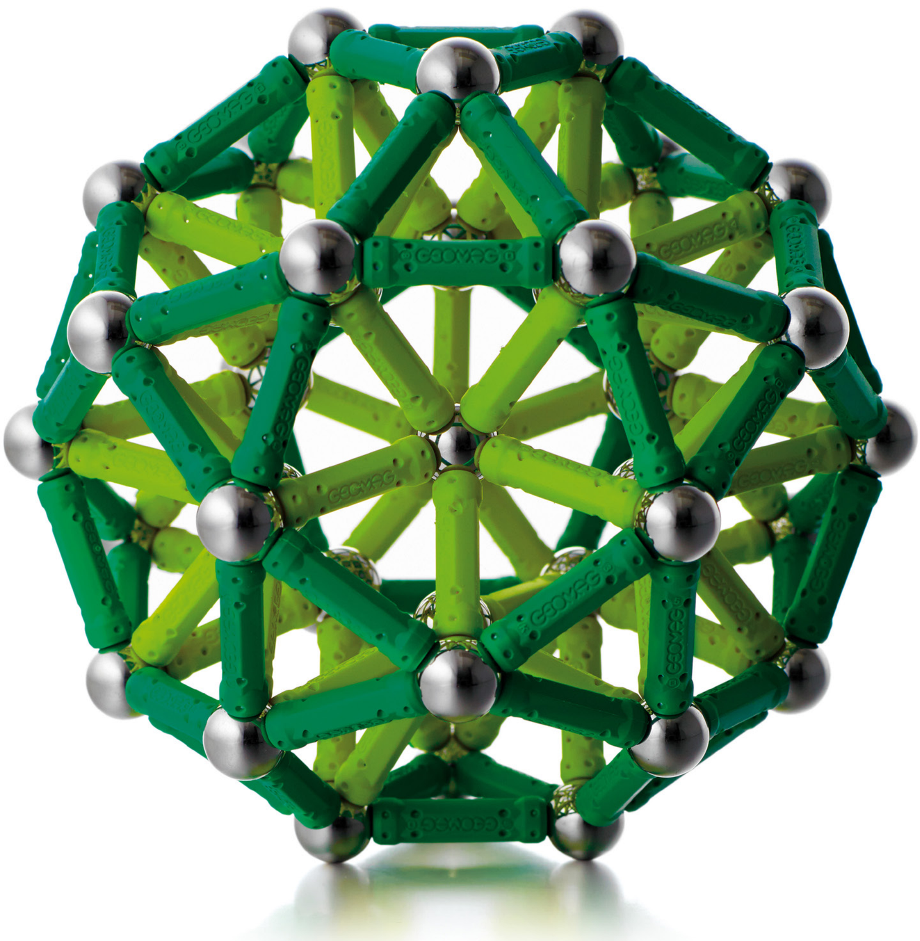
RESPONSIBLE INVESTMENT AND STEWARDSHIP
ACCOUNTABILITY EXPECTATIONS



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PRI Principles for Responsible Investment

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INTRODUCTION

As active investment managers we spend a lot of time thinking about how well companies are run, and whether a company's leadership is likely to be a good steward of our clients' assets.

There is an inherent judgement to be made when determining the ability of management to deliver on its strategy successfully, and therefore the required returns from an investment to compensate for the risk assumed by entrusting someone else with our clients' capital. This element has a significant influence over valuation, be it in the expected future cash flows from the business, the interest rate used to discount those cash flows or the valuation premium or discount a company deserves compared against its peers. Finance and business have a tendency to reduce as much as possible to numbers and science, however credibility and trust naturally lie in the realm of subjectivity.

"Stewardship gives us a framework for assessing management credibility and how likely it is that a company will be run sustainably in the interest of shareholders, employees, customers and wider society"

Stewardship therefore plays an important part of our investment activities. It gives us a framework for assessing corporate governance and management credibility, and how likely it is that a company will be run sustainably in the interest of shareholders, employees, customers and wider society. Many (we hesitate to say all, although we struggle to think of an exception) corporate failures have their foundations in a failure of governance and culture, and it is clear from history that at the time the markets are unlikely to discount the related risks adequately, if at all. If we get this key analysis right we should expect an investment edge over the market.

Additionally, stewardship offers us a platform from which to engage with companies to build mutually beneficial relationships and promote sustainable performance, and push for meaningful repair when things go wrong by holding board members – those ultimately responsible for performance - accountable. We commit to constructive, long-term engagement with the companies in which we invest, recognising the benefits of frank, open and honest dialogue between companies and their investors in driving durable returns and value for our clients.

In the following pages we set out certain standards of corporate governance and behaviours that we believe to be particularly pertinent to engendering credibility and trust in boards and management. We also link these to our key voting guidelines to show how we implement these standards in our proxy voting. However, we are clear that there is no one-size-fits-all approach to good governance and that each company will have its own requirements. We shall always be willing to listen to companies' explanations for why their own arrangements are right in the context of their strategies and situations.

FREDDIE **WOOLFE**
Head of Responsible Investment and Stewardship

OVERARCHING EXPECTATIONS

"We expect boards to define, promote and embody the company's culture and expected behaviours"

- We expect the board's primary focus to be on setting the strategy and running the business well for the long-term rather than on managing the share price to satisfy near-term targets or other short-term pressures.
- We expect boards to put in place appropriate governance structures to promote and protect long-term value, and directors to be accountable for their performance.
- We expect boards to recognise and uphold the importance of the company's key stakeholders - including staff, customers, society, and regulators - to securing the success of the business.
- We expect boards to define, promote and embody the company's culture and expected behaviours.
- We expect companies to report honestly and transparently on their performance to investors. This includes fair, balanced and understandable disclosure on all pertinent aspects of a company's performance, strategy and risk, including the material environmental and social risks and opportunities.
- We expect directors and management to meet with large shareholders to engender a beneficial relationship between a company and its long-term investors, building trust and allowing both sides to be candid about performance and expectations.

KEY VOTING GUIDELINES (OVERARCHING EXPECTATIONS)

We will not abstain on resolutions unless required to by technicality or the law. We want our intentions to be as clear as possible as either assenting or dissenting on each resolution.

- Monitor serious controversies over the year, including environmental, social and governance matters.
- Vote against committee members for poor or conflicted decisions made by the committee.

BOARD STRUCTURE

Board composition and effectiveness are essential considerations in our analysis. A well-functioning board is better placed to set the company's strategy, culture and purpose, support and challenge management on its delivery of that strategy, and steer the company well for long-term success to the benefit of investors and society. A dysfunctional board, on the other hand, is less likely to define a long-term, value generating vision for the business, will have insufficient oversight and understanding of how the company operates, and less visibility on the risks the company is exposed to and whether they are being properly managed.

EVALUATION

It is challenging for investors to get genuine insights into how well a board operates. Companies are unlikely to print criticisms of the performance of their leaders in their annual reports, and board members are not often particularly candid in meetings with investors about their peers, not least because that would risk undermining (possibly misplaced) confidence in the board and the company.

> **"We are highly supportive of initiatives such as the 30% Club that look at measures to improve gender diversity at all levels"**

A meaningful and robust board evaluation process strikes at the heart of accountability. Boards should take an honest view of how well they perform on a regular basis, and we see much benefit in this process being facilitated by an external provider to provide objectivity and independence. This review should look at all aspects of how well the individual directors perform, how effectively the board as a whole and its committees function, and which areas should be improved. This will naturally address many aspects of the following sections around skills, diversity and independence, as well as aid succession planning.

Some companies provide useful and insightful disclosures about the evaluation process, including the areas previously identified for improvement, what the board has done to address them and which issues have been highlighted for future attention. Rather than detracting from confidence, these disclosures serve to enhance the board's credibility by demonstrating that it is accountable and seeks to improve its performance.

SKILLS AND DIVERSITY

Essential to ensuring an effective board is securing board members with the best backgrounds and skill sets to steer the business. There are many considerations relevant to this, including the main drivers of value and risk within the business, the geographic footprint of the company and the profiles of the customer base and the workforce. We therefore assess board diversity in this context, and expect boards to be able to explain why the current composition of the board is right for the company's particular circumstances.

While we are generally opposed to the idea of board quotas with no reference to relevance, the lack of gender diversity on boards in most countries is striking. Intuitively we see no reason for anything other than an equal gender split on boards. However, we recognise there are a range of challenges to achieving this, including building up a meaningful pipeline of candidates. We are therefore highly supportive of initiatives such as the 30% Club that look at measures to improve gender diversity at all levels.

"Independence however is a mind-set, and is therefore hard to assess on paper alone or with a checklist. It is also important to remember that independence is only one aspect of board effectiveness, not a proxy for it"

INDEPENDENCE

An important element of a board's effectiveness is its ability to act objectively and challenge management independently. Independence however is a mind-set, and is therefore hard to assess on paper alone or with a checklist. It is also important to remember that independence is only one aspect of board effectiveness, not a proxy for it; indeed a completely independent board on paper might be too far distanced from the company to provide sufficient oversight of and develop constructive relationships with management. Local governance codes and market practices tend to have their own requirements for the level of board independence which in general we follow, however we would usually expect at least half of the board members to be independent.

There are, however, a few specific instances where clearly demonstrable independence is paramount to effective corporate governance, such as the composition of the audit committee. Directors also should not be involved in the setting of their own compensation or that of someone closely linked to them, or in the appointment of their successor.

We also expect that in the vast majority of cases the chairman should be independent. We do, however, acknowledge that the nature of the role can mean that independence might not be maintained over time, particularly at larger companies where the position can be almost if not entirely full-time. Our strong preference is that the roles of chairman and CEO should be split in all cases other than as an interim measure with extenuating circumstances. However, in the case where both roles are held by the same individual we will look to a Lead/Senior Independent Director to assume board leadership where the combination of the two roles might lead to a conflict of interest or ineffective leadership, as well as to lead the performance appraisal of the chair/CEO.

As our focus is on the effectiveness of the board we do not have hard and fast rules about tenure to determine the independence of individual directors. However, we find it self-evident that a board member is more likely to take an objective view if they have joined the board recently than they would be if they had served for a decade. We therefore expect boards to regularly assess whether the level of independence is appropriate in the context of the average tenure of the directors and to undertake a regular process to refresh longer-serving board members.

Other aspects of determining director independence are clearer cut. Former employees, directors with current or recent material related-party transactions with the company, directors who receive performance incentive compensation and relatives of executives are highly unlikely to have the appropriate distance from management to exercise independent oversight and judgement.

SUCCESSION PLANNING

A key aspect of a board's responsibility is succession planning to ensure that the company is prepared for continuity in leadership at the board and senior management level. Poor succession planning can reflect poorly on a board and expose the company to a range of operational and governance risks. In most cases succession planning should involve a regular assessment of the skills required and whether these are available internally, as well as clear timeframes for when succession will need to take place. Where skills gaps are identified, specific plans should be put in place to provide the necessary training or exposure within the company such that there is a strong cadre of internal candidates for the top roles. Boards should also have a view on the key external talent they might want to approach in the future. It is also important that boards have interim plans in place should succession become an issue outside of the planned timeframes.

SHARE OWNERSHIP

We expect management to build meaningful stakes in the company as explained further in the section on remuneration. It is helpful for the non-executive directors also to build shareholdings. Importantly, in order to avoid jeopardising independence, this should be done through personal market purchases rather than market priced options or - worse - incentive schemes.

KEY VOTING GUIDELINES (BOARD STRUCTURE)

- Flag re-election of chairman where board independence is low.
- Flag non-executive board members whose tenure is over nine years for boards with average tenure of greater than nine years.
- Flag where board skills are not right or directors have a history of poor decision making.
- Flag re-election of the chairman where less than 25% of the board is female in FTSE 350, elsewhere all male.
- Flag non-independent directors on audit committee.
- Flag executives on compensation committee.
- Flag directors who are chairs or CEOs with more than three directorships and others with more than four.

AUDIT AND ACCOUNTS

We place significant emphasis and reliance on the quality of corporate reporting and the accounts. The transparency of a company's reporting and the credibility of its application of accounting policies and judgements reflect on the quality of its management and can have a material effect on its cost of capital. Additionally, the independent audit process is the primary mechanism by which investors assure themselves of the quality of the accounts, and so a robust, independent and challenging process is paramount to securing trust and confidence in a company's reporting.

"The transparency of a company's reporting and the credibility of its application of accounting policies and judgements reflect on the quality of its management and can have a material effect on its cost of capital"

TRANSPARENCY AND FAIR, BALANCED AND UNDERSTANDABLE REPORTING

The annual report is a key communication document between companies and their shareholders. It acts as a window into many aspects of the business, offering companies an opportunity to present a longer-term view on the board's stewardship to shareholders. The best annual reports are those that present an open and honest view of the business, acknowledging the downs as well as the ups and discussing material topics in a clear and transparent manner. The worst reports provide boilerplate disclosure and communicate as if the company operates in a bubble, with no competition or exposure to wider influence than its management team.

We expect boards to have ultimate oversight of the company's approach to corporate reporting to investors, with a particular focus on the annual report. Where we identify material omissions or we believe that the company does not report in a fair, balanced and understandable way about its performance and finances we see this as a failure of board oversight.

INDEPENDENT AUDIT

It is important to remember that, while the company pays for the audit, the end clients are the company's shareholders whose capital is at risk. We suspect that this is all too often forgotten by companies and auditors. It is essential therefore that the relationship between a company and its auditor is established through the audit committee rather than the executive to ensure that the process is overseen by a body independent of management that is accountable to shareholders.

Auditor independence and objectivity are key to audit quality and investor confidence in the process. Independence can clearly be compromised by other business relationships held with the audited entity or board members. We also find it evident that prolonged tenure can impair the auditor's independence even if the audit partner is rotated on a more regular basis.

However, these are not the only aspects that can jeopardise the quality of the audit and we expect audit committees regularly to assess the performance of the auditor. In some markets regular tendering for audit services is mandatory, however even where these rules are not implemented we expect audit committees to undertake a regular review of whether other providers of audit services could better serve the company and its shareholders.

"While the company pays for the audit, the end clients are the company's shareholders whose capital is at risk. We suspect that this is all too often forgotten"

In general, audit fees tend to be de minimis in the context of a company's accounts. We do not believe it is helpful to focus on the cost of audit primarily when evaluating tenders for services. The value in paying for a quality audit far outweighs the risk to quality by putting pressure on fees in the tender process.

INTERNAL CONTROLS AND RISK MANAGEMENT

A robust and consistent risk management system and related internal controls are critical to ensuring that a company's risk management framework is effective. We expect boards to have oversight of the company's risk management and internal controls and, where weaknesses are identified in the framework, that they will take immediate and full steps to remediate the issues. Failures of internal controls are serious omissions of board oversight.

Despite being critical to an understanding of the extent of the risks within a company, both internal controls and risk reporting tend to be boilerplate and opaque. Risk reporting should cover the main risks that face the business, how they link to the company's strategic priorities and explain clearly the actions the company takes to monitor and manage them. It is helpful for internal controls reporting to explain how the board satisfied itself of the adequacy of the controls framework and which aspects in particular it focussed on.

KITCHEN SINKING

We are regularly surprised by the extent of profits downgrades and write-downs that accompany the arrival of new management teams. While kitchen sinking resets expectations for their own performance it calls into question the integrity and quality of the board's oversight of the previous management team and the accounts. It also challenges the rigour and quality of the previous independent audit process. In these instances we expect a board to explain how two such different views on the viability of the business and the presentation of its performance could be possible under its stewardship and, if appropriate, to take accountability for its lack of oversight.

KEY VOTING GUIDELINES (AUDIT AND ACCOUNTS)

- Monitor instances of aggressive accounting practices.
- Monitor instances of material accounting/ internal controls failures.
- Vote against the reappointment of the auditor for tenure longer than 20 years unless a compelling reason is provided for why they should continue to provide services.
- Vote against the reappointment of the auditor if non-audit fees have been greater than audit fees for two years running absent full and convincing explanation.
- Vote against resolutions where insufficient information is provided to come to a positive conclusion.
- Flag the re-election of the audit committee and the report and accounts for emphasis of matter and qualified audit opinions.

REMUNERATION

As investors, our primary concern with executive remuneration is that it should motivate and reward the recipients for generating long-term, sustainable value in the business. We therefore do not take a template approach to assessing executive compensation schemes, and are more interested to understand how they are right for the circumstances of the particular company. There is a strong argument that the commonly applied incentive structures today do not result in the outcomes that many investors look for and can result in rewards that are unrelated to long-term business performance. We are eager to support remuneration committees that want to take an innovative approach to executive pay to best align incentives with long-term company performance and value generation.

"We are eager to support remuneration committees that want to take an innovative approach to executive pay to best align incentives with long-term company performance and value generation"

At a high level, the questions we will ask about executive remuneration are:

- Are the incentive schemes simple to understand for executives and investors?
- Are the performance conditions and timeframes clearly and demonstrably aligned with investment cycles, value creation and the long-term success of the company?
- Does the remuneration policy require executives to build material wealth by investing in the company's equity?
- Are there any unintended behaviours and risks that are rewarded by the incentive schemes?
- Do the outcomes from the remuneration schemes pass a common sense test of whether pay-outs make sense in the context of overall business performance?

QUANTUM

It is important that executives are fairly remunerated. However, we expect remuneration committees to be mindful of the overall quantum of executive pay and the related risks. In general we do not expect salaries to increase above the average of the wider workforce. Where an increase in incentive opportunity is implemented there should be a commensurate increase in the timeframe and/or challenge to achieve the pay-out as a quid pro quo. Likewise, in the event that performance conditions are reduced or even removed entirely we would expect a significant reduction in the opportunity. New directors should be compensated for awards given up to join the company with replacement awards under the new company's incentive schemes and only in very rare cases any more; additional awards can cause us to question the succession process and the motivations of the individual.

RESTRICTED SHARES

Generally, we expect long-term incentives to be linked to stretching performance criteria over a timeframe relevant to long-term value generation. A restricted share scheme therefore should not simply represent a de-risked LTIP, but rather a total overhaul of executive incentives. We expect, in addition to a reduction in quantum of the award, a significant extension of the vesting timeframe and that this scheme would replace all the other incentive plans the company operates for executives. It is important to ensure that the extension of the timeframe does not place more focus on the annual bonus.

"Do remuneration schemes pass a common sense test of whether pay-outs make sense in the context of overall business performance?"

SHAREHOLDING REQUIREMENTS

We expect that executives will build a meaningful shareholding in the company, and that remuneration committees set a minimum expected threshold. In the long run this is likely to be the most effective way of aligning executives' interests with those of long-term shareholders. This can be done effectively through the incentive schemes as they vest, and so we hope to see this shareholding continue to increase over a director's tenure well over and above the minimum threshold to ensure that it remains meaningful in the context of the overall pay-outs from the compensation plans.

DISCRETION AND CLAWBACK

Key to ensuring that executives are rewarded fairly is that the remuneration committee has the ability to adjust the mechanical outcome of incentive schemes over a reasonable timeframe should it deem this necessary. The remuneration committee should also have the ability to recoup awards already paid out should it subsequently transpire that past payouts can no longer be justified given events that have subsequently transpired or come to light. We prefer clawback mechanisms to be worded such that they empower the remuneration committee appropriately to deal with unknown major issues in the future rather than define a few, very specific circumstances that are unlikely to be applicable.

DILUTION

We are highly supportive of employees across the organisation building an ownership stake in the company's shares as a key alignment mechanism. This does, however, come at a cost and the disadvantage of excessive dilution to shareholders should be borne in mind.

KEY VOTING GUIDELINES (REMUNERATION)

- Vote against remuneration reports and policies when less than 50% of performance compensation is delivered through the long-term incentive scheme.
- Vote against remuneration reports, policies and long-term incentive schemes when the long-term scheme tests performance over fewer than three years. In the UK flag schemes that do not restrict vesting for a further two years.
- Vote against remuneration reports, policies and long-term incentive schemes when the long-term scheme vests for fewer than five years with less than 100% performance testing (75% carve-out for the US). Flag remuneration reports, policies and long-term incentive schemes when the long-term scheme vests for five years or more with less than 100% performance testing.
- Vote against incentive schemes that reward for failure, for example by paying out for below median performance against a peer benchmark or where the performance conditions do not reflect market expectations.
- Vote against the repricing of share options, or the downwards revision/retesting of performance conditions.
- Vote against share schemes that are not limited to 10% dilution of issued share capital.
- Flag remuneration reports when pay outcomes are hard to understand in the context of broader company performance.
- Flag remuneration reports for instances of large quantum or pay increases (5% or more).
- Flag remuneration reports and policies for companies with no shareholding guidelines.

CAPITAL STRUCTURE

Despite its favourable tax treatment, debt is inherently riskier than permanent equity capital. Companies should therefore manage their balance sheets such that they achieve a prudent balance between equity and debt financing. This must be done in a sustainable manner with due regard to the risks of excessive leverage as well as the ability to pay other future claimants on the company's profits such as the pension fund.

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SHARE ISSUANCES

While not wanting a company's ability to raise equity capital to be excessively restricted, should it wish to do so without offering participation to all investors this should be at a limited level to avoid undue dilution. Issuances with pre-emption rights may be larger, however where this represents a significant portion of the issued share capital shareholders should be asked for specific authority with details of the proposed use of the funds. Where markets do not have pre-emption rules we pay close attention to proposals to increase the authorised share capital and assess these against the proposed uses of that capital.

SHAREHOLDER DISTRIBUTIONS

Clear dividend policies are useful in managing expectations of future cash returns shareholders can expect. It is also very helpful to be clear how much of profits and retained earnings are legally distributable, how the dividend is covered by cash generation and how both link to the sustainability of the dividend policy in the future.

Buying back and cancelling shares can generate shareholder value. However, it is important that this is demonstrably the best use of capital rather than being used for financial engineering, and that the company does not have investment opportunities that would generate higher returns. We are particularly mindful of the economics of share repurchases, the usual inclusion of per share metrics in executive incentive schemes and the value destruction caused by buying back shares at high valuations.

KEY VOTING GUIDELINES (CAPITAL STRUCTURE)

- Vote against resolutions to authorise non-preemptive share issuances with no specified purpose greater than 10% of the issued share capital. If market norms are lower, adhere to these.
- Vote against resolutions to authorise preemptive share issuances with no specific purpose greater than 66%. Refer for specific purposes.
- Vote against resolutions to increase the authorised share capital by more than 50% with no specified purpose.
- Vote against resolutions to authorise share repurchases representing more than 15% of issued share capital.
- Flag authority to issue alternative forms of dilutive capital, such as contingent convertibles.
- Flag resolutions that permit major shareholders to breach certain ownership thresholds without triggering mandatory offers for the company's shares.

SHAREHOLDER RIGHTS

"Shareholder rights offer key protections for minority investors, which we expect boards to respect and promote"

While shareholder rights can vary significantly by market they offer key protections for minority investors, which we expect boards to respect and promote. Broadly we will expect local market norms to apply, however we will support initiatives to improve shareholder rights at companies that go over and above these norms where we deem them to be positive for the market as a whole, such as the proxy access campaign in the US. We will also oppose any proposals that we deem to be detrimental to shareholder rights. In a number of areas we have specific views that may go over and above market norms.

ONE SHARE ONE VOTE

A core tenet of the concept of equity is that of equal voting rights. We are strongly opposed to multiple share classes that give additional voting rights to certain investors or that remove voting rights from others.

TAKEOVER DEFENCES

We are opposed to the concept of poison pills or other forms of mechanistic takeover defences. These tend to promote the interests of management over those of investors, and we see no reason why an investor should be precluded from building large ownership stakes or making offers for others' shares if they so desire. The most shareholder friendly governance structure for addressing takeover approaches is a good quality board and management team that assesses the merit of the transaction objectively.

VOTE STANDARDS

For many routine types of resolutions the test to determine whether a resolution has passed should be 50% of the shares voted plus one share. In certain jurisdictions alternative vote standards are common which can serve to entrench boards and reduce accountability.

KEY VOTING GUIDELINES (SHAREHOLDER RIGHTS)

- Vote against the creation of new classes of stock with differential voting rights.
- Vote against the implementation or renewal of mechanistic takeover defences.
- Vote against the re-election of board members who renew poison pills without requesting authority from shareholders.
- Vote against amendments to articles, bylaws and statutes that harm shareholder rights.
- Vote against resolutions requesting pre-approval for "Any Other Business".

CORPORATE TRANSACTIONS

We assess all corporate transactions on a case by case basis, based on our understanding of the resultant value creation for investors.

We expect boards of an acquiring business to assess the target with due regard for the long-term viability of the strategy and combined business models, changes to the risk profile of the business, integration and cultural challenges, the impact on the balance sheet and alternative uses of capital. We are unlikely to be supportive of transactions where the synergies, risks and the price being paid cannot clearly and sensibly be linked to desired returns on capital or whose premise is based in the main on financial engineering.

"We are unlikely to be supportive of transactions whose premise is based in the main on financial engineering"

We expect boards of a business being acquired to achieve a good price for the company with reference to the expectations of large, long-term shareholders in the company. The board should pro-actively engage with its long-term shareholder base to understand the extent of their desire for the business to be sold and price expectations so as to be able to make properly informed representations to the suitor.

KEY VOTING GUIDELINES (CORPORATE TRANSACTIONS)

- Flag all transactions.

SHAREHOLDER PROPOSALS

While uncommon in many markets, shareholder proposals can be an effective way to highlight concerns to the broader investor base and implement changes should a significant portion of the share register agree. Certain shareholder proposal campaigns have been very effective at promoting significant corporate governance and sustainability improvements across companies and industries.

We have no set rules on whether we will support shareholder proposals or not, and take each on its individual merit. We assess their applicability based on a range of criteria, including:

- The extent to which the proposal highlights material issues for long-term value creation and protection
- The extent to which the proposal addresses a recurring or clearly unmanaged issue at the company
- The extent to which the shareholder proposal enhances shareholder rights or corporate governance
- Whether achieving the aim of the proposal is feasible and practical for management
- The net impacts of the benefits expected and the costs implied
- Whether management is already taking sufficient steps to address the issues being highlighted
- Whether a shareholder proposal has already received sufficient support but has not been implemented

KEY VOTING GUIDELINES (SHAREHOLDER PROPOSALS)

- Flag all shareholder proposals.

KEY VOTING GUIDELINES BY CATEGORY

OVERARCHING EXPECTATIONS

We will not abstain on resolutions unless required to by technicality or the law. We want our intentions to be as clear as possible as either assenting or dissenting on each resolution.

- Monitor serious controversies over the year, including environmental, social and governance matters.
- Vote against committee members for poor or conflicted decisions made by the committee.

BOARD STRUCTURE

- Flag re-election of chairman where board independence is low.
- Flag non-executive board members whose tenure is over nine years for boards with average tenure of greater than nine years.
- Flag where board skills are not right or directors have a history of poor decision making.
- Flag re-election of the chairman where less than 25% of the board is female in FTSE 350, elsewhere all male.
- Flag non-independent directors on audit committee.
- Flag executives on compensation committee.
- Flag directors who are chairs or CEOs with more than three directorships and others with more than four.

AUDIT AND ACCOUNTS

- Monitor instances of aggressive accounting practices.
- Monitor instances of material accounting/ internal controls failures.
- Vote against the reappointment of the auditor for tenure longer than 20 years unless a compelling reason is provided for why they should continue to provide services.
- Vote against the reappointment of the auditor if non-audit fees have been greater than audit fees for two years running absent full and convincing explanation.
- Vote against resolutions where insufficient information is provided to come to a positive conclusion.
- Flag the re-election of the audit committee and the report and accounts for emphasis of matter.

REMUNERATION

- Vote against remuneration reports and policies when less than 50% of performance compensation is delivered through the long-term incentive scheme.
- Vote against remuneration reports, policies and long-term incentive schemes when the long-term scheme tests performance over fewer than three years. In the UK flag schemes that do not restrict vesting for a further two years.
- Vote against remuneration reports, policies and long-term incentive schemes when the long-term scheme vests for fewer than five years with less than 100% performance testing (75% carve-out for the US). Flag remuneration reports, policies and long-term incentive schemes when the long-term scheme vests for five years or more with less than 100% performance testing.
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CAPITAL STRUCTURE

- Vote against resolutions to authorise non-preemptive share issuances with no specified purpose greater than 10% of the issued share capital. If market norms are lower, adhere to these.
- Vote against resolutions to authorise preemptive share issuances with no specific purpose greater than 66%. Refer for specific purposes.
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- Flag resolutions that permit major shareholders to breach certain ownership thresholds without triggering mandatory offers for the company's shares.

SHAREHOLDER RIGHTS

- Vote against the creation of new classes of stock with differential voting rights.
- Vote against the implementation or renewal of mechanistic takeover defences.
- Vote against the re-election of board members who renew poison pills without requesting authority from shareholders.
- Vote against amendments to articles, bylaws and statutes that harm shareholder rights.
- Vote against resolutions requesting pre-approval for "Any Other Business".

CORPORATE TRANSACTIONS

- Flag all transactions.

SHAREHOLDER PROPOSALS

- Flag all shareholder proposals.

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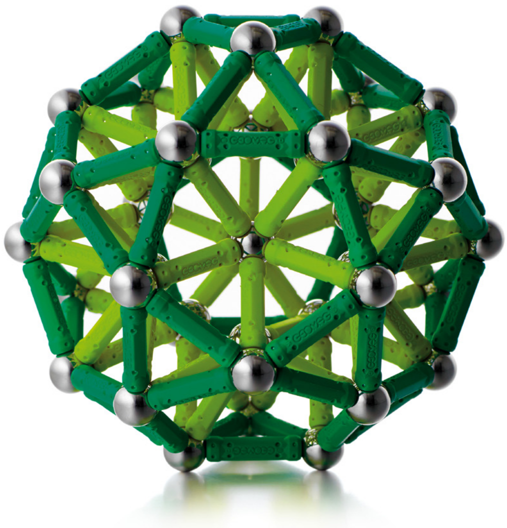

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