ECGS
Expert Corporate
Governance Service

CORPORATE GOVERNANCE PRINCIPLES AND VOTING GUIDELINES 2015

Effective for Meetings held on or after
March 1st, 2015

A Partnership for Local Market Governance Expertise

www.ecgs.com

Expert Corporate Governance Service (ECGS) partnership was created in 2001.

ECGS helps institutional investors with global asset portfolios to understand the regulatory diversity in Europe by providing corporate governance research and proxy voting advice based on local market expertise. Governance structures and shareholder rights vary widely in different European or non-European markets depending on legal framework and cultural traditions. Pursuing a consistent proxy voting or corporate governance engagement policy across markets therefore can be challenging for global investors.

ECGS's mission is to provide fully independent corporate governance research to institutional investors and to improve governance standards amongst companies in Europe and the rest of the world. ECGS provides harmonised research and advice that reflects local frameworks. All research is undertaken by experts with in-depth knowledge of the local norms and conditions.

ECGS recognises that a *'one size fits all'* approach is inappropriate but that institutional investors support common international standards. Our voting advice assesses companies against accepted international standards of best practice such as OECD, ICGN and EU recommendations. The ECGS partnership model is unique in balancing local best practice with international standards based on an assessment by the local market expert in light of our ECGS Governance Principles for listed companies.

www.ecgs.com

Signatory of:

PRI Principles for Responsible Investment

TABLE OF CONTENTS

INTRODUCTION

THE ECGS APPROACH

The application of ECGS principles is tailored to fit with the local market and particular circumstances. As minimum ECGS considers that companies should strive to comply with local market corporate governance codes. In addition, companies should when possible go beyond local market codes and work towards national and international best practices in both corporate governance and corporate responsibility. While ECGS principles are written in terms of international best practice, voting advice will be proposed in light of specific circumstances as they relate to a specific company and various contexts during the year reviewed.

ECGS seeks to ensure consistency and fairness in determining voting advice. However, governance principles and voting guidelines cannot be issued for all eventualities and in particular situations the relevant member providing the advice will exercise its own judgement. ECGS reserves the right to amend voting recommendations in light of developments and particular situations.

In general, voting recommendations are as follows:

FOR: The proposal reflects acceptable practice and is not contrary to shareholders' interests.

OPPOSE or WITHHOLD: The proposal is not acceptable in our opinion and is not in shareholders' interests over the long term.

ABSTAIN (only applicable in certain markets): The proposal raises issues of concern but not regarded as sufficiently material to warrant opposition.

RESPONSIBLE INVESTING

The shareholder voting is a unique tool to mitigate investment risk. Since 2001 ECGS has developed a thorough common review of the European best governance practices. It commented to several important consultations of the European Commission on governance, banking and remunerations. Having contributed to the July 2010 UK Stewardship Code for institutional shareholders, ECGS reiterated its full support to the 2013 version of the Code emphasizing on the importance of an active engagement between investors and companies' management (see ECGS response to the UK Stewardship Code). ECGS promotes its principles and welcomes the development of a European Stewardship Code.

In October 2013, Proxinvest, the French partner of ECGS, participated in the writing of the **Code of Conduct and Best Practices Principles for Proxy Advisors**. ECGS encouraged all members of the industry as well as asset managers and asset owners to contribute to the consultation, and ratified the code.

In 2014, ECGS commented on the EC proposal to amend the 2007 Shareholders' rights directive. Among other recommendations, ECGS strongly supports the European Commission in its will to increase the efficiency of the chain of intermediaries in voting process. ECGS also took the opportunity to comment on the Commission's suggestion that there should be a better understanding of the role of the shareholder voting research services (see ECGS comments here).

Shareholders and asset managers are accountable for how they monitor investment risk and fulfil their ownership duties. Trading activities driven by short-term considerations can undermine a long-term approach and responsible voting. ECGS considers that institutional investors calling for openness and accountability from companies, should, in turn, be accountable regarding their corporate governance and the independent voting of their portfolio's shares. ECGS encourages its clients to vote in all countries and advocates for appropriate cross border voting procedures. ECGS supports the publication by institutional investors of their corporate governance and voting policies as well as of their full voting records.

THE EQUITABLE TREATMENT OF SHAREHOLDERS

European countries display important differences over share ownership structures depending on the degree of dispersed ownership of public companies and the presence of large shareholders. Whereas the major issue in companies with a dominant shareholder is minority shareholder protection, in the case of companies with widely dispersed ownership, enforcing all shareholder rights and managerial accountability are predominant. ECGS supports the overriding principle of equitable treatment of all shareholders. ECGS's reports will highlight the presence of dominant shareholders in companies and associated corporate governance issues.

All shareholders that hold voting shares, no matter the size of their holding, should be allowed to attend the shareholders' meeting, have the right to ask questions, to table questions and resolutions and to vote in person at the meeting. ECGS reports will highlight any limitation on this point.

PUBLICATION OF VOTING RESULTS

Investee companies (or designated regulatory bodies) should publish details of votes cast or proxies received. The published figures should include the number of shares and/or voting rights that were voted on each resolution and the level of support, abstention (where applicable) and opposition.

ECGS

Expert Corporate Governance Service

CORPORATE GOVERNANCE PRINCIPLES

1. ANNUAL REPORT/ACCOUNTS VOTE

1.1. Disclosure of reports and accounts and notice of shareholder meeting

In order to hold directors formally accountable for their management of the company, shareholders need to have adequate notice of the meeting and the matters to be discussed. The notice of meeting should be sent to shareholders at least 21 days in advance for annual general meetings and for extraordinary meetings at the earliest.

The company should make available (in electronic form and on request) all relevant documentation shareholders require to make an informed judgement on the resolutions to be decided. The company should preferably issue documents not only in its local language but also in English in order to maximise the understanding of the issues by international shareholders.

1.2. Compliance with the local market governance code

The company should provide shareholders with a complete compliance statement in relation to all codes applicable to the company's operations. The approval of the annual report and accounts is an occasion for shareholders to express their serious concerns about corporate governance and compliance reporting. If companies significantly fail to comply with the local code or to provide a sincere compliance statement in line with local market requirements, ECGS will oppose the approval report and accounts.

ECGS will also penalise any incomplete statement of compliance with a "significant" omission or any non-compliance with key structural issues such as, for instance, the combination of roles of Chairman and CEO, composition or responsibilities of committees.

1.3. General transparency & reporting

The annual report and/or the notice of meeting should be publicly disclosed **21 days** before the meeting. If appropriate and in line with market practice, the company should issue the annual report and/or the notice in English.

As well as reporting financial performance, companies should provide additional information on a range of issues in respect of all stakeholders such as:

- Corporate strategy
- Key Performance Indicators (financial and operational)
- Corporate governance system
- Share-ownership structure
- Remuneration arrangements

- Auditor related policies
- Employment policies, policies on environmental issues, sustainability, community relations and business ethics
- Contentious issues that have arisen in the year under review
- Conflicts of interests, related party transactions and self-dealing
- Internal controls

Late disclosure, material omissions or other serious concerns in terms of disclosure in the report and accounts, for example absence of ownership structure details, will lead ECGS to opposing the approval of financial statement.

1.4. Share structure and voting rights

A company's share structure should be clearly disclosed including the voting rights and other rights attached to each class of shares. Information on the major owners of shares and voting rights should also be provided. Information on any cross-shareholdings or voting agreements should be reported.

ECGS strongly supports the principle of '*one share one vote*' for share capital. We consider that shareholder rights and voting power should be proportional to ownership. Any deviations from the principle of '*one share one vote*' will be identified in ECGS reports.

The existence of core shareholders with rights to Board representation or other more favourable rights creates conflicts of interest and safeguards need to be in place for minority and non-controlling shareholders. ECGS will review the number of shareholders' representatives on the Board. Besides, important shareholders should not be over-represented on the Board.

2. ALLOCATION OF INCOME/DIVIDEND VOTE

ECGS members will assess dividends on a **case by case** basis. ECGS considers that shareholders should have an annual opportunity to vote on the companies' dividend policy. In principle, ECGS believes that dividends should be covered by consolidated or cash earnings and supported by a strong balance sheet in terms of solvency and leverage.

ECGS members may also take into account local market practice, significant deviations from comparative sector distribution; significant year on year changes in dividends, free cash flow and pay-out ratio. In assessing the above, emphasis will be placed on the Board's justification for the proposed dividend and any explanations for significant changes in the dividend policy.

3. DISCHARGE OF BOARDS

Proposals to discharge directors of liability for their activities or to approve/ratify management acts appear on general meetings' agendas in many European markets. It is too often considered a mere routine item. These resolutions look very similar on the notices of meetings in different markets, which have led to an erroneous perception that the implications of voting decisions on such proposals are the same across Europe.

The common point is that discharge constitutes formal acceptance of the facts presented. As such, it is the shareholders' endorsement of the board of directors' management of the company affairs during the financial year under review.

The approval of discharge may be a mandatory item of the general annual meeting like in Finland or constitutes an expression of trust requested by companies without any legal requirement for it (France).

However, granting discharge entails different practical consequences according to local legal framework. In some countries such as Austria, Germany, France and Spain, approval of the discharge is not binding and does not preclude shareholders from bringing a claim for damages against directors. Although in these markets any decision of the general meeting cannot have the effect of extinguishing an action for damages against the directors for misconduct or negligence, the discharge would weaken legal proceeding of shareholders and other parties against directors.

In other markets, discharge is binding and can hinder legal claims against directors. This is the case in Belgium, Denmark, Finland, Luxembourg, the Netherlands, Portugal, Sweden and Switzerland.

In Switzerland, for example, discharge is one of the shareholder general meeting's inalienable rights. It constitutes a declaration that no legal proceedings shall be instituted against the discharged body for its conduct of business during the period under review. The approval of the annual report and accounts does not automatically entail discharge.

Discharge is valid only for the facts revealed, and exempts the discharged members of the board from prosecution by the company for gross negligence. Shareholders who grant a discharge lose their right to obtain reparation for indirect prejudice. In Switzerland, any shareholders who withhold the discharge retain their right to file lawsuits against the directors for damages within a period of six months.

Considering that the discharge entails a formal acceptance of revealed management acts of the company and has different legal meanings and consequences in different markets, the level of concern is defined with regard to each local market's legal framework. As a general rule, ECGS will refuse the discharge when:

- There are serious concerns over the conduct of Director(s) or relationships with stakeholders: employees, the community, health & safety related concerns and environmental related concerns;
- In the event of serious corporate governance, social and environmental concerns;
- When serious failures were identified regarding the remuneration system and shareholders were not granted the right to vote on the remuneration system;
- Approval of the discharge is requested despite the absence of the legal requirement for it.

4. BOARD OF DIRECTORS

The most obvious difference in corporate structure across Europe is between companies with a two-tier Board, where the executive and supervisory functions are split, and the unitary Board including directors with and without executive functions. Further differences arise in the balance of powers, in decision making and accountability. Additionally, in a number of European countries, employees have legal rights to Board representation without these members necessarily being subject to shareholder approval.

Disclosure

Disclosure of information about Directors and Boards is critical in enabling shareholders to form a proper judgement when electing and re-electing Directors. ECGS considers at least the following information should be disclosed:

- Level of independence;
- Directors' attendance record at Board and committee meetings;
- Procedures in place for Board's and Director's appraisal and succession planning;
- Biographies for all directors including dates of appointment, ages, career history prior to and at the company, current and recent significant positions in public, commercial and political domain; interests in the capital of the company or group, both actual and contingent;
- Each director's contractual term or term of letters of appointment;
- The company's explanation regarding why they propose to appoint a new candidate.

Term of office

Each member of the board of directors is accountable to shareholders therefore shareholders should have the possibility to evaluate directors' performance on a regular basis. Good corporate governance requires that directors are elected at the annual general meeting for specified terms and submitted for re-election at regular intervals, subject to continued assessment of directors' performance.

As market practice and legal requirements differ widely across Europe, ECGS generally recommends a maximum acceptable term of office of four years and that nominations be staggered. However, ECGS will accept a 5-year term in countries where it is endorsed by legal provisions (Austria and Germany).

Board size

The Board should not be so large as to be unwieldy. The Board should be of sufficient size so that the balance of skills and experience is appropriate for the requirements of the business and that changes to the Board's composition can be managed without undue disruption.

- ### Role of Board committees

ECGS considers all companies should establish standing audit, remuneration and nomination committees or equivalents. The terms of reference for each committee should be made publicly available to shareholders.

Committee membership, frequency of meetings and individual attendance records (including other invited parties), should be disclosed in annual reports.

- ### Number of positions

ECGS considers that shareholders should be assured that directors have sufficient time to devote to the company in case of exceptional circumstances and to attend meetings on short-notice. To do this, full disclosure of other positions should be provided in the annual report, together with the record of each director's attendance at Board and committee meetings. Some European corporate governance codes set limits on the number of external positions that may be held by directors. ECGS will take into account aggregate time commitments and effective attendance to Board and committee meetings while making a voting recommendation.

ECGS considers as excessive when the number of significant positions held by non-executive directors or supervisory Board members exceeds:

- ✓ **Five non-executive positions**
  or
- ✓ **One executive position and one (external) non-executive position**. In this case, ECGS will oppose the external positions in the other companies of the executive Director when they are put to vote.

Significant external positions include executive or non-executive positions at listed companies or large national and/or international organisations. This rule will not apply to managers of investment companies or trusts and does not include positions at subsidiaries or not-for profit entities.

ECGS takes into account all workload, with an emphasis on the audit committee work commitment. Any chairmanship in listed companies will always be counted as an equivalent of two Board memberships.

When the local codes of corporate governance are stricter than ECGS guidelines, in line with the codes, only a smaller number of directorships will be accepted.

- ### One Board seat per Director

In cases where a director holds more than one board seat on a single board and the corresponding votes, manifested as one seat as a physical person plus an additional seat as a representative of a legal entity, ECGS will oppose his election or re-election. If both are proposed for election at the same general meeting, the opposition would be recommended on the legal entity and a vote in favour of the physical person would be recommended if there is not any other concern.

While such occurrences are rare, some examples have been identified in Belgium and France. This practice is not considered good corporate governance by ECGS since it provides the person with a double voting right at Board level and increases this person’s direct influence on board decisions.

- ### Insufficient Attendance

The board should meet sufficiently regularly to discharge its duties effectively. The annual report should include a statement of how the board operates, including description of which types of decisions are to be taken by the board. Also the company shall report the number of board's and committees' meetings held during the financial period as well as the attendance of the directors. The best corporate governance practice is to inform shareholders about the directors' individual attendance as well as the average attendance of all directors.

The information on the number of board meetings and attendance of directors allows shareholders to evaluate the efficiency of board work. ECGS considers as insufficient attendance and will oppose the re-election of a director if he has missed 25% or more of all meetings without adequate justification. Particular attention should be paid to audit committees' meetings attendance.

- ### Boardroom diversity

ECGS encourages Boards to recruit new directors from the widest possible pool of potential candidates. The appointments should be made, on merit, against objective criteria and with due regard for an appropriate balance of skills and experience within the company, as well as for the diversity on the board, including gender.

ECGS will review the transparency of nomination and appointment processes. ECGS would support external propositions advocating for more diversity on the Board if the timescale and the percentage requested are appropriate. ECGS will reflect on the election of the nomination committee's Chairman its concerns notably on the lack of transparency of the nomination process or the insufficient number of women on the Board in view of market practice. Generally, ECGS will request **a minimum of 20%** of women members on Boards.

- ### Election and re-election of Board members

The composition and effectiveness of the Board is a crucial element in determining corporate performance. ECGS believes it is fundamental that all directors are required to seek regular and individual re-election.

Voting advice of ECGS reports takes into account the overall structure of the Board in terms of its composition, separation of powers, relationship between executive and independent directors and Board committees.

ECGS reports also focus on aspects of directors' appointments which can be clearly assessed: the process by which individuals are appointed, their contractual terms, their independence (in the case of non-executives), and the provision of sufficient information to allow a clear judgement on their calibre, experience and potential conflicts of interest.

- All connections and relationships past and present between directors and controlling shareholders should be clearly identified;
- The existence and terms of any relationship agreements should be disclosed;
- A majority of the Board should not have any connection to the core shareholders;

- The Board chairman should not have any connection to the core shareholders depending on the capital structure of the company;
- All directors, including appointees of core shareholders, should be subject to retirement by rotation.

- **Slate election**

ECGS considers that all directors should be subject to a separate shareholder vote and will reject slate voting except in countries where it is legally required.

Where the election of two or more directors is proposed in a single resolution, ECGS will come to a view on each individual standing. Where ECGS has sufficient concerns to abstain or oppose on any individual director, we will reflect this view onto the combined resolution.

Slate voting is a legal requirement in Italy, Sweden, Finland and accordingly directors cannot be elected on an individual basis. In these markets ECGS will oppose all directors in case of a documented serious controversy as well as detrimental actions against shareholders' interests.

4.1. Election of the Chairman

Given the serious questions of concentration of power raised by combining the roles of Chairman and Chief Executive Officer (CEO), a decision to combine the roles should be publicly justified. Where the positions are held by the same individual it is very important that there is a strong and independent element on the Board, that there are robust procedures to ensure that the Board functions effectively, and that relevant issues are discussed.

As a matter of principle, ECGS believes that the chairman should not carry executive responsibilities. The division of responsibilities between the chairman and chief executive should be clearly established, set out in writing and agreed by the board. The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.

ECGS also questions the practice where the chief executive officer becomes the chairman of the Board or supervisory Board. While this may provide continuity, it risks causing difficulties in respect of the Board's supervisory function and may inhibit an objective assessment of management and strategy and of the initiatives of the successor CEO. However, in line with the German Corporate governance code, ECGS accepts a CEO becoming Chair only after a two-year cooling off period.

ECGS will oppose the combination of the roles of chairman and chief executive officer in one individual unless temporarily combined and adequately justified. ECGS considers that the election of an independent chair is the best practice. A former CEO should not be appointed as chairman of the same company, unless the board provides for clear justifications and the former CEO is not re-appointed as chairman at next year's AGM.

The Dutch Corporate governance code notably states that the Chairman of the board must never be an executive or a former executive (as per recommended by the Chapter III.8 of the Dutch Corporate Governance Code).

4.2. Election of executive directors

There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.

The board should include an appropriate combination of executive and non-executive directors (and, in particular, independent non-executive directors) such that no individual or small group of individuals can dominate the board's decision taking.

- **Excessive number of executives on Board**

The number of executives at Board of Directors should be in line with local best market practice. ECGS will also take into account the general level of independence on the Board and termination benefits while voting on executive directors.

- **Insufficient time available**

In case of insufficient time available of an executive director, ECGS will oppose his external positions in the other companies when they are up for re-election.

- **Excessive termination benefits**

In the United Kingdom, although concerns over contracts are reflected within the remuneration report vote, major remuneration related issues can also trigger an oppose vote on directors' election.

4.3. Election of non-executive directors

The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.

Independent directors have a crucial role to play in reviewing the performance of the executive membership. They also bring an external perspective to bear on issues where the executive directors face an actual or potential conflict of interest such as remuneration, proposed changes in control or acquisitions and the audit function. They should also strengthen the Board by expanding its range of experience. Such directors need to be remunerated adequately to reflect their responsibilities but the risk of independence being impaired by reliance on fees or other remuneration needs to be borne in mind. ECGS considers that directors should invest at least substantial part of their fees in company's shares in order to align with shareholders' long term interest.

As a general rule, ECGS will retain an independence threshold of at least 50% of all voting Board members including employee representatives (a special rule will be applied to Boards with high level of employee representation, so called "*co-determination system*"), unless the higher independence is recommended by the local corporate governance code.

In the Netherlands, the Dutch Corporate governance code recommends that all supervisory board members, with the exception of not more than one person, shall be independent within the meaning of best practice provision of the code.

In countries where there is a legal requirement for Board employee representatives to constitute from one-third to a half of the Board (*co-determination system)*, ECGS retains the minimum independence requirement of at least 33% of the Board members.

Although ECGS supports the appointment of significant shareholders representatives, no shareholder should be over-represented nor in control of the Board.

In Italy, Sweden, Finland, ECGS will oppose the entire Board if there is insufficient independence when there is only one slate of candidates up for election. If more than one slate is proposed, ECGS will support the slate that would improve independence most, if applicable. If there are multiple slates and none improves an unsatisfactory Board composition, ECGS will oppose all lists.

In Italy, ECGS may also oppose all slates if serious concerns arise over potential conflicts of interest in the selection of the candidates, with particular regards to the strict independence of "minority slates".

- **Independence criteria for the members of the board of directors**

Factors taken into account by ECGS members which may compromise independence:

- A former executive position within the company or group (including major acquisitions) or a contract of employment since less than five years except for the CEO who will always be deemed affiliated;
- An association with the business for twelve years (nine years in the UK, Ireland and Italy);
- Relationship through blood, marriage or equivalent to other directors, managers, important shareholders or advisers to the company;
- Appointment are made differently than through an appropriately constituted nomination committee or equivalent independent process;
- A material connection with a professional adviser including auditors to the company since less than five years;
- A side-contract including fees, share options or other conditional remuneration, consultancy payments, pension benefits or benefits from related party transactions above a material threshold;
- Receipt of similar remuneration from a third party in relation to the directorship;
- Cross directorships or significant links with other directors through involvement in other companies or bodies;
- A current or recent senior position with a political or charitable body to which the company makes or from which the company receives material contributions;
- A significant (3%) holding in the company's equity;
- Current or recent involvement at a senior level in another entity with a material financial or commercial interest in the company either through a shareholding or family link, or as customer, supplier, banker, joint venture partner or competitor;
- An appointee or representative of a group other than the shareholders as a whole.

4.4. Specialised Board committees

Specialised board committees are key component of corporate governance. Committees of audit, nomination and remuneration have heightened in importance with regard to effective board functioning and ensuring objective independent judgement.

The tasks and duties of the board of directors have increased in recent years and the directors cannot all be expected to have the same degree of expertise in all fields. The extent of the company's business may require that some directors concentrate particularly on specific matters. Furthermore the board will gain in efficiency if the work is shared among its members; this is important in larger and more diversified companies. Lastly, in some areas in which conflicts of interest are likely to arise (audit, remuneration, nomination), independent directors play a key oversight role. The establishment of separate and focused board committees is one means of addressing such concerns. However, these committees do not replace the board with regard to matters that fall within the remit of the board as a whole.

- **Audit committee**

The Directive on Statutory Audits of Annual and Consolidated Accounts requires creation of an audit committee in all public companies composed of non-executive members and a majority of its members shall be independent. Most countries have already recognised the importance of audit committee and required that listed companies established an independent audit committee with full or majority (including the chair) independence. ECGS considers that an audit committee consisting solely of independent directors is the best practice.

The audit committee has better possibilities than the entire board to review questions pertaining to company finances and control and take care of the contacts with the auditors and the internal audit function. It is well-established that audit committees play a critical role in ensuring the integrity of financial reporting and promoting audit quality.

To assist shareholders in understanding the operation of the committee we believe that it should have written terms of reference and that these should be made publicly available. Audit committees should also produce a report of their activities to shareholders as part of the company's corporate governance disclosures. These should include information on the number of meetings, attendance rates, the issues discussed and whether management representatives were present.

On the contrary, the establishment of nomination and remuneration committees is not mandatory in most jurisdictions, many of which recommend the establishment of these committees, comprising wholly or a majority of independent directors.

- **Nomination committee**

The nomination committee identifies individuals suitable as directors or executives and analyses their experience and skills prior to a shareholder approval in order to ensure the appropriate balance of skills, experience, independence and knowledge of the company to enable Directors to discharge their respective duties and responsibilities effectively. The preparation of the composition of the board and the identification of candidates is an ongoing and long-term process. The evaluation of the

independence of director candidates is part of this process. The board may improve the efficiency of the preparation of the election of directors by establishing a nomination committee.

Sweden particular Board composition: the largest shareholders (or representatives from them) make up the majority of a nomination committee.

- **Remuneration committee**

The board may establish a remuneration committee which can focus on the development of the remuneration schemes of managing directors and other executives as well as the remuneration schemes of the personnel more efficiently than the entire board.

ECGS will recommend opposing to the re-election of specific committee chairmen or members if there are significant concerns about the decisions of the committee: e.g.

- there are significant concerns about accounts or compliance reporting;
- there are significant concerns about remuneration disclosure or remuneration policy and no Say on Pay is proposed to shareholders;
- the independence or diversity of the Board is not sufficient or not sufficiently improving or when the terms of office of directors exceed four years.

5. EXECUTIVE REMUNERATION

In determining the voting advice, ECGS will consider the adequacy of disclosure and the structure of the remuneration system, including but not limited to:

- Whether the overall policy includes target pay levels whereby the company acknowledges local market sensitivities regarding pay levels and increases;
- Whether overall pay philosophy and structure is linked to sustainable long-term value creation for all stakeholders and shareholders;
- Whether executive pay is adequately linked to long-term shareholders' interests and a wide range of quantifiable and measurable financial and non-financial performance criteria are used for the vesting of short and long term incentives;
- Whether there is clear description of key remuneration components and their proportion;
- Whether a pay-for-performance principle including a claw back clause and an annual assessment is in place.

ECGS might reflect concerns over the remuneration system on other resolutions if the opportunity to vote on the remuneration is not provided to shareholders.

5.1. Disclosure

Approval of the remuneration system or the remuneration report requires that at least the following elements are provided:

- A detailed description of the principles and mechanisms of the remuneration policy. Such disclosure is vital for assessing whether incentive policies are in line with the company strategy.
- A detailed description of each component of the remuneration and of the employment contracts, in particular the conditions of termination (severance payment, notice period).
- Detailed information regarding the bonus and incentive plans: performance conditions, which should be quantified, the performance measurement period, the individual limit, the vesting scale.
- Each remuneration component should be disclosed at fair value on the date of grant.
- The disclosure should cover all executive directors. As a minimum requirement and in certain countries, individual figures for the highest-paid executive and aggregated figures for other members of the executive management, describing each component of the remuneration, should be disclosed.
- A summary of any retirement plans for the executive management.

5.2. Overall policy

Executive remuneration packages should fairly reward good corporate performance with remuneration geared to the achievement of targets that are stretching but do not encourage imprudent risk-taking, excessive conservatism or continuation of strategies that are no longer appropriate. The remuneration structure should balance the legitimate interests of the director with the potential cost to shareholders.

Aspects to be considered will include:

- The level of base salary compared with market and sector practice;
- The on-target annual bonus paid compared to fixed remuneration and the cap;
- The on-target long term incentives compared to fixed remuneration and the cap;
- The link between long-term performance and company strategy.

The remuneration of executive managers may consist of, e.g. non-variable and variable remuneration, share and share-based remuneration schemes, pension schemes as well as any compensation payable due to termination. Variable remuneration comprises various short-term and long-term remuneration schemes, which may be linked to the development of the company result.

Remuneration policy statements should include a description and explanation for all elements of pay, justification for the choice of performance criteria and the level of targets, a description of how the remuneration strategy fits with overall corporate strategy and key performance indicators. ECGS encourages companies to adopt vesting criteria which are closely related to their strategies and which cannot be influenced by Board/executives decisions.

The company should also refer to the relationship between directors' remuneration and employee remuneration levels. The disclosure of executive-pay ratio (the ratio between the pay of the CEO and the income for all other employees) or the settlement of executive-pay ratio target by companies is also favoured. Factors specific to the company should be emphasised rather than relying on a general market rationale.

Remuneration committees should not have the discretion to amend share scheme performance targets, criteria or performance periods without explicit shareholder authorisation. When considering pay policy, remuneration committees should have access to independent advisers, separate to those used by the executives and these advisers should be named.

The membership of CEOs or executive directors of listed companies in remuneration committees should be limited.

- **Base salary**

The base salary should be in line with market practice. Otherwise, a sufficient explanation should be provided to justify this deviation. Salary as a pillar of the remuneration structure: the remuneration of management Board members must be built around a fixed salary. Therefore, ECGS will not favour policies of $1 salary. Salary increases should be in correspondence with general trends and developments.

In case employees are asked, for instance by means of collective labour agreements, to limit their salary increases we would expect top management to set the right example by accepting an equally moderate salary increase.

- **Variable remuneration**

ECGS considers that the total variable remuneration should not exceed 300% of the salary and that at least half of it should be linked to long-term performance. Therefore, the maximum annual bonus should not exceed 150% of the salary.

The annual bonus should be well explained, including a thorough description of the performance of the company in relation to the targets and performance measures of the bonus. The outcome of the actual bonus should also consider the environment in which the company operates and should never exceed the pre-set maximum bonus levels.

In general, the levels for the short-term incentives should not be higher than the levels of long-term incentives. In cases where annual bonuses are the lion's share of the overall pay package, ECGS expects a significant part of this bonus to be deferred or converted into shares with performance conditions and a vesting period of at least 3 years.

There should be a claw back clause if it is not already covered by local laws. There should be an annual assessment of the reasonableness of realised pay to avoid unintended outcomes which can be mitigated by discretionary powers of the Board. For example, in the instance of windfall profits resulting from exceptional market circumstances due to oil prices or interest rates, bonus levels should be adjusted.

As a general rule, the total on-target variable remuneration (at fair value on the date of grant) should not exceed 200% of the base salary in case of achievement of objectives. In case of over-achievement of objectives, the **maximum** variable remuneration should not exceed **300%** of the base salary. At least **50%** of the variable remuneration should be linked to long-term performance conditions.

	Minimum	Target	Maximum
Fixed	100	100	100
Variable	0	200	300 (**including at least 150 long-term**)
TOTAL	**100**	**300**	**400**

ECGS could mitigate its voting recommendation when significant improvements have been made compared with the previous year and/or when the vote is binding.

5.3. Termination payments

As a best practice rule, executive contracts should not include severance payments. Nevertheless, termination payments not exceeding one year of base salary are accepted. Any potential payment in excess of one year of salary may become an issue for ECGS. It will be analysed according to local practice, local corporate governance code and specific rules country by country.

In France, ECGS will not accept any severance payment exceeding 12 months of cash remuneration (base salary + annual bonus). This limit includes any possible non-competition clause which should cover a non-compete engagement of at least two years following the departure. Any executive with a total remuneration exceeding 240 times the minimum wage (€4.76M) will not be authorised any additional termination payment.

In line with local corporate governance codes, in Germany and Austria, ECGS will accept severance payments in the case of premature termination of a contract with a management board member without a material breach which do not exceed more than two years annual pay and that not more than the remaining term of the employment contract is remunerated.

The Swedish corporate governance code recommends that fixed salary during a period of notice and severance pay are together not to exceed an amount equivalent to the individual's fixed salary for two years.

In Italy, in line with local practice, termination payments for premature termination of a management Board members' contract without serious cause should not exceed 24 months of remuneration (base salary + pro-rated bonus + benefits).

ECGS will limit termination payments by 18 months of remuneration (base salary + pro-rated bonus + benefits) in Finland.

In the United Kingdom, ECGS will oppose any notice period exceeding 12 months of remuneration (base salary + pro-rated bonus + benefits).

5.4. Pensions and other post retirement payments

Companies should disclose the annual pension cost or pension contributions. As a deferred remuneration not linked to performance, pensions should be limited in regards to the total remuneration. In defined-benefit plans, the acquisition of pension rights should be granted proportionally over time (subject to seniority). The pension arrangements for each executive should be disclosed properly and should be in line with market practices.

5.5. Executive incentive schemes

Employment markets (affecting recruitment, retention and motivation), legislation, taxation rules, overall mix of packages (basic salary, incentive awards and benefits) and overall complexity differ significantly across European countries. These differences will be taken into account when assessing whether to recommend approval of a proposed share scheme.

In the various markets there are different requirements with regard to shareholder authorisation of executive incentive schemes. If shareholders do not have the opportunity to vote separately on executive share schemes, ECGS will apply its incentive scheme voting policy on the remuneration report or upon the share issue/repurchase authorities used to fund these schemes.

As a minimum, ECGS considers that all executive incentive schemes across all markets should adhere to the following conditions:

- A target and maximum level of award expressed as a % of the base salary is specified;
- Performance conditions (in addition to share appreciation) are applied and disclosed;
- Dilution should not exceed 10% of the issued share capital over 10 years for all share schemes in operation by the company and 5% for a proposed scheme.

As a matter of principle, the plan should comprise a minimum and a maximum vesting levels. In the case of a certain level of underperformance, no award should vest. We do not consider a period of employment as a performance criterion. Plans based only on a retention arrangement will usually be opposed. In order to assess the link between pay and performance, the level of attainment of the performance criteria as well as the effective number of awards released at the end of the performance period should be disclosed.

Given that the overall pay philosophy and structure is linked to sustainable long-term value creation for all stakeholders and shareholders specifically, we expect that under normal circumstances the levels of long-term incentives exceed the pay levels of short-term incentives.

- At least 50% of the variable part of the pay package should be long-term.
- There should be a claw back clause if it is not already covered by local laws.
- In case of underperformance, the final award of LTI should be zero. The maximum variable remuneration (in case of outstanding performance) should not exceed two times the target

grant and should be conditional on the attainment of very challenging performance conditions. Non-linear pay-out schedules or vesting schemes should be avoided.

- There should be an annual assessment of the reasonableness of pay-outs to avoid unintended outcomes which can be mitigated by discretionary powers of the board. For example, windfall profits resulting from exceptional market circumstances due to takeover bid premiums should be corrected for.

- **Convertible warrants**

As the subscription price is usually not disclosed to shareholders at the date of the shareholders' meeting (most of the time the subscription price will be set later by an independent expert), shareholders do not have the opportunity to influence the issuance price and ECGS will therefore analyse the proposal as a standard option issue. However, if the subscription price is announced before the shareholders' meeting, ECGS will evaluate whether managers will be paying a fair market value, if that is the case, ECGS may consider recommending shareholders to support an authorisation greater than 2% of the issued share capital.

Dilution is based on commitments to issue new shares or re-issue treasury shares, when aggregated with awards under all of the company's other schemes. It must not exceed 10% of the issued ordinary share capital (adjusted for share issuance and cancellation) in any 10-year rolling period.
ECGS considers that the dilution should not exceed 10% of the issued share capital for all share schemes in operation by the company over 10 years and/or 5% for the proposed scheme.

Regarding options, the exercise price should not be below market price or no performance criteria are applicable. And all equity-based incentive schemes should take into consideration the future stock market price.

6. EMPLOYEE INCENTIVE SCHEMES

Incentive schemes for employees vary considerably across markets. Frequently they are the result of country specific legislation and tax regulations. In principle, ECGS is supportive of schemes which enable all employees to share risk and business success unless the dilutive impacts of the plan are too costly to the shareholders.

6.1. Employee Share Ownership Plan

ECGS is in favour of the Employee Share Ownership Plan (ESOP), which is a form of financial commitment from the employee (subscription at a generally discounted market price). Thus, in order to promote employee share ownership, ECGS will support the ESOP if:

- Employee incentive schemes allow for the issue of new shares (in aggregate with all other schemes) not exceeding 5% of the issued share capital or 10% of issued share capital over a 10-year rolling period.

- No discount admissible when the employees own more than 10% of the capital. No discount if the plan does not require a minimum holding period of 3 years. No discount higher than 20% of the market price.

Under French ESOP, the employees are proposed to purchase new shares with a maximum discount of 20% (5-year holding period) or 30% (subject to a 10-year holding period). Considering the long holding period, the level of discount is deemed justified. In France, since employee share ownership should not become a misused defensive device for the management, ECGS will not support any new capital increase for employees if:

- There is an interference of the management into the exercise of voting rights by the employees or their ESOP funds;
  - and
- The employee share ownership exceeds 5% of the issued share capital (new authorisation included).

In Germany, ECGS consider that the discount should not exceed the employees' tax privileges enjoyed under applicable law.

6.2. Restricted shares

Restricted shares can be granted to employees and do not require a personal financial investment of the beneficiary. As the company does not receive any new cash inflow, the dilution impact on shareholders is stronger. As a general rule the maximum authorised percentage will be limited to 5 % over a 10-year period.

However, in France, the authorised percentage for this type of proposal will be limited to 0.50% of the share capital (exception will be made when the company complies with the 10% dilution rule over 10 years.). A higher authorisation may be agreed when challenging performance conditions apply.

7. DIRECTOR FEES

The statement of policy should also deal with non-executive directors' remuneration. Performance related or a dividend-linked remuneration, such as bonuses or share options are considered inappropriate for non-executive directors as they may inhibit objective reviews of strategy. Therefore in principle, non-executive directors should not receive variable remuneration which is performance based as it can tie their interests with those of senior management. The board's and management's interests could lead to collusion and loss of the board's objectivity in performing its oversight and control duties.

Most codes of best practice recommend that non-executive interest in the company take the form of blocked shares. Stock options must be prohibited as the speculative nature of stock options could prompt the board to take too great an interest in the short-term share price rather than in creating long-term value. Non-executive directors should not be entitled to pension benefits or severance pay.

In countries where it is legal, ECGS is in favour of the partial payment of directors' fees in company shares in order to align their interests with the long term interests of shareholders. Directors should gradually build up a portfolio of company shares that they must keep for the whole duration of their mandate or until they retire from the Board. In any case, the equity-based component should not represent a significant portion of non-executive remuneration.

ECGS questions practices when proposed fees increase significantly and/or exceed sector and market cap average without adequate justification by the company. ECGS considers that the non-executive Chairman's fees should not significantly exceed the average fees of the other non-executive directors.

8. AUDITOR ELECTION

8.1. Auditor's independence

The independence, objectivity and effectiveness of the external auditor are of vital importance to shareholders, both in respect of individual companies and in terms of their public policy function of ensuring confidence in financial reporting. The audit committee should have primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors. When voting on the auditors' re-election, ECGS will take into account:

- The proportion of fees paid for non-audit work against audit work during the year;
- The proportion over a three year period;
- The type of fees paid;
- Links to the Board or senior management;
- The auditors' terms and the change in lead audit partner.

- **Significant link between a director and the current auditor**

ECGS will oppose the re-election of the auditor if there is a recent significant link (within the past five years) between a director and the current auditor. A link is considered significant when either was directly involved with the relevant company or was a senior partner of the regional office or industry division. If the respective Director is up for re-election, ECGS would instead oppose his/her election.

- **Auditors' term of office**

Since 2013, ECGS has required companies to regularly put the external audit contract out to tender and to insure auditors' rotation. Therefore, ECGS do not support the auditor re-election if the audit firm has been in office for more than 15 years (not applicable in Switzerland).

- **Change in auditor**

Shareholders should also closely monitor any changes in external auditors. The board of directors must explain why the external auditor has not been re-appointed. Similarly, if the external auditor resigns without explaining why, the shareholders should ask for an explanation.

- **Significant concerns over the external audit process**

The 2012 UK Corporate Governance Code introduced a requirement for the audit committee to explain in the annual report how it has assessed the effectiveness of the audit process. ECGS considers as best practice these rules that intend to increase the transparency of the external audit process and the accountability of the auditor to shareholders. If there are significant concerns over the external audit process shareholders should oppose the election of the auditors.

8.2. Non-audit work

ECGS believes that audit firms should not be employed to provide consultancy services to the management and also to undertake an independent audit on behalf of the shareholders at the same company or group. ECGS considers that commercial interests other than the audit of the company accounts can create a real or apparent conflict of interest and compromise auditors in their ability to confront directors on difficult issues.

Shareholders should be furnished with sufficient information on the nature of the other services provided to be able to make an informed judgement on the work undertaken and the potential to impair independence, in fact or perception. ECGS believes that the company should provide the highest transparency regarding the description of the fees paid to auditors. When audit-related fees are not sufficiently detailed, they will be recorded as non-audit fees.

- **Non-audit fees paid to audit firm**

ECGS recommends a maximum ratio of non-audit to audit fees in order to strengthen the independence of statutory auditors. If non-audit fees equal to or are greater than the audit fee in the year under review and/or greater than 50% over a previous 3-year aggregate period, ECGS will recommend that shareholders oppose the re-election of the auditors.

The local partner has to take into account the type of fees charged and can amend the vote accordingly, for example when exceptional items relate to non-audit services required by local legal provisions.

Certain audit companies are so small that fees received from a single client may constitute a substantial proportion of their turnover. In order to ensure the external auditors' independence, the total remuneration of the auditors should not exceed 10% of the auditing firm revenues.

In countries where two different resolutions are proposed regarding auditors' re-election and auditors' remuneration, ECGS will oppose the remuneration and approve the re-election in the absence of other concern.

- **No disclosure of audit or non-audit fees**

The way fees paid to external auditors are presented varies widely from one country to another. Therefore, the disclosure of all fees paid to auditors and its breakdown between fees received for auditing services and fees for other services, in particular consultancy services, become essential to shareholders willing to assess the independence of external auditors.

ECGS will oppose the re-election of auditors if the company's disclosure does not allow a comparison to be made for the year under review for the total of non-audit related fees earned by the auditor.

9. SHARE ISSUES AND PURCHASES

9.1. Share issue authorities with and without pre-emption rights

Any general authority (with no specific purpose) should mention a clear dilution limit with respect to share capital to be issued and should be limited in time. If pre-emption rights are waived, ECGS will oppose a general authority if it is not subject to strict time and dilution limits. ECGS applies different thresholds depending on the country when recommending a vote on such resolutions. ECGS does not apply general limits when a specific authorisation is justified. In such case, the authorities are given on a case-by-case basis, depending on the objective of the transaction.

- **General capital authorisations with pre-emption rights**

ECGS considers as excessive any general capital increase authorisation with pre-emption rights exceeding 50% of the share capital (including all valid outstanding authorisations) or authorisation requested for a period longer than two years (five years will be applied in Germany, Spain and Italy).

In the United Kingdom, general authorisations to issue shares should not exceed 66% of the share capital will be accepted.

- **General capital authorisations without pre-emption rights**

General capital increase authorisations without pre-emption rights for unspecified beneficiaries and/or for unspecified project should be limited up to 10% of the share capital (including all valid outstanding authorisations); not including employee shares schemes (+10% over ten years for employees' schemes).

In line with the United Kingdom best practice, general capital authorisations without pre-emption rights will be limited up to 5% over one year or 7.5% over three years in the UK.

In Switzerland, ECGS will support 20% maximum for a given authority and 33% maximum for the aggregate authorities without pre-emptive rights.

In France, authorisations up to 33% of the issued share capital without tradable pre-emption rights ("*droit préférentiel de souscription*") but with a priority subscription period ("*délai de priorité*") for shareholders will be supported. ECGS will oppose any capital increase in kind without pre-emptive rights exceeding 5% of the capital.

- **Authority to issue shares as an anti-takeover device**

ECGS is opposed to any anti-takeover measures employed by companies, which may lead to entrenched management and therefore harm shareholders' interests. Examples of unacceptable protective devices include capital increases, issuance of special class shares or of 'poison pills' such as free warrants for shareholders in a period of public offer.

9.2. Share repurchases

Whatever the purpose of the authority to make market purchases, directors should provide a full justification as to why this is the best use of company resources rather than investment, acquisition, enhanced dividend or alternative means of returning value to shareholders. Voting rights attached to shares held by the company or a management-controlled trust should not be used at the management's discretion. Shares held in treasury may act as a poison pill, increasing the cost of a change in control. ECGS reports will take into account local market practice when assessing the voting recommendation.

<u>ECGS will take into account:</u>

- The overall limitation of the authority and timeframe;
- The maximum share purchase price compared with the market price on the purchase date;
- Whether share repurchase is allowed during a public tender offer possibly hindering a takeover.
- The strength of the balance sheet and future projections of earnings and cash flows. Share repurchases should be aimed at redistributing excess cash (or capital), but they should be avoided if they lead to a deterioration of the company's overall (financial) risk profile.

- **Authority to repurchase shares**

ECGS considers as excessive and will oppose repurchase authority:

- If proposed amount exceeds 10% of the share capital;
- If the maximum share purchase price is above 10% of market price on purchase date;
- If purchase of shares is allowed by block trade or using derivative instruments without disclosed maximum purchase price;
- If share repurchase is allowed to be used against a hostile takeover;
- If the company has a debt to equity ratio exceeding 1.5 (**excluding financial industry**).

- **Authority to reduce share capital**

The reduction of the share capital can be made by cancellation of repurchased shares or by reduction of the share par value. Any proposal to reduce share capital must be justified by the board of directors. In principle, ECGS will oppose share cancellation, which significantly consumes the company's cash flow to buy back shares, if the company is not able to pay a dividend.

Share capital can be also reduced by reimbursing a part of the par value of shares, thereby returning capital to the shareholders, sometimes in lieu of or in addition to a dividend. Unlike the dividend, the reimbursement of par value is not subject to tax.

In principle, the reduction of the par value of shares does not negatively impact the shareholders' interest. However, in some markets, the share par value reduction would reduce shareholder rights. For instance, in Switzerland the right to table an item on the agenda of the annual general meeting is contingent on holding a certain amount of nominal value (1 million Swiss francs). Thus, the reduction undermines the shareholders' rights unless the company accordingly amends its articles of association to reduce this minimum nominal amount requirement.

In fact, given that the right to put an item on the agenda is a fundamental shareholder right, a decrease in share capital (by cancelling shares or reducing their par value) without a concomitant decrease in the value of shares required to exercise that right constitutes a deterioration of shareholders' rights which is not acceptable, unless it is negligible.

10. Changes in the Articles of Association

As the Articles of Association form the basis for the exercise of shareholder rights and protection of their interests, changes rightly require shareholders' approval. ECGS reports will consider proposed amendments with particular care to ensure that changes do not negatively affect the position of shareholders. Where a number of changes are proposed in a single resolution, voting advice will reflect judgment on the balance of the changes. It is the view of ECGS that companies should make available in full the existing version. ECGS considers best practice to put separate resolutions relating to amendments of the Articles of Association according to the type of amendment requested rather than bundling all changes in one resolution.

- **Reduction of shareholders' rights**

ECGS will oppose any proposed change that deteriorates shareholders' rights even if several amendments are proposed in a bundled resolution including an amendment having a significant negative impact on shareholders' rights.

ECGS considers that, among others, the following amendments to the articles of association have negative impacts on shareholders' rights and the company long-term interest:

- Creation of multiple voting rights;
- Creation of preferred shares or non-voting shares;

- Introduction of a voting cap or other restriction of voting rights;
- Introduction of supermajority vote requirements.

11. Mergers and Acquisitions

ECGS will analyse mergers and acquisitions proposals on their individual merits including:

- Long term strategic interests of the operation in line with the company objectives;
- The financial terms: valuation of the asset acquired in relation to normal market price as well as the pricing of the new shares in relation to the current stock price;
- The possible impact on shareholders' rights or corporate governance;
- The potential impact on other stakeholders and their long term interests.

Given the importance of issues which are proposed at many EGMs such as major takeovers, mergers and rights issues, the notice period for EGMs should be as long as possible and preferably 21 working days. Full information and justification needs to be provided together with an assessment of the likely financial and strategic impact on the company and its stakeholders. A fairness opinion made by an independent institution is necessary for shareholders to make an informed decision.

12. Anti-Takeover Defences

ECGS is opposed in principle to anti-takeover devices employed by companies, which may lead to entrenched management and therefore harm shareholders' interests. Examples of unacceptable protective devices include special Board appointment rights, 'poison pills' and voting caps, issuance of classes of common shares with different voting power. However, consideration will be given to the acquirer's objectives and track record.

13. Corporate Social Responsibility

ECGS will review the most material issues for all stakeholders in terms of environmental and social impacts. Depending on the company's sector and the country market practice in terms of reporting. The following areas will be highlighted:

- Standards against which CSR reporting has been prepared
- Environment
- Employees

- Community
- Business Ethics

ECGS will take into account policies, quantified data and objectives as well as on-going trials or investigations.

14. MISCELLANEOUS

14.1. Political donations

ECGS does not generally favour the use of shareholder funds to support political organisations. ECGS will consider the authority limit as well as the use of donations during the year under review when assessing related resolutions. The authorised aggregate amount of political donations should not exceed £ 100,000.

14.2. Luxury or non-tax-deductible expenses

In France, shareholders vote on luxury or non-tax-deductible. ECGS will ensure that if specific luxury or non-tax-deductible expenses are material their nature is properly disclosed and justified.

15. SHAREHOLDER RESOLUTIONS AND COUNTERMOTIONS

Shareholder resolutions are an integral part of the corporate governance process. They enable shareholders to take the initiative on issues which directors may be unwilling to address or where directors may face a conflict of interest. In assessing voting advice on a resolution proposed by a shareholder, ECGS reports will consider the following questions:

- Is the matter appropriate for the General Meeting?
- Is it adequately justified by its proponents?
- Is the proposal in the long-term interests of the company and of all stakeholders?

A summary of relevant external resolutions will be included in the report.

16. EXTRAORDINARY GENERAL MEETINGS

ECGS will issue voting recommendations when an EGM is convened on a case by case basis, considering:

- Background information
- Financial information
- Strategic analysis
- Shareholding structure & corporate governance impact.

2015 Voting Guidelines

1. FINANCIAL REPORTING

1.1. Annual report and accounts

VOTE FOR the Board of Directors' proposal, however ECGS will recommend a vote **OPPOSE** if one of the following conditions applies:

a. The annual report and/or other proxy materials have not been publicly disclosed at least 21 days before the general meeting.

b. Contrary to the market practice, the company has not issued the annual report and/or the notice of meeting in English.

c. Material omissions or other serious concerns in terms of disclosure, quality, sincerity and comprehensiveness are present in the information introduced to shareholders.

d. The external auditor expresses a modified opinion (namely, a qualified opinion, an adverse opinion and a disclaimer of opinion) on the financial statements or there are serious concerns about audit process.

e. There are serious concerns about corporate governance and ECGS prefers to focus its opposition on the annual report and accounts rather than on the vote on the discharge.

f. The company significantly fails to comply with the local corporate governance code or to provide a sincere compliance statement in line with local market requirements.

g. The company provides an incomplete "comply or explain" statement with a "significant" omission concerning key structural issues such as the combination of roles, composition or responsibilities of the Board and Committees.

1.2. Allocation of income and dividend

- **Cash annual dividend**

ECGS members will assess dividends on **a case-by-case** basis. ECGS can recommend a vote **OPPOSE** if one of the following conditions applies:

a. The proposed cash dividend raises concerns and inadequate justification is provided on significant deviations from local market practices or comparative sector distribution, on the significant year on year change or on the fact that the dividend is not covered by free cash flow and consolidated earnings.

b. Insufficient justification is provided for significant changes in the dividend policy or this change is not in line with the long-term interest of shareholders.

- **Stock (scrip) dividend**

ECGS members will assess dividends on **a case-by-case** basis. ECGS can recommend a vote **OPPOSE** if stock (scrip) dividend replaces a cash distribution without relevant justification or is not in line with the interest of all shareholders (e.g. leads to an arbitrage).

- **Dividend in kind**

ECGS members will assess dividends on **a case-by-case** basis. ECGS can recommend a vote **OPPOSE** if the proposal replaces the cash annual dividend with a distribution of free shares or other securities without relevant justification.

- **Capital repayments and exceptional distributions**

ECGS members will assess dividends on **a case-by-case** basis. ECGS can recommend a vote **OPPOSE** if capital repayments and exceptional distributions are not consistent with the company's financial situation and the long-term success of the company.

1.3. Discharge of Boards

VOTE FOR the Board of Directors' proposal, however ECGS will recommend a vote **OPPOSE** if one of the following conditions applies:

a. There is no legal requirement for the Board to request a discharge and granting discharge may weaken legal recourse of shareholders and other parties against directors or executives.

b. There are serious concerns about the Board's conduct of the company's affairs or relationships with stakeholders: shareholders, employees, suppliers, State bodies and the community.

c. ECGS reveals serious corporate governance, social and environmental concerns.

d. The external auditor expresses a modified opinion (namely, a qualified opinion, an adverse opinion and a disclaimer of opinion) concerning the Board's conduct of the company or reveals serious shortcomings in the exercise of their duties.

e. Shareholders were not granted the right to vote on the remuneration and serious failures were identified regarding the remuneration system or its transparency.

f. Legal proceedings have been instituted or a criminal conviction brought against the Board of Directors or the Supervisory Board concerning the conduct of the company's affairs.

1.4. Related-party transactions

VOTE FOR the Board of Directors' proposal, however ECGS will recommend a vote **OPPOSE** if one of the following conditions applies:

a. The annual report and/or other proxy materials do not provide sufficient and relevant information about related-party transactions.

b. The proposed related-party transactions are not compatible with the interests of all shareholders.

2. BOARD OF DIRECTORS

2.1. Election of Directors (executive or non-executive)

VOTE FOR the proposal, however ECGS will recommend a vote **OPPOSE** if one of the following conditions applies:

a. Insufficient information is provided concerning the nominee.

b. In countries where the Director's term of office endorsed by the local corporate governance code or market practice does not exceed 4 years, non-independent directors are elected for more than four years.

c. In countries where the Director's term of office endorsed by the local corporate governance code or market practice exceeds 4 years, non-independent directors are elected for more than four years and there is insufficient independent representation on the Board.

d. Number of significant non-executive positions exceeds the lesser of five and the maximum number of positions accepted by local best practice standards.

e. Number of significant positions exceeds the lesser of **one executive** position and **one (external) non-executive position** on one hand, and the maximum number of positions accepted by local best practice standards on the other hand. In this case, ECGS will oppose the external non-executive positions if they are put to vote.

*ECGS takes into account all workload, with an emphasis on the audit committee work commitment. Any **chairmanship** in listed companies will always be counted as **an equivalent of two Board memberships**.*

f. A director has missed 25% or more of all meetings (meetings of the Board and committees) without adequate justification.

g. A Board member holds more than one board seat on a single board and the corresponding votes (manifested as one seat as a physical person plus an additional seat as a representative of a legal entity). If both are proposed for election at the same general meeting, the opposition would be recommended on the legal entity election and a vote in favour of the physical person would be recommended.

h. The nominee has a major conflict of interest that is incompatible with his role as board member.

i. There is a documented misconduct against shareholders' interests or other serious controversy surrounding a nominee.

j. A Director has been convicted for criminal charges that would compromise his or her professional reliability. When a Director is under enquiries for alleged criminal cases or for a series of misconducts, ECGS will assess on a case-by-case basis.

k. Non-independent non-executive director is proposed to election when the Board lacks independence.

*As a general rule, ECGS will retain an independence threshold of **at least 50%** of all voting Board members including employee representatives, unless the higher independence is recommended by the local corporate governance code.*

***Netherlands:** the Dutch Corporate governance code recommends that all supervisory board members, with the exception of not more than one person, shall be independent within the meaning of best practice provision of the code.*

In countries where there is a legal requirement for Board employee representatives to constitute from one-third or half of the Board, ECGS retains the minimum independence requirement of at least 33% of the Board members.

l. Lead or Senior Director is not considered independent even if the majority of the Board is independent.

m. The nominee is a representative of a significant shareholder that, in case of approval, would be overrepresented on the board.

Country specific consideration:

France

ECGS will accept one representative of the three main shareholders and one representative of employee shareholders on Board even in case of a majority of non-independent members.

n. The nominee has held an executive function in the company during the last three years and the board of directors includes too many executive or former executive directors with respect to national standards of corporate governance.

Country specific consideration:

Austria and Germany

OPPOSE if the newly elected Chairman was previously CEO (without a cooling off period of 2 years).

o. The nominee has recent significant links (within the past five years) with external auditors.

Country specific consideration:

France

OPPOSE the re-election of a non-executive director if the individual has not invested in company shares the equivalent of one year of attendance fees over his last mandate.

2.2. Election or re-election of a Chairman of the Board

VOTE FOR the proposal, however ECGS will recommend a vote **OPPOSE** if one of the following conditions applies:

a. The functions of chairman and chief executive officer are combined, unless temporarily and adequately justified.

b. The nominee is executive chairman, unless temporarily and adequately justified.

c. The company breaches the local corporate governance code recommendation that the Chairman of the board should not be a former executive or recommended cooling-off period.

d. The newly elected chairman was previously CEO and there is insufficient independent representation on the Board.

Country specific consideration:

Austria and Germany

OPPOSE if the newly elected Chairman was previously CEO (without a cooling off period of 2 years).

2.3. Election or re-election of executive Directors

VOTE FOR the proposal, however ECGS will recommend a vote **OPPOSE** to the election of an executive director (other than the company's CEO) if the number of executives exceeds local market practice. ECGS will also take into account the general level of independence on the Board and termination benefits while voting on executive directors.

2.4. Re-election of Chairmen of special Board committees

VOTE FOR the election of the Board members, however ECGS will recommend a vote **OPPOSE** if one of the following conditions applies:

a. The nominee is the chairman of the Audit committee and the committee has made important decisions that are contrary to the principles of best practice in corporate governance or not in interests of shareholders or other stakeholders.

b. The nominee is the chairman of the Remuneration committee and there are significant concerns about remuneration disclosure or remuneration policy and no Say on Pay is proposed to shareholders.

c. The nominee is the chairman of the Nomination committee and one of the following conditions applies:

   i. The independence of the Board is not sufficient or not sufficiently improving.

   ii. The diversity of the Board is not sufficient or not sufficiently improving.

   iii. The director's term of office exceeds four years (for Germany and Austria, a five year term would be applicable).

   iv. There are serious concerns on the lack of transparency of the nomination process.

2.5. Election or re-election of non-voting Board members

VOTE FOR the election of the non-voting Board members, however ECGS will recommend a vote **OPPOSE** if the election of non-voting Board members does not respect local best governance standards or ECGS principles.

2.6. Approval of the Board size

VOTE FOR the proposal, however ECGS will recommend a vote **OPPOSE** if the proposed number of board members is not adapted to the size of the company or not in line with national standards of corporate governance.

2.7. Change of the length of Director's term of office

VOTE FOR the proposal, however ECGS will recommend a vote **OPPOSE** if the proposal of the Board or of shareholders lengthens the Director's term of office.

2.8. Grouped elections of board members

VOTE FOR the proposal, however ECGS will recommend a vote **OPPOSE** if one the following conditions applies:

a. There are no legal requirements in the country for a slate election of Board members.

b. In case of mandatory slate election, ECGS opposes the entire Board if there is insufficient independence and there is only one slate of candidates up for election. If more than one slate is proposed, vote for the slate that would improve independence most, if applicable. If there are multiple slates and none improves an unsatisfactory Board composition, ECGS will oppose all lists.

c. In case of mandatory slate voting, the (re-)election of one or several Directors does not respect ECGS guidelines and the approval of the entire slate is contrary to the interests of the company and its shareholders.

2.9. Director dismissal

VOTE FOR a Board or shareholder proposal if one of the following conditions applies:

a. A Director has been convicted for criminal charges that would compromise his or her professional reliability. When a Director is under enquiries for alleged criminal cases or for a series of misconducts, ECGS will assess on a case-by-case basis.

b. The justification given by the Company concerning the director dismissal is considered appropriate in light of the ECGS corporate governance principles.

3. EXTERNAL AUDITORS

3.1. Election or re-election of auditors

VOTE FOR the Board of Directors' proposal, however ECGS will recommend a vote **OPPOSE** if one of the following conditions applies:

a. The independence of the external auditor is compromised by recent significant links (within the past five years) with Directors, major shareholders, senior managers and ECGS cannot oppose the re-election of this Director at the meeting instead.

b. The audit firm (group) has been in office for more than 15 years.

Country specific consideration:

Switzerland

Not applicable.

c. There is insufficient explanation justifying the change of auditors.

d. There are significant concerns about the external audit process.

e. Non-audit fees are equal to or are greater than the audit fees in the year under review and/or greater than 50% over a previous 3-year aggregate period.

Country specific considerations:

France

OPPOSE if non audit fees equal to or is greater than 50% of the audit fees over the year under review.

f. The information provided with regard to auditors' fees is insufficient to allow an informed assessment of the auditor's independence.

g. The total remuneration of the auditors exceeds 10% of the auditing firm revenues.

3.2. Approval of the auditors' remuneration

VOTE FOR the Board of Directors' proposal, however ECGS will recommend a vote **OPPOSE** if there is a separate vote on the auditors' remuneration and ECGS has remuneration related concerns mentioned above.

4. REMUNERATION

ECGS might reflect concerns about the remuneration system on other resolutions if the opportunity to vote on the remuneration is not provided to shareholders. Situations that do not fall under a specific recommendation are to be assessed in light of ECGS Principles of Corporate Governance or local market best practice standards.

4.1. Executive remuneration

VOTE FOR the Board of Directors' proposal, however ECGS will generally recommend a vote **OPPOSE** if such proposal fails to comply with one or several ECGS global principles and their corresponding rules:

- **Disclosure**

a. The company fails to disclose its remuneration policy or remuneration report in a timely manner.

b. Information provided to shareholders is insufficient for assessing the principles, structure, components, total amount of the remuneration as well as variable remuneration plans' features, functioning and pay-for-performance connection.

- **Overall policy and structure of the remuneration**

c. The overall policy and remuneration structure is not in line with generally accepted best practice standards (see ECGS Principles of Corporate Governance).

d. Less than 50% of the variable remuneration is linked to long-term performance.

e. Variable incentive awards described in the remuneration report are not in line with the company's performance.

f. The company does not introduce a claw back clause to the variable remuneration.

g. The total amount of remuneration significantly exceeds the peer group median.

h. Proposed amendments to the remuneration policy do not respect ECGS principles and/or the local best practice.

- **Base salary**

i. The base salary is not in line with market practice and the company does not provide a sufficient explanation to justify this deviation.

j. The base salary increase is excessive and/or not justified.

- **Short-term incentives**

k. The maximum annual bonus exceeds 150% of the base salary.

l. The outcome of the actual bonus exceeds the pre-set maximum (i.e. exceptional bonus or other discretionary payments).

m. The remuneration committee or the board of directors have too much discretion with regard to awards.

- **Long-term incentives**

n. The plan does not operate one or more clearly disclosed and challenging performance conditions.

o. The performance measurement period for vesting is not long enough: as a practical rule, any performance measurement period inferior to three years will be considered too short.

p. The downside of the plan is not zero.

q. The plan rewards below median performance.

r. The maximum variable remuneration (in case of outstanding performance) exceeds two times the target grant.

s. Vesting schemes operate non-linear pay-out schedules.

t. The dilution exceeds 10% of the issued share capital for all share schemes in operation by the company over 10 years and/or 5% for the proposed scheme.

u. The exercise price of options is below market price.

Country specific consideration

France

A Managing Director of a CAC 40 index company may receive more than 0.10% of the share capital in options or 0.03% of the share capital in performance shares.

Companies do not comply with the 10% dilution rule over 10 years and the possible related dilution exceeds 2% for the proposed option scheme and 0.5% for the proposed performance share scheme. In France authorisations for new LTIPs are divided into two resolutions, one for stock-options and one for performance shares. A higher authorisation may be accepted if the plan operates particularly challenging long-term performance conditions.

- **Termination provisions**

v. As a general rule, termination payments exceed one year of the salary. Considering local practices, recommendations of the local corporate governance code and specific country by country rules, the following exceptions will be applied:

Netherlands	The remuneration in the event of dismissal may not exceed **one year's salary** (the **'fixed'** remuneration component).
Finland *Luxembourg* *Sweden*	The termination payment is limited up to **two-year fixed salary**.
France	The severance payment should not exceed **12 months of cash remuneration** (base salary + annual bonus) including possible non-competition clause which engagement covers at least two years following the departure. Any executive with a total remuneration exceeding 240 times the minimum wage (€ 4.76 m) will not be authorised any additional severance payment. Performance conditions should be challenging enough to avoid payments in case of poor performance.
Norway	Termination payment should be limited to **18-month of remuneration**.
Austria *Germany*	Severance payment should not exceed the value of **two years' compensation** and compensate more than the remaining term of the employment contract.
Denmark *Italy*	Termination payments should not exceed **24 months of annual remuneration** (base salary + bonus + benefits).

- **Pension provisions**

w. The pension arrangements are not properly disclosed.

x. The pension arrangements are not in line with the best market practices.

y. In defined-benefit plans, the acquisition of pension rights is not granted proportionally over time (subject to seniority).

Country specific consideration

France

An additional retirement pension plan exceeds € 300,000, or when the resulting total annual pension will exceed € 450,000 or 30% of the average last three years pay. Any supplementary pension plan will be opposed if the beneficiary's total remuneration exceeds 240 times the minimum French salary (SMIC).

4.2. Employee incentive schemes

Employee Share Ownership Plan

VOTE FOR the Board of Directors' proposal, however ECGS will recommend a vote **OPPOSE** if one of the following conditions applies:

- **Dilution**

a. In the absence of special circumstances, employee incentive schemes allow the issue of new shares (in aggregate with all other schemes) exceeding 5% of the issued share capital or 10% of issued share capital over a 10-year rolling period.

b. The total dilution including all employee incentive schemes exceeds 10% of the issued capital over a 10-year rolling period.

- **Dilution related to the discount**

c. The Employee Share Ownership Plan allows a discount and employees own more than 10% of the capital or the plan does not require a minimum holding period of 3 years.

d. The discount is higher than 20% of the market price.

Country specific consideration

France

Under French ESOP (Employee Share Ownership Plan), the employees are proposed to purchase new shares with a maximum discount of 20% (5-year holding period) or 30% (subject to a 10-year holding period). Considering the long holding period, the level of discount is deemed justified.

Germany

OPPOSE if discount exceeds the employees' tax privileges enjoyed under applicable law.

- **Interference of the management into employee shareholding**

e. There is an interference of the management into the exercise of voting rights by the employees or their ESOP funds and the employee share ownership exceeds 5% of the issued share capital (new authorisation included).

Restricted (performance) shares

VOTE FOR the Board of Directors' proposal, however ECGS will recommend a vote **OPPOSE** if one of the following conditions applies:

- **Dilution**

a. The maximum authorised percentage exceeds 5 % over a 10-year rolling period.

b. The total dilution including all employee incentive schemes exceeds 10% of the issued capital over a 10-year rolling period.

Country specific consideration

France

Therefore, in France, the authorised percentage for this type of proposal will be limited to 0.50% of the share capital (exception when the company complies with the 10% dilution rule over 10 years.). A higher authorisation may be agreed when challenging performance conditions apply.

4.3. Remuneration of Non-Executive Directors

VOTE FOR the Board of Directors' proposal, however ECGS will recommend a vote **OPPOSE** if one of the following conditions applies:

a. The increase since the previous year is excessive and/or not justified.

b. The proposed fees significantly exceed sector and market cap median without adequate justification by the company.

c. Non-executive directors are granted any performance related remuneration, such as bonuses or share options, or the remuneration is linked to the dividend.

d. The non-executive Chairman's fees significantly exceed the average fees of the other non-executive directors without adequate justification.

e. The global maximum amount of the board remuneration is significantly higher than that of the peer group.

5. CAPITAL STRUCTURE

5.1. Share capital structure

- **"One share – one vote" principle**

VOTE FOR the Board of Directors' proposal, however ECGS recommends a vote **OPPOSE** if the proposal contravenes the "one share – one vote" principle.

- **Share split**

VOTE FOR the Board of Directors' proposal.

- **Debt issuances**

VOTE FOR the Board of Directors' proposal, however ECGS will recommend a vote **OPPOSE** if the proposed authorisation will increase the company's indebtedness and the company's financial position will be weakened without relevant justification.

- **General authority to issue new shares or other capital related securities**

VOTE FOR the Board of Directors' proposal, however ECGS will recommend a vote **OPPOSE** if one of the following conditions applies:

a. General authority is not subject to strict time and/or dilution limits.
b. The requested general authorisation, with pre-emption rights, exceeds 50% of the issued share capital (including all valid outstanding authorisations). This maximum limit is reduced if a lower maximum threshold is established by the national corporate governance standards.
c. General capital authorisation requested for a period longer than two years or five years in Germany, Spain and Italy.
d. General capital authorisations, without pre-emptive rights, for unspecified beneficiaries and/or for unspecified projects exceeding 10% of the share capital (including all valid outstanding authorisations).
e. The general authorisation can be employed as an anti-takeover device, which may lead to entrenched management and therefore harm shareholders' interests.

*During a public offer, authorisations to employ anti-takeover devices will be assessed on a **CASE-BY-CASE** basis in light of the ECGS Corporate Governance Principles. However, consideration will be given to the acquirer's objectives and track record.*

Country specific consideration

The United Kingdom

The authority to allot shares exceeds two-thirds of the existing issued share capital. Any amount in excess of one-third of existing issued shares should be applied to fully pre-emptive rights issues only. The routine authority to disapply preemption rights should not exceed more than 5 % of ordinary share capital in any one year, with an overall limit of 7.5 percent in any rolling three-year period.

Switzerland

20% maximum for a given authority and 25% maximum for the aggregate authorities without pre-emptive rights.

France

Authorisations up to 33% of the issued share capital without tradable pre-emption rights ("droit préférentiel de souscription") but with a priority subscription period ("délai de priorité") for shareholders will be supported.
ECGS will oppose any capital increase in kind without pre-emptive rights exceeding 5% of the capital.

- ### General authority to incorporate reserves, profits or issue premiums

VOTE FOR the Board of Directors' proposal, however ECGS will recommend a vote **OPPOSE** if the proposed authorisation harms company's ability to distribute dividend.

- ### Specific share issuances

Specific share issuances, with or without pre-emption rights, will be assessed on a **case-by-case** basis in light of the ECGS Corporate Governance Principles.

- ### Capital reduction by cancellation of shares

VOTE FOR the Board of Directors' proposal, however ECGS will recommend a vote **OPPOSE** if one of the following conditions applies:

a. The reduction in capital is incompatible with the financial situation of the company and the long-term interests of shareholders.

b. The company is not able to pay a dividend.

c. Selective reductions of capital present a risk of creeping control.

- ### Capital reduction by reducing par value of the company's shares

VOTE FOR the Board of Directors' proposal, however ECGS will recommend a vote **OPPOSE** if the shareholder's right to place an item on the agenda of the annual general meeting is significantly undermined.

5.2. Share purchase

VOTE FOR the Board of Directors' proposal, however ECGS will recommend a vote **OPPOSE** if one of the following conditions applies:

a. Repurchase authority exceeds 10% of the issued share capital.

b. The maximum share purchase price is above 10% of market price on purchase date.

c. Purchase of shares is allowed by block trade or using derivative instruments without disclosed or with excessive maximum purchase price.

d. Share buyback may be used as an anti-takeover defence.

e. The company has a debt to equity ratio exceeding 1.5 (excluding financial industry).

*During a public offer, authorisations to employ anti-takeover devices will be assessed on a **CASE-BY-CASE** basis in the light of the ECGS Corporate Governance Principles. However, consideration will be given to the acquirer's objectives and track record.*

6. MERGERS, ACQUISITIONS AND RESTRUCTURINGS

VOTE FOR the Board of Directors' proposal, however ECGS will recommend a vote **OPPOSE** if one of the following conditions applies:

a. The available information is not sufficient to make an informed decision.

b. The "fairness opinion" was not done by an independent institution in compliance with the best practice principles.

c. The strategic interest of the proposed transaction is not consistent with the long-term interests of the company and its stakeholders.

d. ECGS considers that financial terms of transaction are not equitable.

e. The transaction will entail significant deterioration in shareholder rights, corporate governance or in human and labour rights and/or the environment.

7. SHAREHOLDERS RIGHTS AND CHANGES IN THE ARTICLES OF ASSOCIATION

Situations that do not fall under a specific recommendation are to be assessed in light of the ECGS Principles of Corporate Governance.

- **Creation of share classes with multiple voting rights**

ECGS recommends a vote **OPPOSE**.

- **Creation of preferred shares or non-voting shares**

ECGS recommends a vote **OPPOSE**.

- **Introduction of a voting cap or other restriction of voting rights**

ECGS recommends a vote **OPPOSE**.

- **Introduction of supermajority vote requirements**

ECGS recommends a vote **OPPOSE**.

- **Share ownership threshold**

VOTE FOR the Board of Directors' proposal, however ECGS will recommend a vote **OPPOSE** if the proposed thresholds are below the local market practice.

- **Various amendments to the Articles of Association**

VOTE FOR the Board of Directors' proposal, however ECGS will generally recommend a vote **OPPOSE** based on the following conditions:

a. The company fails to provide sufficient information to enable shareholders to assess the impact of the amendment(s) on their rights and interests.

b. Proposed changes deteriorate shareholder rights or the company's governance.

c. The amendment has a negative impact on the company's long term interests.

d. Several changes are proposed in a bundled resolution including an amendment having a significant negative impact on shareholders' rights.

8. SHAREHOLDER RESOLUTIONS

Considering voting advice on a shareholder resolution, ECGS will assess on a **case-by-case** basis the proposal in light of the ECGS Corporate Governance principles.

ECGS will assess its decision and recommend a vote **FOR** to the resolution submitted by a shareholder or a group of shareholders if the following conditions apply:

a. The resolution is clearly phrased and properly substantiated.

b. The resolution respects the principles of best practice in corporate governance and the ECGS Corporate Governance principles.

c. The resolution is in line with the long term interests of the majority of the company's stakeholders.

d. The resolution aims to improve the company's corporate governance or to enhance the company's social and environmental responsibility.

ECGS will recommend a vote **OPPOSE** to any motion by the Board of Directors or any shareholders to submit to the vote a proposal, if the proposal was not disclosed on the agenda before the annual general meeting.

9. OTHER ITEMS

- **Resolutions that are not on the agenda**

ECGS recommends a vote **OPPOSE** to any motion by the Board of Directors or any shareholders to submit to the vote a proposal that appears under the heading "Other business" (or "Miscellaneous"), if the proposal was not disclosed on the agenda before the annual general meeting.

- **Political donations**

VOTE FOR the Board of Directors' proposal, however ECGS will **OPPOSE** if the authorised aggregate political donation exceeds £ 100,000.

- **Luxury or non-tax-deductible expenses**

VOTE FOR the Board of Directors' proposal, however ECGS will **OPPOSE** if specific luxury or non-tax-deductible expenses are material and not properly justified.

- **Approval of change of control provisions in a credit facility**

VOTE FOR the Board of Directors' proposal, however ECGS will recommend a vote **OPPOSE** if the terms and conditions of the change of control provisions in a credit facility are not in line with market practice.

Country specific consideration

Switzerland

- **Election or re-election of the independent representative**

VOTE FOR the Board of Directors' proposal, however ECGS will **OPPOSE** if one of the following conditions applies:

a. Insufficient information is provided concerning the nominee.
b. The nominee does not have a good reputation or his activities and attitude are not irreproachable.
c. The nominee's independence is not guaranteed.