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Steminstructies voor beursgenoteerde aandelen

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1 Proxy Voting Guidelines and Instructions for listed equity

1.1 Introduction

Rail & OV is the non-compulsory industry-wide pension fund for the Dutch railways and public transport sector. Being an institutional investor, we own various assets including shares in publicly listed companies, on behalf of our members. The ownership of these shares makes Rail & OV a co-owner of these companies which gives us a say in how companies are run and managed. Rail & OV believes that companies that combine good governance, corporate sustainability, long-term value creation and are transparent are better positioned for long-term success. By exercising our active ownership rights Rail & OV can support and shape good corporate behavior and consequently protect and enhance the economic and long-term value of these companies.

Rail & OV supports the principles laid out by the UN PRI, the UN Global Compact standards, the UN Guiding Principles on Business and Human Rights, the OECD Guidelines and Ruggie Framework, Paris Agreement. This voting policy is, as far as possible, aligned with the Dutch Corporate Governance Code, also known as the 'Code Tabaksblat', with guidelines of the International Corporate Governance Network (ICGN) and with the guidelines of Eumedion. Long-term value creation is a leading principle of this policy. Rail & OV votes against all resolution that fail to meet Minimum Environmental and/or Social Principles (e.g. UN Global Compact, UN Guiding Principles on Business and Human rights, and OECD guidelines for multinational enterprises).

The voting instructions described in this document set out how Rail & OV exercises voting rights in Dutch and foreign listed companies. These voting instructions are applied to all firms regardless of their geographic location and industry. In the event where local regulations prevent to exercise our established guidelines, local regulations are followed.

Implementation of voting instructions for listed equity is supported by a specialized proxy advisor. The proxy advisor advises Rail & OV based on the voting guidelines described in this document. The guidelines of this policy are not meant to be exhaustive, nor can they anticipate every potential voting issue on which shareholders may be asked to cast their proxies. If any voting issues arise that are not covered or specified by this policy, the fund follows the ESG and Climate Voting Policy Guidelines of the proxy advisor and local best practices.

Rail & OV proxy voting records are available on [Rail & OV website](#).

1.2 Reporting and audit

We expect auditors to conduct reliable analysis of a company's books. An auditor is required to be independent and qualified to conduct a valid and reliable assessment. Qualified auditors have sufficient experience in the field, have not been linked with significant auditing controversies and have not (nor were they accused of) rendered inaccurate or indicative opinions. We expect transparent disclosure on the auditor and sufficient information to be provided about the auditing fees. Financial information disclosed by the

company should provide a fair and complete representation of the company in order for shareholders to make rational decisions.

We generally vote for company's choice of auditor and financial reports if it supports the virtue described above unless otherwise specified below.

1.2.1 Financial Results and Auditor Reports

Vote **AGAINST** approval of financial statements and director and auditor reports if:

- There are concerns about the accounts presented or audit procedures used;
- The auditor gives a qualified opinion
- Financial information disclosed by the company does not provide a fair and complete representation of the company;
- The company shows signs of having financial reporting problems, such as repeated or material restatements or consecutive late filings;
- The company has poor disclosure or lacks transparency in its financial statements; or
- The company is not responsive to shareholder questions about specific items that should be publicly disclosed.

1.2.2 Appointment of Auditors

Vote **AGAINST** the (re)election of external auditors if:

- There are serious concerns about the accounts presented or the audit procedures used;
- The auditors are being changed without explanation;
- There is insufficient disclosure about the auditor (such as the name of the auditor);
- If they have previously served the company in an executive capacity or can otherwise be considered affiliated with the company;
- When there are clear concerns on the integrity and/or reliability of the auditor due to e.g.:
 - Previous scandals involving the auditor or auditing firm;
 - Inability to detect significant issues;
 - Potential conflict of interest;
- The auditor has been in place for more than 10 years (or 14 years in the case of a joint audit assignment).

1.2.3 Appointment of Auditors and Auditor Fees

Vote **AGAINST** proposals authorizing the board to fix auditor fees if:

- The non-audit fees are not broken down by category;
- Non-audit-related fees exceed half (50%) of all fees paid to the auditor.

1.2.4 Appointment of Internal Statutory Auditors

Vote **AGAINST** the appointment or re-election of internal statutory auditors if:

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

1.3 Board of Directors

An effective board is sufficiently independent¹ if it works in the best interest of shareholders and other relevant stakeholders. Directors should demonstrate adequate professional experience, be ethically qualified and not be or have been involved in in scandals or any other incidents that were found to be or could be considered unethical.

Furthermore, the fund supports proposals in favor of a separation of the position of CEO and Chairman and potential conflicts of interest should be avoided at all times. Board size should be proportional to the size of the company. The board size should be sufficient to ensure diversity in decision-making and the ability to compose key committees with independent directors. A board that is too large can be problematic as it can hinder timely decision-making.

Rail & OV also acknowledges the value of diversity within the board and throughout the organization, including but not limited to; diversity in age, gender, ethnicity, cultural and professional background. Rail & OV is in favor of proposals which aim to enhance these aspects of a Board, as an independent and diverse board can be an important driver of a company's future performance.

We generally vote for company's choice of board of directors if it supports the virtue described above unless otherwise specified below.

1.3.1 Voting on Director Nominees

Vote **AGAINST** all nominees if:

- There are clear concerns over questionable finances or restatements;
- There are records of abuses against minority shareholder interests;
- The board fails to meet minimum corporate governance standards. Standards should be in line with ICGN guidelines;
- There are clear concerns about the past performance of the company or the board. Concerns may relate to, but are not limited to, financial performance, conflicts of interest or corporate activities that affect reputation;
- The board takes actions that are not in shareholders' best interests (adopting antitakeover devices, failure to respond to shareholder concerns/wishes, or demonstrating a "lack of duty or care");
- Engagement with companies on relevant ESG risks, negative impacts and principle adverse impacts is stalled. This is up for discretion of portfolio managers and/or Rail & OV.

Vote **AGAINST** all non-independent nominees regardless of whether these are executive or non-executive nominees (except the CEO) if:

- Less than two-thirds of the board is independent. Employee representatives on the board are considered independent but will not be taken into account in determining total board independence.
- The board is less than two-third independent (excluding employee representative) (12 year or above tenure considered non-independent) on insiders that are not CEO if there is no non-independent directors up for election.

¹ See Appendix 1 for further clarification on the international classification of directors.

Vote **AGAINST** all non-independent key committee nominees if:

- One (or more) of the key committees (the audit, remuneration and nominating committee) is not entirely independent.

Vote **AGAINST** the chair of the board if:

- In developed markets, excluding Japan, South Korea, Germany, Austria, Hong Kong, China, Israel and Italy:
 - Climate Action 100+ companies:
 - There is no oversight of climate-related issues;
 - There is no net zero emissions target or ambition²;
 - There is no disclosure to SASB or no TCFD disclosure.
 - Companies in industries that the Sustainability Accounting Standards Board (SASB) have identified as having a financially material risk due to GHG emissions:
 - There is no oversight of environmental issues;
 - There is no net zero emissions target or ambition;
 - There is no disclosure to SASB or no TCFD disclosure.
 - Companies that have lower exposure to emissions-related risks:
 - There is no oversight of sustainability issues;
 - There is no any forward-looking GHG emissions reduction targets;
 - There is no reporting that is aligned with SASB or if they have not responded to the CDP's climate survey.
 - For other large-cap companies in major indices:
 - There is insufficient sustainability disclosure.

If there is no ESG committee or members of the ESG committee up for election or the board chair is not up to election, vote on the above points against chair of the audit committee.

- Companies within the MSCI index are not signatories or participants in the United Nations Global Compact ("UNGC") or that have not adopted a human rights policy that is aligned with the standards set forth by the International Labour Organization ("ILO") or the Universal Declaration on Human Rights ("UDHR").

Vote **AGAINST** the chair of the nominating committee if:

- Less than two-thirds of the board is independent, regardless of whether the individual is classified as independent;
- One (or more) of the key committees (the audit, remuneration, governance and nominating committee) are not entirely independent.
- The board fails to incorporate basic considerations for gender diversity:
 - In Belgium, the Netherlands, Portugal and United Kingdom, the board does not have at least 33% female representation on the board;
 - In Austria, Australia, Canada, Denmark, Finland, Germany, Hong Kong, Ireland, Israel, Japan, New Zealand, Norway, Singapore, Spain, Sweden, Switzerland, and USA, the board does not have at least 30% female representation on the board;

² This is defined as time-bound net zero goal, ambition, or target and/or goal to be carbon-neutral by a specific date.

- In France and Italy, the board does not have at least 40% female representation on the board;
- For all other markets (excluding those above), the board does not have at least one female member.
- In developed markets, excluding Japan, South Korea, Germany, Austria, Hong Kong, China, Israel and Italy, the board chair and CEO are combined, or the board chair is not up for election, and if there is no oversight of climate-related issues or sustainability issues.

Vote **AGAINST** the chair of the remuneration committee if:

- The executive compensation is structurally excessive given the company's financial position;
- Chaired by the chairman of the supervisory board or by a former member of the management board of the company.

Vote **AGAINST** the chair of the audit committee if:

- Chaired by the chairman of the supervisory board or by a former member of the management board of the company;
- In developed markets, excluding Japan, South Korea, Germany, Austria, Hong Kong, China, Israel and Italy for companies in industries that the Sustainability Accounting Standards Board (SASB) have identified as having a financially material risk due to GHG emissions, the board chair and CEO are combined, or the board chair is not up, and if there is no oversight of environmental issues.

Vote **AGAINST** the chair of the ESG committee if:

Nature Action 100 companies do not have a biodiversity policy.

If there is no ESG committee or the chair of the ESG committee is not up for election, vote on the above point against the chair of the nominating and governance committee .

Vote **AGAINST** all members of the audit committee if:

- The company has failed to provide a sustainability report. This covers Climate Action 100+ companies and blue chip developed market companies where greenhouse gas emissions represent a material risk, as defined by the Sustainability Accounting Standards Board (SASB).

Vote **AGAINST** all members of the nominating and governance committee if:

- In all markets, excluding Japan, South Korea, Germany, Austria, Hong Kong, China, Israel and Italy, in instances where company fails to provide explicit board-level oversight of environmental and social issues.

Vote **AGAINST** all members of the ESG committee if:

- In developed markets, excluding Japan, South Korea, Germany, Austria, Hong Kong, China, Israel and Italy:
 - Climate Action 100+ companies:
 - There is no science based (SBTi) GHG emission target;
 - There is no disclosure to SASB or no TCFD disclosure.
 - Companies in industries that the Sustainability Accounting Standards Board (SASB) have identified as having a financially material risk due to GHG emissions:

- There is no GHG emission target;
- There is no disclosure to SASB or no TCFD disclosure;
- Companies that have lower exposure to emissions-related risks:
 - There is no disclosure to SASB or no sustainability disclosure.
- Companies (in major indices) do not provide robust sustainability information.

If there is no ESG committee or members of the ESG committee up for election, vote on the above points against the chair of the board or the chair of the audit committee if the chair of the board is not up for election.

Vote **AGAINST** individual nominees if:

- There is inadequate biographical disclosure of a nominee;
- Adequate biographical disclosure has not been provided in a timely manner. Adequate disclosure is needed for an informed assessment on the nominee;
- There are concerns about the individual, such as non-independence on key committees, criminal wrongdoing, or breach of fiduciary responsibilities;
- In the Netherlands, according to the Dutch Corporate Governance Code, the individual nominated for chairman of the supervisory board is or has been an employee or a member of the management board during a period of five years prior to the appointment;
- In case of other jurisdictions, the individual is a former CEO and is currently nominated as chair of the board with a tenure exceeding two years;
- The individual is active on more than two other boards of publicly listed firms (three in total); Board meeting attendance is less than 75%;
- The individual serves as an executive officer (other than executive chair) of any public company while serving on more than one external public company board for US based companies.

Vote **AGAINST** representative director if (relevant for Japan only):

- Climate Action 100+ companies:
 - There is no science based (SBTi) GHG emission target;
 - There is no disclosure to SASB or no TCFD disclosure.
- Companies in industries that the Sustainability Accounting Standards Board (SASB) have identified as having a financially material risk due to GHG emissions:
 - There is no GHG emission target;
 - There is no disclosure to SASB or no TCFD disclosure.
- Companies that have lower exposure to emissions-related risks:
 - There is no disclosure to SASB or no sustainability disclosure.

If the representative director is not up for election, vote on the above points against the CEO.

1.3.2 Slate Election of directors

Vote **AGAINST** if:

- Vote against a proposal when there is insufficient information;
- In Sweden, Norway, Luxembourg and Finland
 - Climate Action 100+ companies:
 - There is no oversight of climate-related issues;
 - There is no science based (SBTi) GHG emission target;
 - There is no disclosure to SASB or no TCFD disclosure.

- Companies in industries that the Sustainability Accounting Standards Board (SASB) have identified as having a financially material risk due to GHG emissions:
 - There is no oversight of environmental issues;
 - There is no GHG emission target;
 - There is no disclosure to SASB or no TCFD disclosure.
- Companies that have lower exposure to emissions-related risks:
 - There is no disclosure to SASB or no sustainability disclosure.

1.3.3 Other board-related items

Vote **AGAINST** if:

- Proposals to remove approval of discharge of board and management from the agenda;
- Proposals to alter board structure or size in the context of a fight for control of the company or the board.

1.4 Director Compensation

A well-structured compensation plan is essential for the long-term performance of a company. Among other things, an adequate level of remuneration can be an important incentive to attract capable and qualified individuals, align interests between all stakeholders and prevent excessive risk taking.

Rail & OV believes that remuneration should not be excessive and should be directly linked to short- and long-term financial and non-financial performance measures. We support linking sustainability targets (social, environmental and ethical key performance indicators) in the incentive plans for executive management. These criteria should be challenging and meaningful in relation to the company's business. "Pay for failure" should be avoided at all times. A director should never be in the position to determine his/her own compensation. We view transparent and straightforward structure of the remuneration packages and performance metrics equally important. Rail & OV acknowledges that the level of pay may differ between countries and industries and therefore we expect company's remuneration policy to be aligned with relevant country or industry standards.

We generally vote in favour of the company proposed remuneration proposals when it supports the spirit of principles described above unless otherwise specified below. Rail & OV may consider opposing incentive arrangements that do not align to the creation of long-term value for shareholders and other stakeholders including, for example, those which disproportionately focus on short-term growth of share price or total shareholder returns.

1.4.1 Executive Remuneration Proposals Vote

1.4.1.1 Amount, composition and transparency of the remuneration

Vote **AGAINST** if:

- Remuneration proposals do not provide clear and comprehensive compensation disclosures;
- Information on compensation-related proposals is not available in a timely manner;
- Remuneration proposals are badly-structured (for definition of badly-structured remuneration policy see paragraph 4.1.2);
- Remuneration proposals exceed the median compensation of company industry peers;

- Bonuses, equity awards or severance payments are considered egregious, excessive and/or are not in line with market practice;
- The remuneration in the event of dismissal exceeds one year's salary (the 'fixed' remuneration component) in case of the Netherlands. In other jurisdictions, we follow the local best practice;
- Remuneration proposals grant (1) individuals more than five per cent of the total options in a single year and (2) a company's group of executive officers more than ten per cent of the total options granted in the single year;
- The minimum vesting period for awards granted under the plan is less than 3 years or if the ratable vesting period for awards is 1 year over a 3-year period;
- Pension arrangements are not in line with market practice;
- Remuneration proposals offer guaranteed bonuses;
- Proposals that seek to ratify excessive severance (golden parachutes) or the sign-on awards (handshakes);
- The company made any sign-on awards to an executive over the past year;
- Equity plans causing unreasonable dilution of shares;
- In most markets, except Japan, South Korea, Germany, Austria, Hong Kong, China, Israel and Italy, there are not any environmental or social considerations in its remuneration scheme.

1.4.1.2 Remuneration structure

Rail & OV supports well-structured remuneration plans. Although not an exhaustive list, we believe the following practices are indications of problematic pay practices. Rail & OV will consider voting against if the overall remuneration structure or proposal is poor and includes practices such as:

- There is lack of disclosure regarding performance metrics and targets;
- Remuneration does not reflect salary levels appropriately in comparison with the level of benefits such as bonuses, deferred stock options or long-term incentive plans;
- Payments under incentive plans are paid even in case of poor company performance and/or company's performance is well below peer performance levels;
- Performance-related remuneration does not take into account overall company results and financial criteria and non-financial criteria;
- Performance targets are set well below past performance, without a valid rationale;
- Performance targets are not sufficiently challenging;
- Performance target measures do not adequately correlate with the company's performance;
- Performance targets do not align with the company's long-term strategy (meaning that long-term incentive plan, performance and vesting period should be 3 years at minimum, short-term and long-term incentive plans should not be based on just one metrics and the metrics used for short and long-term incentive plans should not be entirely the same);
- Bonuses were previously paid out while targets were not met;
- There is no clawback procedure;
- Company is seeking approval for an equity grant/plan to an executive or director who is also a significant shareholder, this executive or director is not required to abstain from voting on the;
- The company is unresponsive to shareholder concerns.

1.4.1.3 Say When on Pay

- Vote FOR 'One Year' proposals.

1.4.2 Non-Executive Director Compensation

Vote **AGAINST** if:

- Documents (including general meeting documents, annual report) provided prior to the general meeting do not mention fees paid to non-executive directors;
- Proposed amounts are excessive relative to other companies in the country or industry;
- Non-executive director compensation proposals contain a performance-based component;
- Non-executive director compensation proposals include share-based components, taking into account a minimum retention period of at least two years following the director's resignation;
- Proposals to introduce retirement benefits for non-executive directors.

1.5 Capital Structure

It is important that company management is in the position to optimizing the capital structure in the event it is considered necessary. Doing so may be critical for a company to operate its business effectively. When optimizing the capital structure, management should provide a clear and transparent plan on how the optimization of the capital structure will be conducted. We support proposals that seek shareholders' approval of capital structure optimisation such as, but not limited to, issuance of new shares, share repurchase, increase and/or decrease of authorized capital.

1.5.1 Share Issuance Requests

For general issuances vote **FOR**:

- Issuance requests with pre-emptive rights to a maximum of 20 per cent over currently issued capital;
- Issuance requests without pre-emptive rights to a maximum of 10 per cent of currently issued capital.

Vote **AGAINST** issuance proposals if:

- The authorization period exceeds 18 months;
- Share issuance is excessive and could lead to dilution of shareholders' wealth;
- Greenshoe proposals include issuance of shares with pre-emptive rights exceeding 20% or issuance of shares without pre-emptive rights exceeding 10%. Two other points above apply as well.

1.5.2 Share Repurchase Plans

Vote **AGAINST** share repurchase plans if:

- There is clear evidence of past abuse of authority;
- The plan contains no safeguards against selective buybacks;
- The repurchase can be used for takeover defences;
- Pricing provisions and safeguards are deemed to be unreasonable in light of market practice.

1.5.3 Increases in Authorized Capital

Vote **AGAINST** if:

- Non-specific proposals to increase authorized capital exceed the allowable threshold;
- Unlimited capital authorizations.

1.5.4 Reduction of Capital

Vote **FOR** proposals to reduce capital for routine accounting purposes unless the terms are unfavourable to shareholders.

1.5.5 Capital Structures

Vote **FOR** proposals that seek to maintain or convert to a one-share, one-vote capital structure.

Vote **AGAINST**:

- Requests for the creation or continuation of dual-class capital structures;
- Requests for the creation of new or additional super-voting shares.

1.5.6 Preferred Stock

Vote **FOR**:

- The creation of a new class of preferred stock or for issuances of preferred stock up to 50 per cent of issued capital unless the terms of the preferred stock would adversely affect the rights of existing shareholders;
- The creation/issuance of convertible preferred stock as long as the maximum number of common shares that could be issued upon conversion meets our guidelines on equity issuance requests.

Vote **AGAINST**:

- The creation of a new class of preference shares that would carry superior voting rights to the common shares;
- The creation of blank check preferred stock unless the board clearly states that the authorization will not be used to thwart a takeover bid.

1.6 Restructuring and mergers & acquisitions

1.6.1 Asset Purchases

We generally vote for asset purchase proposals if the terms consider with the following principles:

- Purchase price;
- Existing shareholder dilution;
- Terms of the offer;
- Fairness opinion;
- Financial and strategic benefits;
- How the deal was negotiated;
- Conflict of interests;
- Control issues (e.g. change in management, guaranteed board and committee seats; standstill provisions);
- Other alternatives for the business;
- Non-completion risk.

1.6.2 Asset Sales

We generally vote for asset sale proposals when the terms consider with the following principles:

- Impact on the balance sheet/working capital;
- Potential elimination of diseconomies of scale;
- Anticipated financial and operating benefits;
- Anticipated use of funds;
- Value received for the asset;
- Fairness opinion;

- How the deal was negotiated;
- Conflict of interests.

1.6.3 Mergers and Acquisitions

The fund typically supports merger and acquisition proposals if they contribute to the company's long-term value creation ability, are in line with the company's strategy and are in the best interests of (minority) shareholders and other key stakeholders.

For every M&A analysis, we review publicly available information as of the date of the report and evaluate the merits and drawbacks of the proposed transaction, balancing various and sometimes countervailing factors including:

- Valuation;
- Market reaction;
- Strategic rationale;
- Risk analysis;
- Conflicts of interest;
- Governance;
- Stakeholder impact.

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

Vote **AGAINST** if the governance profile is to change for the worse, the burden is on the company to prove that other issues (such as valuation) outweigh any deterioration in governance; social and environmental issues; conflicts of interest.

1.7 Protection of shareholder rights

It is important that shareholders have sufficient rights to influence the company, within the role that fits shareholders, and to ensure that the board takes responsibility for their actions. Rail & OV believes it is important that all shareholders are treated equally with regard to voting rights, dividend payment and the granting of other rights. Shareholders should have a say in major decisions, major transactions, mergers and changes to company statutes. In addition, it is important that shareholders have appropriate resources to address issues concerning the company. Proposals in accordance with this are supported by Rail & OV.

- The board must give notice of a general meeting in a timely manner (subject to listing rules and market best practices) and publish vote levels for each resolution promptly after the meeting. Vote **AGAINST** proposals that reduce the notice period.
- Rail & OV will vote against all amendments to the articles of association where shareholder rights could be compromised, e.g. thresholds to place shareholder proposals on the agenda, supermajority requirements for the approval of proposals, increasing the threshold for putting significant mergers and acquisitions to a vote, etc.
- Limitation of shareholder rights: vote **AGAINST** any limitation on shareholder rights or the transfer of authority from shareholders to directors and only support proposals which enhance shareholder rights or maximise shareholder value;
- Vote **FOR** proposals that eliminate or alleviate existing restrictions of voting rights;

- Related-party transactions: Rail & OV will generally only support related-party transactions (RPTs) which are made on terms equivalent to those that would prevail in an arm's length transaction, together with good supporting evidence. We expect RPTs to be overseen and reviewed by independent board directors with annual disclosure of significant RPTs;
- Differential voting rights: Vote AGAINST the authorisation of stock with differential voting rights if the issuance of such stock would adversely affect the voting rights of existing shareholders;
- Poll voting: Rail & OV will generally support proposals to adopt mandatory voting by poll and full disclosure of voting outcomes, together with proposals to adopt confidential voting and independent vote tabulation practices;
- Bundled resolutions: Vote AGAINST a resolution relating to capital decisions, where the resolution has bundled more than one decision into a single resolution, denying investors the opportunity to make separate voting decisions on separate issues;
- Virtual/electronic general meetings: Vote AGAINST proposals allowing for the conveying of virtual-only shareholder meetings, unless such arrangements are a temporary solution in response to restrictions on in-person gatherings, such as in response to the Coronavirus pandemic. We may accept meetings to be convened in a 'hybrid' format – where shareholders have the option to join the meeting via an online platform or to join in person, provided all shareholder rights are protected or enhanced.
- Vote AGAINST proposals that reduce the notice period. The board must give notice of a general meeting in a timely manner (subject to listing rules and market best practices) and publish vote levels for each resolution promptly after the meeting.

1.8 Social and environmental topics

Rail & OV believes it is important that the board is ultimately responsible for a socially responsible strategy of the company. Rail & OV votes against the chairman of the audit committee and the chairman of the board if there is insufficient responsibility for ESG within the board, if a company is not transparent about their sustainability activities and as a strategy towards corporate responsibility including climate change and if in developed countries CO₂ -reduction targets are missing.

- Vote FOR Say on Climate proposals. Additional voting instructions on ESG topics are embedded under section 2.3 Board of Directors.

1.9 Shareholder proposals

Generally, we expect companies in which we invest to be able to identify, monitor and manage environmental and social risks so as to protect and create long-term value. Rail & OV supports shareholder proposals that are in line with the Fund's Responsible Investing Policy, support internationally accepted standards³ and that enhance long-term shareholder and stakeholder value while aligning the interests of the company with those of society at large.

We believe that shareholder proposals should not limit the company's business activities and micromanagement by shareholders should be avoided.

In determining votes on shareholder proposals, the following aspects are considered:

³ These include the United Nations Principles for Responsible Investment, the United Nations Global Compact; the United Nations Guiding Principles on Human Rights, the International Labour Organisation Fundamental Principles, the Dutch Corporate Governance Code and the OECD Guidelines.

We applaud when proposals:

- Are well framed, sufficiently motivated and reasonable;
- Have a positive potential impact on the long- and short-term share value of the company;
- Enhance and/or protect shareholder value;
- Promote and seek greater disclosure or transparency;
- Promote good corporate citizenship while retaining shareholder/stakeholder value;
- Seek more disclosure on ESG-related practices and material ESG issues;
- Address material ESG risks, except when management and the board have demonstrated appropriate efforts to mitigate such risks in a transparent way
- Improve company corporate governance or business profile at a reasonable cost;
- Require companies to adopt and comply with the UN Global Compact Guidelines, OECD Guidelines, UN Guiding Principles on Business and Human Rights, Sustainable Development Goals as well as other relevant internationally accepted standards and norms⁴, and to report to shareholders on their progress in implementing them;
- Require companies to adopt policies and targets in line with the Paris Agreement;
- Address an issue associating the company with any significant controversies, penalties or litigations related to the content of the shareholder proposal;

We are wary of proposals:

- That are too prescriptive, overly burdensome, unworkable or may limit the company's business activities or result in significant costs with little or no benefit;
- Where the company has already responded in an appropriate or sufficient manner and/or the company has already successfully addressed the issue compared to its peers and leading industry standards;
- Where greater disclosure and transparency might lead to competitive disadvantage;
- Where the subject is best left to the discretion of the board;
- That might have a negative effect on company's reputation, sales or leave it vulnerable to boycott or selective purchasing;
- That are unlikely to achieve the goals stated in the shareholders' proposal.

Vote FOR shareholder proposals that:

ESG

- Include sustainability as a performance measure for senior executive compensation;
- Seek to increase disclosure of a company's business ethics and Code of Conduct.

Environment

- Require companies to create an Environmental Committee of the Board where environmental risks are significant or to assign environmental responsibilities to an existing board committee in sectors where such risks are less significant;
- Seek information on the financial, physical, or regulatory risks it faces related to climate change- on its operations and investments, or on how the company identifies, measures, and manage such risks;

⁴ These include but are not limited to The United Nations Guiding Principles on Human Rights, The International Labour Organisation Fundamental Principles and The Dutch Corporate Governance Code.

- Seek to reduce the company's GHG emissions and disclose GHG emission goals including reduction targets of scope 1 and/or 2 emissions, and/or – where material – scope 3 reduction ambitions;
- Request reports on responses to regulatory and public pressures surrounding climate change, and for disclosure of research that aided in setting company policies around climate change.
- Ask for enhanced disclosure on climate-related risks and opportunities, preferably via the framework of the TCFD;
- Request more transparency on corporate lobbying and membership of industry organisations; or
- Submit non-executive board member candidates who have relevant climate-related expertise and/or asking to increase relevant climate-related expertise on the board level where such knowledge is currently absent and where climate-related risks are material in the near future.

Social

- Request disclosure of specific diversity targets and disclosure on gender pay gaps within companies;
- Call for adopting, implementing and reporting on compliance with standards formulated in at the Universal Declaration of Human Rights, the UN Global Compact, the IFC guidelines, the OECD Guidelines, the Equator Principles, the Voluntary Guidelines on the Responsible Governance of Tenure, the Voluntary Principles on Security and Human Rights, the Indigenous and Tribal Peoples Convention and the Declaration on the Rights of Indigenous Peoples;
- Call for adopting, implementing and reporting on compliance with standards formulated in the Universal Declaration of Human Rights, the UN Global Compact, the IFC guidelines, the OECD Guidelines, the Equator Principles and the fundamental principles and rights at work from the International Labour Organisation (i.e. ILO Conventions No. 182 and 138 on child labour, ILO Conventions No. 29 and No. 105 on forced labour, ILO Convention No. 87 and 98 on freedom of association and the right to collective bargaining, ILO Convention 155 on occupational safety and health, and ILO Convention No. 100 and 111 on the elimination of discrimination in respect of employment and occupation);
- Call for adopting labour standards for the company, as well as its foreign and domestic suppliers, to ensure that the company will not do business with foreign suppliers that manufacture products for sale using forced labour and/or child labour, or that fail to comply with applicable national and international laws protecting employees' wages and working conditions;
- Enhance the rights of workers, as well as considering the communities and broader constituents in the areas in which companies do business;
- Require companies to prohibit discrimination in employment, including proposals to expand or clarify anti-discrimination policies;
- Request the adoption and implementation of policies, measures and monitoring on bribery and corruption;
- Request transparency on the nature, purpose and scope of business operations that could be affected by social and/or political disruption;
- Call for companies to disclose remuneration policies and provision of benefits, access to collective bargaining and associations; employee engagement programs, employee training & development programs and restructuring policies;
- Call on companies to report on any supply chain labour standards controversies, e.g. supply chain issues related to overtime, inadequate pay, union and discrimination on gender, race or ethnicity.

Good health and wellbeing

- Proposals that support Sustainable Development Goal 3 'Good Health and wellbeing';

- Measures that propose evaluation of the pricing of medicines and access of medicines for poor populations;
- Proposals that support that general health care should be affordable for individuals, families and the community (in accordance with the principles of the Institute of Medicine in the United States);
- Reporting on Responsible Drug Pricing/Distribution;
- Ask pharmaceutical companies to report on the implementation of ethical guidelines for clinical trials in developing countries.

Governance

One share, one vote

Vote FOR shareholder resolutions asking for introduction of the principle of 'one share one vote', unless the company can explain how the deviation from this principle serves the long-term interest of the company and its shareholders.

Separate Chairman and CEO

Vote FOR shareholder proposals that would require the positions of chairman and CEO to be held by different persons.

Majority of Independent Directors:

Vote FOR shareholder proposals that request that the board be comprised of a majority of independent directors. Vote FOR shareholder proposals to strengthen the definition of independence for board directors.

Independent Committees:

Vote FOR shareholder proposals that request that the board audit, compensation and/or nominating committees include independent directors exclusively.

Formation of Environmental/Social Committee of the Board

Vote FOR proposals requesting formation of Environmental/Social Committee of the Board.

Remuneration

Vote FOR disclosure of specific diversity targets and disclosure on gender pay gaps within companies and race and/or Gender Pay Equity Report;

Vote FOR proposals requesting report on Ratio Between CEO and Employee Pay.

Corruption

- Request the adoption and implementation of policies, measures and monitoring on bribery and corruption;
- Request transparency on the nature, purpose and scope of business operations that could be affected by social and/or political disruption;
- Seek disclosure of mining or other resource extraction contracts (i.e. tax and other agreements) with governments;
- Seek current disclosure of applicable risk assessment(s) and risk management procedures with regard to operating in fragile states;

- Request development of supplier policies that explicitly include the aspect of transparency, so as to prevent non-transparent procurement practices contributing to high levels of corruption; and

Bijlage 1 Classification of Directors

Independent Director

An independent director has no material financial, familial or other current relationships with the company, its executives, or other board members, except for board service and standard fees paid for that service. (Familial relationships include a person's spouse, parents, children, siblings, grandparents, uncles, aunts, cousins, nieces, nephews, in-laws, and anyone (other than domestic employees) who shares such person's home.)

Affiliated Director

An affiliated director has a material financial, familial or other relationship with the company, its independent auditor or its executives, but is not an employee of the company. This may include directors whose employers have a material relationship with the company or its subsidiaries or major shareholders. In addition, we will consider directors affiliated if they:

1. Have been employed by the company within the past five years;
2. Own or control 10% or more of a company's share capital or voting rights or are employed by or have a material relationship with a significant shareholder;
3. Have — or have had within the last three years — a material relationship with the company, either directly or as a partner, shareholder, director or senior employee of an entity that has such a relationship with the company;
4. Have close family ties with any of the company's advisors, directors or senior employees;
5. Hold cross directorships or have significant links with other directors through his/her involvement in other companies or entities; or
6. Have served on the board for more than 12 years. If voted for re-election in the twelfth year, vote AGAINST.

Inside Director

An inside director simultaneously serves as a director and as an employee of the company. This category may include a board chair who acts as an employee of the company or is paid as an employee of the company.

Employee Representatives

An employee representative serves as a director to represent employees' interests. Employee representatives may be nominated and elected by employees pursuant to national law, or they may be nominated by employees and elected by shareholders.