



EDENTREE INVESTMENT MANAGEMENT LTD. **INTERNATIONAL CORPORATE GOVERNANCE POLICY**

1. Preamble

Corporate Governance is the system by which companies are directed and controlled for the long-term benefit of their shareholders. It concerns the arrangements for appointing and remunerating directors and auditors, and the controls in place to enable them to discharge their respective responsibilities with diligence and effect.

Good governance concerns the relationship between shareholders and the companies in which they invest so as to satisfy themselves of the appropriateness and strength of the governance regime in place. To that end, companies are encouraged, as a minimum, to provide a transparent account of their governance arrangements in accordance with locally accepted standards of reporting best practice. Investors have a stewardship responsibility to engage, (individually and collectively), with investee companies to help promote a sense of ownership to protect and enhance value creation over the long-term.

2. Policy

EdenTree Investment Management Ltd. (EdenTree) supports the principle of considered voting, believing that proxies have an economic and stewardship value, and that shareholders have an important role to play in encouraging and upholding high standards of corporate governance from the perspective of being long-term investors. EdenTree will consequently endeavour to register and vote at all international meetings in which we have a shareholding.

For the purposes of efficient and timely execution, EdenTree has appointed Glass Lewis & Co. Inc. (Glass Lewis) to be its sole discretionary research and proxy execution provider in all international jurisdictions, delegating to it the responsibility for the instruction and execution of global proxy voting at all company meetings.

EdenTree acknowledges that each international market adopts its own recognised standard of corporate governance best practice and disclosure, consistent with local culture and regulation. EdenTree strives to take a nuanced approach to voting that reflects the circumstances of each company and market, its relative stage of economic development, as well as the regulatory maturity of both the company and the jurisdiction in which it is domiciled. In broad terms, EdenTree adopts the OECD principles of corporate governance as an appropriate model for exercising shareholder rights and responsibilities, as set out in Appendix I.

We have adopted the following *general* policy principles as guidance for our approach to international proxy voting, whilst delegating the *detailed* voting recommendations for each company meeting to our sole discretionary proxy provider, Glass Lewis.

EdenTree monitors and assesses recommendations made by Glass Lewis based on these general principles as well as individual company proposals. EdenTree may override recommendations via Glass Lewis's voting platform to reflect considerations arising from in-house research and any engagements with the relevant company.

3. General Principles for Guiding International Proxy Voting

In delegating to Glass Lewis the day-to-day responsibility for instructing and executing international proxy voting, EdenTree nevertheless applies these general principles:

- EdenTree will seek to vote at all international annual, general, special, ordinary and extraordinary meetings in all markets in which it is invested
- EdenTree has adopted a policy of voting in support of company management except where proposals do not appear to align with local or internationally recognised corporate governance best practice, or are viewed as not being in the economic or equitable interests of shareholders
- EdenTree will seek to proactively oppose or withhold support from proposals that are deemed to be potentially destructive of shareholder value or that dilute shareholder rights
- EdenTree has instructed Glass Lewis to take no action at meetings subject to share-blocking rather than waive our institutional shareholder rights to trade. Although outlawed in the EU, the practice continues to occur from time to time at meetings in some non-EU jurisdictions, particularly Norway
- Where disclosed, EdenTree will follow our *general* principles used in the UK in exercising our voting rights in respect of executive compensation having regard for the quality of disclosure, the link with performance and any potential for excess; generally where compensation in aggregate is in excess of 350% of base salary per annum, a vote to oppose will be registered. In particularly egregious circumstances, we may also oppose the re-election of members of the relevant compensation committee
- We subscribe to the view that the Chair and Chief Executive Officer roles should be separate, and that the Chair should be independent on appointment. We may oppose the election of directors where on first appointment, the Chair and CEO roles are combined or where the Chair is a former executive or connected director.
- EdenTree supports the periodic tender and rotation of external auditors, and where disclosed, will normally exercise our shareholder rights to withhold support for the re-appointment of auditors where no such process has taken place for a significant period of time (where significant is taken to mean for more than 15 years)
- EdenTree will oppose the re-election of relevant directors in all markets where overall Board diversity is poor versus regional expectations and appears not to be improving
- EdenTree will usually support shareholder resolutions where these appear reasonable and proportionate and in keeping with our general House stance on ESG (environmental, social and governance) positives. Where they appear to mandate an unreasonable financial charge, or represent narrow lobby or political interests, we will exercise discretion either to oppose or abstain
- As the number of companies seeking shareholder approval for their climate change strategies and targets grows (particularly in Europe) EdenTree will consider each proposal on its merits with a view to our supporting them where these are detailed, ambitious and set out intermediate milestones and targets. We may oppose where they lack ambition or relevant milestones.

- EdenTree will seek to vote consistently and impartially across its international portfolio according to these general best practice principles
- As long-term investors, EdenTree believes a pragmatic approach best fulfils the objective of building shareholder value over time. EdenTree will seek to engage pro-actively with companies where possible, particularly where either existing corporate governance arrangements or management proposals cause concern. A decision either to abstain or oppose company proposals will be taken based on these guiding principles, and where appropriate, on a case-by-case basis
- EdenTree publishes a quarterly report of its global proxy voting activity, accessible on our website at www.edentreeim.com and annual statistics are published in the final quarterly report of the year, and in the annual Responsible Investment Activity Report

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APPENDIX I

OECD STANDARD PRINCIPLES OF CORPORATE GOVERNANCE

“The purpose of corporate governance is to help build an environment of trust, transparency, and accountability necessary for fostering long-term investment, financial stability and business integrity, thereby supporting stronger growth and more inclusive societies” **OECD Secretary-General**

International systems of corporate governance vary according to jurisdiction and local custom as well as factors such as the legal and regulatory system or the extent of shareholder rights. In formulating our approach to corporate governance, EIM recognises that a ‘one size fits all’ policy is inappropriate; however certain core principles of corporate governance have been articulated by bodies such as the OECD, and we seek to apply these through voting instruction and execution.

Corporate Objective

The objective of the company should be to optimise, over time, returns to shareholders. Where, from time to time, other considerations affect this objective, they should be clearly disclosed.

Disclosure and Transparency

Companies should disclose accurate, adequate and timely information, in particular meeting market guidelines where they exist, so as to allow investors to make informed decisions about the acquisition, ownership obligations and rights, and sale of shares. Shareholders should be given sufficient and timely information to allow them to make an informed judgment and to exercise their voting rights accordingly. Each proposal should be put separately; multiple or bundled proposals should not be combined in the same resolution. Where there is insufficient information provided, we will oppose.

The Board

EdenTree does not advocate a specific Board structure recognising the principle and prevalence of both unitary and supervisory models. However, matters reserved to the Board should be clearly disclosed including corporate strategy, risk policies, business plan, and performance objectives overseeing major capital expenditure, acquisitions and divestments.

We view the separation of the roles of Chair and Chief Executive to reflect the best model for protecting shareholder rights. However, we will assess each situation in keeping with local, regional, cultural and regulatory practice before forming a view. Director’s contracts should not provide for notice periods in excess of 12 months.

The unitary board of directors (or supervisory board) should be accountable to the shareholder body as a whole. Each member should stand for election on a regular basis and the frequency disclosed. Boards should include a sufficient number of non-connected, independent non-executive members with appropriate skills, experience and knowledge. It is noted that in some jurisdictions the election of management is not put to shareholders; whilst preferring conventional election of all directors, we will not take action to withhold support where this occurs.

The Board should establish Audit, Remuneration and Nomination committees, composed wholly or mainly of independent non-executive directors. When determining how to vote on the election of a

non-executive director, we give close attention to independence and the proportion of independent directors on the Board as a whole. We view length of continuous service as a test of independence.

Shareholder Rights

All shareholders should be treated equally. Company ordinary shares should provide one vote for each share, and companies should act to ensure an owners' right to vote. Corporate changes that in substance materially dilute the equity or erode the economic interests or share ownership rights of existing shareholders should not be made without shareholder approval. Such changes include modifications to articles, the implementation of shareholder rights plans or so called 'poison pills', and the equity component of compensation schemes.

Generally we will not support proposals that have the potential to reduce shareholder rights such as significant "open-ended authorities" to issue shares without pre-emption rights or anti-takeover proposals, unless companies provide a compelling reason why they are in shareholder interests.

Audit and Internal Control

Company boards should maintain robust risk structures and processes to ensure sound internal controls and to oversee all aspects of the relationship with the external auditor. The Audit Committee should ensure that the company gives a balanced and clear presentation of its financial position and prospects, and clearly explains its accounting principles and policies. Audit Committee members should have appropriate levels of financial expertise, in accordance with prevailing legislation or best practice.

We support the principle of periodic rotation of the external auditor and will look to exercise our shareholder rights to withhold support from the re-appointment of auditors where no tender or rotation has taken place for a significant period of time (where significant is taken to mean for more than 15 years).

Executive Compensation

The remuneration of executive directors should be aligned with the interests of shareholders. Performance criteria should be attached to variable cash or share-based remuneration and should be demanding. Requirements on directors and senior executives to acquire and retain shareholdings in the company that are meaningful in the context of their cash remuneration are also appropriate. The design of senior executive contracts should not commit companies to 'payment for failure'. Boards should pay attention to minimising this risk when drawing up contracts and to resist pressure to concede excessively generous severance (or recruitment) conditions.

Companies should disclose in each Annual Report or proxy statement Board policy on remuneration (and preferably the remuneration of individual executive directors), as well as its composition so that investors can judge whether corporate pay policies and practices are appropriately designed to incentivise superior out-performance. In deciding whether to support particular remuneration policies, (where disclosed) we will consider:

- The level and quality of disclosure so as to allow an informed judgement to be made
- The performance hurdles attached to any variable remuneration and their ability to incentivise superior out-performance that aligns with shareholder interests
- Any potential for excess

We will not normally support variable remuneration structures without performance hurdles such as restrictive share plans and phantom shares.

Broad-based employee share ownership plans or other profit-sharing programmes are effective market mechanisms that promote employee participation which we support.

OECD Principles of Corporate Governance 3rd Edition 2015 http://www.oecd-ilibrary.org/governance/g20-oecd-principles-of-corporate-governance-2015_9789264236882-en