessively large excise tax gross up payments are part of the pay-out
- Whether the pay package that serves as the basis for calculating the golden parachute payment was reasonable in light of performance and peers
- Whether the golden parachute payment will have the effect of rewarding a management team that has failed to effectively manage the company

It may be difficult to anticipate the results of a plan until after it has been triggered; as a result, Alembeeks may vote against a golden parachute proposal even if the golden parachute plan under review was approved by shareholders when it was implemented.

We may support shareholder proposals requesting that implementation of such arrangements require shareholder approval. We generally support proposals requiring shareholder approval of plans that exceed 2.99 times an executive's current salary and bonus, including equity compensation.

### 3.1.9 Equity compensation plans

Alembeeks supports equity plans that align the economic interests of directors, managers and other employees with those of shareholders. We believe that boards should establish policies prohibiting use of equity awards in a manner that could disrupt the intended alignment with shareholder interests, for example: use of the stock as collateral for a loan; use of the stock in a margin account; use of the stock (or an unvested award) in hedging or derivative transactions. We may support shareholder proposals requesting the board to establish such policies.

Our evaluation of equity compensation plans is based on a company's executive pay and performance relative to peers and whether the plan plays a significant role in a pay-for-performance disconnect. We generally oppose plans that contain "evergreen" provisions allowing for the unlimited increase of shares reserved without requiring further shareholder approval after a reasonable time period. We also generally oppose plans that allow for repricing without shareholder approval. We may also oppose plans that provide for the acceleration of vesting of equity awards even in situations where an actual change of control may not occur. We encourage companies to structure their change of control provisions to require the termination of the covered employee before acceleration or special payments are triggered.

#### 3.1.10 Option exchanges

We believe that there may be legitimate instances where underwater options create an overhang on a company's capital structure and a repricing or option exchange may be warranted. We will evaluate these instances on a case by case basis. Alembeeks may support a request to reprice or exchange underwater options under the following circumstances:

- The company has experienced significant stock price decline as a result of macroeconomic trends, not individual company performance
- Directors and executive officers are excluded; the exchange is value neutral or value creative to shareholders; tax, accounting and other technical considerations have been fully contemplated

- There is clear evidence that absent repricing, the company will suffer serious employee incentive or retention and recruiting problems  
Alembeeks may also support a request to exchange underwater options in other circumstances, if we determine that the exchange is in the best interest of shareholders.

#### 3.1.11 Share Buyback Holding Periods

Generally, Alembeeks vote against shareholder proposals prohibiting executives from selling shares of company stock during periods in which the company has announced that it may or will be repurchasing shares of its stock. We suggest voting for the proposal when there is a pattern of abuse by executives exercising options or selling shares during periods of share buybacks.

#### 3.1.12 Supplemental executive retirement plans

Alembeeks may support shareholder proposals requesting to put extraordinary benefits contained in Supplemental Executive Retirement Plans ("SERP") agreements to a shareholder vote unless the company's executive pension plans do not contain excessive benefits beyond what is offered under employee-wide plans.

### 3.1.2 Shareholding requirement

For all companies, we encourage boards to set executive shareholding requirement at least at the level of maximum annual variable pay (including the bonus and long-term incentives).

Executives should be required to build up their shareholding in a reasonable amount of time after their appointment.

We believe it is a good practice for executives to retain part of their shareholding for a period of time (at least two years) after they leave the company.

### 3.1.2 Advisory resolutions on executive compensation (“Say on Pay”)

We analyse the remuneration practices in the context of the company’s stated strategy and identified value drivers and seek to understand the link between strategy, value drivers and incentive plan design.

We review executive remuneration granted during the year in terms of total remuneration that may be earned at threshold, target and maximum performance. Such an approach provides an understanding of the remuneration committee’s intended outcomes based on various performance scenarios and to judge the appropriateness and rigor of performance measures and hurdles.

We make an assessment of the relevance of the company’s stated peers and the potential impact the company’s peer selection may have on pay decisions.

We conduct our analysis over various time horizons, with an emphasis on a sustained period, generally 3-5 years; however we consider company-specific factors, including the timeframe the company uses for performance evaluation, the nature of the industry, and the typical business cycle, in order to identify an appropriate timeframe for evaluation.

We review key changes to pay components from previous years and consider the remuneration committee’s rationale for those changes.

Where we see extraordinary pay items (including but not limited to actual or contractual severance payments, inducement grants, one-time bonus and/or retention awards, or relocation expenses) we expect to see a clear explanation to understand the remuneration committee’s rationale and how such payments are aligned with long term shareholder interests.

We may engage with companies, preferably independent members of the remuneration committee or of the board, where concerns are identified or where we seek to better understand a company’s approach to executive remuneration.

We consider Alembeeks’s historical voting decisions (including whether a concern that led to a previous vote against management has been addressed, or whether we determined to support management at previous shareholder meetings with the expectation of future change), engagement activity, other corporate governance concerns at the company, and the views of our portfolio managers.

We assess the board’s responsiveness to shareholder voting results of relevant proposals at previous years’ annual meetings, and other feedback received from shareholders.

We will vote against the election of remuneration committee members and/or Say on Pay proposals in certain instances, including but not limited to when:

- We identify a misalignment over time between threshold, target pay and maximum remuneration outcomes and company performance as reflected in financial and operational performance and/or shareholder returns;
- We determine that a company has not persuasively demonstrated the connection between strategy, long-term shareholder value creation and incentive plan design;
- We determine that remuneration is excessive relative to peers without appropriate rationale or explanation, including the appropriateness of the company’s selected peers;
- We observe an overreliance on discretion or extraordinary pay decisions to reward executives, without clearly demonstrating how these decisions are aligned with shareholders’ interests;
- We determine that company disclosure is insufficient to undertake our pay analysis; and/or
- We observe a lack of board responsiveness to significant investor concern on executive remuneration issues.

- There is no mention of the use of performance criteria for the vesting of long-term awards or it is explicitly stated there will not be any disclosure around the performance criteria, with the exception of restricted schemes (see below);
- A long-term incentive plan allows for “retesting,” i.e. multiple opportunities to achieve the performance criteria; and/or
- A board of directors decides to make retrospective/in-flight changes to performance criteria.

### 3.1.2 Advisory votes on the frequency of Say on Pay resolutions

Alembeeks will generally support annual pay frequency votes, but we defer to the board to determine the appropriate timeframe upon which pay should be reviewed. In evaluating pay, we believe that the compensation committee is responsible for constructing a plan that appropriately incentivizes executives for long-term value creation, utilizing relevant metrics and structure to ensure overall pay and performance alignment. In a similar vein, we defer to the board to establish the most appropriate timeframe for review of pay structure, absent a change in strategy that would suggest otherwise.

## 3.2 Director compensation

We believe that compensation for directors should be structured to align their interests with those of shareholders. We believe director compensation packages that are based on the company’s long-term value creation and include some form of long-term equity compensation are more likely to meet this goal. In addition, we expect directors to build meaningful share ownership over time.

Companies must provide full disclosure of all compensation components for each director serving on the board. The pay should be transparent enough for shareholders to allow them to distinguish compensation of executives from that of non-executive directors.

### 3.2.1 Non-executive board members remuneration

Alembeeks expects that non-executive members’ remuneration should in line with compared to companies of a similar profile. Alembeeks does not support variable pay elements (e.g. stock options or performance shares) for non-executive directors or supervisory board members and prefers these board members to receive fixed fees only. These fees should be only paid in cash and/or shares.

## 3.3 Employee stock purchase plans

We believe these plans can provide performance incentives and help align employees’ interests with those of shareholders. We will typically support qualified ESPP proposals if purchase price has no more than 15% discount of fair market value, if the offering period is limited to 3 years and if the total number of shares allocated to the plan is less than 10% of the outstanding shares.

## 4. Capital structure proposals

### 4.1 Capital Structure

Alembeeks believes that shareholders should be entitled to voting rights in proportion to their economic interests. We believe that companies that look to add or already have dual or multiple class share structures should review these structures on a regular basis or as company circumstances change, and receive shareholder approval of their capital structure on a periodic basis via a management proposal on the company's proxy.

In this sense, we generally vote for resolutions that seek to maintain, or convert to, a one-share, one-vote capital structure. On the other side we will vote against requests for the creation or continuation of dual-class capital structures or the creation of new or additional super voting shares.

### 4.2 Capital Issuances

We generally vote for issuance authorities with pre-emptive rights to a maximum of 100 % 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.

Alembeeks generally vote for general authorities to issue shares without pre-emptive rights up to a maximum of 10 % of share capital. When companies are listed on a regulated market, the maximum discount on share issuance price proposed in the resolution must, in addition, comply with the legal discount (i.e., a maximum of 5 % discount to the share listing price) for a vote for to be warranted.

We will vote against in those cases where we assess that the authority is likely to be used as an anti-take-over measure.

### 4.3 Share buyback programmes

Alembeeks considers share buyback programmes to be generally supportive as long as the share price is fair, maximum upward and downward deviation doesn't exceed 5% of the average market price over a representative period or 10% if the resolution refers to a day price.

We will normally oppose such proposals if the proportion of issued share capital covered by the authority is excessive (more than 10%) or if the intended purpose is unclear. We will not support share repurchase programmes which allow for share repurchases to be carried out during a takeover period.

### 4.4 Reduction of Capital

Alembeeks generally favours proposals to reduce capital for routine accounting purposes unless the terms are unfavourable to shareholders.

### 4.5 Debt Issuance Requests

Alembeeks generally favours proposals to restructure existing debt arrangements unless the terms of the restructuring would adversely affect the rights of shareholders making primarily that level of dilution given the full conversion of securities is not excessive. In any case, we assess non-convertible debt issuance requests on a case-by-case basis, with or without pre-emptive rights.

### 4.6 Specific Issuances

We will vote on a case-by-case basis on all requests, with or without pre-emptive rights.

## 4.7 Stock splits

We generally support stock splits that are not likely to negatively affect the ability to trade shares or the economic value of a share. We generally support reverse stock splits that are designed to avoid delisting or to facilitate trading in the stock, where the reverse split will not have a negative impact on share value (e.g. one class is reduced while others remain at pre-split levels). In the event of a proposal to reverse split that would not also proportionately reduce the company's authorized stock, we apply the same analysis we would use for a proposal to increase authorized stock.

## 4.8 Mergers, asset sales, and other special transactions

Alemnbeeks's primary concern is the best long-term economic interests of shareholders. While these proposals vary widely in scope and substance, we closely examine certain salient features in our analyses such as:

- The degree to which the proposed transaction represents a premium to the company's trading price. We consider the share price over multiple time periods prior to the date of the merger announcement. In most cases, business combinations should provide a premium. We may consider comparable transaction analyses provided by the parties' financial advisors and our own valuation assessments. For companies facing insolvency or bankruptcy, a premium may not apply
- There should be clear strategic, operational and/ or financial rationale for the combination
- Unanimous board approval and arm's-length negotiations are preferred. We will consider whether the transaction involves a dissenting board or does not appear to be the result of an arm's-length bidding process. We may also consider whether executive and/ or board members' financial interests in a given transaction appear likely to affect their ability to place shareholders' interests before their own
- We prefer transaction proposals that include the fairness opinion of a reputable financial advisor assessing the value of the transaction to shareholders in comparison to recent similar transactions.

## 5. Shareholder proposals

Whilst we recognise the importance of the right of shareholders to submit proposals to the general meeting, we will not support proposals that are frivolous or that cover an issue we believe the board or management is taking, or has taken, adequate steps to address. We will support shareholder proposals that we believe enhance shareholders' rights or are in the economic interests of shareholders.

### 5.1 Social and environmental issues

Our fiduciary duty to clients is to protect and enhance their economic interest in the companies in which we invest on their behalf. It is within this context that we undertake our corporate governance activities. We believe that well-managed companies will deal effectively with the material social and environmental factors relevant to their businesses.

Alembeeks expects companies to identify and report on the material, business-specific social and environmental risks and opportunities and to explain how these are managed. This explanation should make clear how the approach taken by the company best serves the interests of shareholders and protects and enhances the long-term economic value of the company. The key performance indicators in relation to social and environmental matters should also be disclosed and performance against them discussed, along with any peer group benchmarking and verification processes in place. This helps shareholders assess how well management is dealing with the material social and environmental factors relevant to the business. Any global standards adopted should also be disclosed and discussed in this context.

We may vote against the election of directors where we have concerns that a company might not be dealing with social and environmental issues appropriately. Sometimes we may reflect such concerns by supporting a shareholder proposal on the issue, where there seems to be either a significant potential threat or realized harm to shareholders' interests caused by poor management of material social and environmental matters. In deciding our course of action, we will assess the nature of our engagement with the company on the issue over time, including whether:

- The company has already taken sufficient steps to address the concern
- The company is in the process of actively implementing a response
- There is a clear and material economic disadvantage to the company in the near-term if the issue is not addressed in the manner requested by the shareholder proposal

More commonly, given that these are often not voting issues, we will suggest our clients to engage directly with the board or management.

We do not see it as our role to make social, ethical or political judgments on behalf of clients, but rather, to protect their long-term economic interests as shareholders. We expect companies to comply, at a minimum, with the laws and regulations of the jurisdictions in which they operate. They should explain how they manage situations where such laws or regulations are contradictory or ambiguous.

### 5.2 Climate risk

Within the framework laid out above, we believe that climate presents significant investment risks and opportunities to many companies. We believe that the Financial Stability Board's Task Force on Climate Related Financial Disclosures ("TCFD") and the Sustainability Accounting Standards Board ("SASB") sector-specific disclosure standards provide useful guidance to companies on identifying, managing, and reporting on climate-related risks and opportunities. We expect companies to help their investors understand how the company may be impacted by climate change, in the context of its ability to realize a long-term strategy and generate value over time.

We expect companies to convey their governance around this issue through their corporate disclosures. For companies in sectors that are significantly exposed to climate-related risk, we expect the whole board to have demonstrable fluency in how climate risk affects the business, and how management approaches adapting to, and mitigating that risk. Where a company receives a shareholder proposal related to climate risk, in addition to the factors laid out above, our assessment will take into account the robustness of the company's existing disclosures as well as our understanding of its management of the issues as revealed through our engagements with the company and board members over time.

### 5.3 Corporate political activities

Companies may engage in certain political activities, within legal and regulatory limits, in order to influence public policy consistent with the companies' values and strategies, and thus serve shareholders' best long-term economic interests. These activities can create risks, including: the potential for allegations of corruption; the potential for reputational issues associated with a candidate, party or issue; and risks that arise from the complex legal, regulatory and compliance considerations associated with corporate political activity. We believe that companies which choose to engage in political activities should develop and maintain robust processes to guide these activities and to mitigate risks, including a level of board oversight.

When presented with shareholder proposals requesting increased disclosure on corporate political activities, we may consider the political activities of that company and its peers, the existing level of disclosure, and our view regarding the associated risks. We generally believe that it is the duty of boards and management to determine the appropriate level of disclosure of all types of corporate activity, and we are generally not supportive of proposals that are overly prescriptive in nature. We may determine to support a shareholder proposal requesting additional reporting of corporate political activities where there seems to be either a significant potential threat or actual harm to shareholders' interests and where we believe the company has not already provided shareholders with sufficient information to assess the company's management of the risk.

Finally, we believe that it is not the role of shareholders to suggest or approve corporate political activities; therefore, we generally do not support proposals requesting a shareholder vote on political activities or expenditures.

### 5.4 Proxy access

We believe that long-term shareholders should have the opportunity, when necessary and under reasonable conditions, to nominate directors on the company's proxy card.

In our view, securing the right of shareholders to nominate directors without engaging in a control contest can enhance shareholders' ability to meaningfully participate in the director election process, stimulate board attention to shareholder interests, and provide shareholders an effective means of directing that attention where it is lacking. Proxy access mechanisms should provide shareholders with a reasonable opportunity to use this right without stipulating overly restrictive or onerous parameters for use, and also provide assurances that the mechanism will not be subject to abuse by short-term investors, investors without a substantial investment in the company, or investors seeking to take control of the board.

In general, we support market-standardized proxy access proposals, which allow a shareholder (or group of up to 20 shareholders) holding three percent of a company's outstanding shares for at least three years the right to nominate the greater of up to two directors or 20% of the board. Where a standardized proxy access provision exists, we will generally oppose shareholder proposals requesting outlier thresholds.

### 5.5 Right to act by written consent

Alembeeks generally favours management and shareholder proposals that provide shareholders with the ability to act by written consent, taking into account the current companies' bylaws in relation to this matter, the consent threshold, the right and conditions to call special meetings and the ownership structure among other variables.

We generally vote against management and shareholder proposal to restrict or prohibit shareholder's ability to act by written consent.

### 5.6 Right to call a special meeting

In exceptional circumstances and with sufficiently broad support, shareholders should have the opportunity to raise issues of substantial importance without having to wait for management to schedule a meeting. We therefore believe that shareholders should have the right to call a special meeting in cases where a reasonably high proportion of shareholders (typically a minimum of 10% but no higher than 25%).

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In case you have any doubt about the content of this document, do not hesitate to contact:

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