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Stembeleid

Inhoudsopgave

1	Stembeleid	3
1.1	Leidende principes relevant voor alle beleggingen	3
	Jaarrekening en audit	3
	Bestuur	4
	Beloningen	4
1.2	Andere leidende principes relevant voor beursgenoteerde aandelen	5
	Bestuur	5
	Beloningen	5
	Kapitaalstructuur	5
	Fusies en overnames	6
	Bescherming van aandeelhoudersrechten	6
	Maatschappelijk verantwoord onderwerpen, integratie in stemgedrag	6
	Aandeelhoudersvoorstellen	6
2	Proxy Voting Guidelines and Instructions for listed equity	7
2.1	Introduction	7
2.2	Reporting and audit	7
2.3	Board of Directors	9
2.4	Director Compensation	12
2.5	Capital Structure	13
2.6	Restructuring and mergers & acquisitions	15
2.7	Protection of shareholder rights	16
2.8	Social and environmental topics	17
2.9	Shareholder proposals	17
	Bijlage 1 Classification of Directors	21

1 Stembeleid

Pensioenfonds Rail & OV (Rail & OV) is het niet verplicht gestelde pensioenfonds voor de bedrijfstak Spoorwegen en Openbaar Vervoer. Rail & OV maakt, waar mogelijk en relevant, gebruik van zijn stemrecht. Rail & OV gelooft dat door gebruik te maken van actief aandeelhouderschap, waaronder stemmen op vergaderingen, het ondernemingen kan aanzetten tot het verbeteren van hun prestaties waaronder duurzaamheidsprestaties en langetermijnwaardcreatie.

Het stembeleid van Rail & OV is gebaseerd op en sluit zich aan bij de belangrijkste internationale verdragen; waaronder de UN Principles for Responsible Investment (PRI), de UN Global Compact, de UN Guiding Principles on business and human rights, de OESO-richtlijnen en het Ruggie Framework. Daarnaast voldoet het stembeleid aan de Nederlandse Corporate Governance Code, beter bekend als de "Code Tabaksblat", de richtlijnen van het International Corporate Governance Network (ICGN) en aan de richtlijnen van Eumedion. Dit betekent dat Rail & OV stemt tegen alle resoluties die niet voldoen aan de minimale milieu- en/of sociale principes (bijv. UN Global Compact, UN Guiding Principles on Business and Human Rights, en OESO-richtlijnen voor multinationale ondernemingen).

Als een belegger in beursgenoteerde ondernemingen is Rail & OV-aandeelhouder en dus mede-eigenaar van een onderneming. Dat betekent dat het fonds invloed kan uitoefenen op het doen en laten van die onderneming. Deze (potentiële) invloed is een van de belangrijkste en meest effectieve middelen om ondernemingen aan te zetten hun prestaties op het gebied van duurzaamheid en lange termijn waarde creatie te verbeteren. Wanneer een onderneming het ondernemingsbestuur (corporate governance) goed op orde heeft, gaat dit vaak gepaard met aandacht voor transparantie en een duurzame en verantwoorde bedrijfsvoering. Dergelijke ondernemingen zijn beter gepositioneerd voor succes op de lange termijn.

Naast stemmen op aandeelhoudersvergaderingen van beursgenoteerde ondernemingen, belegt Rail & OV ook in fondsen. Als participant van fondsen maakt Rail & OV gebruik van zijn stemrecht door te stemmen bij de vergaderingen van de fondsen zelf.

Dit document beschrijft hoe Rail & OV zijn stemrecht uitoefent binnen de gehele portefeuille. Dit stembeleid is wereldwijd van toepassing. Het document vormt de basis van het stembeleid. Bij het nemen van het uiteindelijke besluit wordt echter altijd rekening gehouden met lokale 'best practices'. Indien lokale wet- en regelgeving het niet toelaat dit stembeleid toe te passen, volgt Rail & OV de lokale wet- en regelgeving.

1.1 Leidende principes relevant voor alle beleggingen

Jaarrekening en audit

Rail & OV verwacht van accountants dat ze een betrouwbare analyse van jaarrekeningen en verslagen uitvoeren. Een auditor moet onafhankelijk en voldoende gekwalificeerd zijn om een betrouwbare en correcte beoordeling van de financiële gegevens uit te kunnen voeren. Gekwalificeerde accountants moeten voldoende praktijkervaring hebben, niet betrokken zijn of zijn geweest bij ernstige controverses op gebied

van financiële controle en er mogen geen twijfels bestaan over de integriteit en kwaliteit van het accountantskantoor.

Het fonds verwacht dat een onderneming en/of fonds de naam van de auditor en de audit gerelateerde kosten openbaar maakt. Ook de verhouding tussen auditkosten en andere kosten betaald aan de auditor moet transparant zijn. Jaarverslagen en de jaarrekeningen moeten betrouwbaar zijn, voldoende informatie bevatten en tijdig opgeleverd worden om zo een goed onderbouwde beleggingsbeslissing te kunnen nemen.

Wanneer aan de bovengenoemde principes is voldaan, stemt het fonds vóór de (her)benoeming van de accountant, de vergoeding van de accountant, het jaarverslag en de jaarrekening.

Bestuur

Rail & OV ondersteunt doorgaans de door de onderneming en/of fonds genomineerde kandidaten, rekening houdend met de onderstaande overwegingen. Een effectief bestuur dient voldoende onafhankelijk te zijn en het belang van aandeelhouders, of indien relevant beleggers in een fonds, en andere relevante stakeholders voorop te stellen. Bestuurders dienen over voldoende professionele ervaring te beschikken, ethisch gekwalificeerd te zijn en niet betrokken te zijn geweest bij controverses en/of enige vorm van onethisch handelen. Daarnaast is het belangrijk dat bestuur eindverantwoordelijk is voor activiteiten en strategieën omtrent maatschappelijk verantwoord ondernemen.

Rail & OV ondersteunt het vergroten van de diversiteit binnen het bestuur en de onderneming op alle vlakken; waaronder, maar niet beperkt tot, diversiteit van leeftijd, geslacht, etniciteit, culturele en professionele achtergrond.

Beloningen

Een goed gestructureerd beloningsplan is essentieel voor de lange termijn prestaties en waarde creatie van een onderneming en/of fonds. Een gepast beloningsplan kan, onder andere, de belangen van stakeholders op één lijn brengen en het nemen van overmatig risico voorkomen. Daarnaast is het een belangrijke drijfveer om kundig en gekwalificeerd personeel aan te trekken. Over het algemeen stemt het fonds voor de door de onderneming voorgestelde beloningsvoorstellen indien deze voldoen aan de onderstaande vereisten.

Het fonds vindt dat een beloning niet excessief mag zijn. Om te bepalen wat excessief is wordt gekeken naar het beloningsniveau binnen een bepaalde peer group. Rail & OV erkent dat zowel de hoogte als de structuur van een beloningsplan kan verschillen tussen de verschillende regio's, sectoren en beleggingscategorieën. Het fonds verwacht daarom dat een onderneming, of indien relevant een fonds, het beloningsbeleid rechtvaardigt naar de actuele marktomstandigheden en voor de onderneming relevante sectoren en landen.

Het fonds vindt een transparante en duidelijke structuur van de beloningsbeleid belangrijk. Dit houdt onder andere in dat een bestuurder niet over zijn/haar eigen beloning kan bepalen. Daarnaast moet de beloningsstructuur zijn gebaseerd op een goede verhouding van zowel lange- als kort termijn doelstellingen die bestaan uit zowel financiële als niet-financiële indicatoren. Rail & OV ondersteunt beloningsvoorstellen die prestatie-indicatoren op gebied van duurzaamheid invoeren. "Pay for failure" bepalingen zullen ontmoedigd worden.

1.2 Andere leidende principes relevant voor beursgenoteerde aandelen

Bij het uitvoeren van het stembeleid bij aandeelhoudersvergaderingen van beursgenoteerde ondernemingen maakt Rail & OV gebruik van de proxy-adviesdienst. Dit stemadviesbureau geeft stemadvies op basis van de stemrichtlijnen die in dit beleid beschreven worden. De richtlijnen van dit beleid zijn niet volledig en kunnen evenmin anticiperen op elk stemonderwerp dat ooit op een aandeelhoudersagenda komt te staan. Indien bepaalde stemonderwerpen niet in dit stembeleid zijn gespecificeerd, volgt het fonds het stembeleid van de proxy-adviseur.

De resultaten van het stemgedrag van het fonds bij aandeelhoudersvergaderingen van beursgenoteerde ondernemingen maakt Rail & OV gebruik van de proxy-adviesdienst. Dit stemadviesbureau geeft stemadvies op basis van de richtlijnen die Rail & OV ze meegeeft. De resultaten van het stembeleid zijn beschikbaar op de website van Rail & OV.

Bestuur

Het fonds ondersteunt agendavoorstellen die leiden tot een scheiding van de functie van bestuursvoorzitter en CEO. De grootte van de raad van commissaris dient in verhouding te staan tot de grootte van de onderneming, moet voldoende zijn om diversiteit in de besluitvorming te kunnen waarborgen en moet het mogelijk maken om de audit-, remuneratie-, en benoemingscommissie geheel uit onafhankelijke bestuurders samen te stellen.

Beloningen

Een goed gestructureerd beloningsplan is essentieel voor de lange termijn prestaties en waarde creatie van een onderneming. Een gepast beloningsplan kan, onder andere, de belangen van stakeholders op één lijn brengen en het nemen van overmatig risico voorkomen. Daarnaast is het een belangrijke drijfveer om kundig en gekwalificeerd personeel aan te trekken. Over het algemeen stemt het fonds voor de door de onderneming voorgestelde beloningsvoorstellen indien deze voldoen aan de onderstaande vereisten.

Het fonds vindt dat een beloning niet excessief mag zijn. Om te bepalen wat excessief is wordt gekeken naar het beloningsniveau binnen een bepaalde peer group. Rail & OV erkent dat zowel de hoogte als de structuur van een beloningsplan kan verschillen tussen de verschillende regio's en sectoren. Het fonds verwacht daarom dat een onderneming het beloningsbeleid rechtvaardigt naar de actuele marktomstandigheden en voor de onderneming relevante sectoren en landen.

Het fonds vindt een transparante en duidelijke structuur van de beloningsbeleid belangrijk. Dit houdt onder andere in dat een bestuurder niet over zijn/haar eigen beloning te bepalen. Daarnaast moet de beloningsstructuur zijn gebaseerd op een goede verhouding van zowel lange- als kort termijn doelstellingen die bestaan uit zowel financiële als niet-financiële indicatoren. Rail & OV ondersteunt beloningsvoorstellen die prestatie-indicatoren op gebied van duurzaamheid invoeren. "Pay for failure" bepalingen zullen ontmoedigd worden.

Kapitaalstructuur

Het optimaliseren van de kapitaalstructuur van een onderneming kan van cruciaal belang zijn voor het effectief besturen van deze onderneming. Rail & OV erkent dat het belangrijk is voor het management van een onderneming om de mogelijkheid te hebben om dit te doen. Wel vereist Rail & OV dat het management

een duidelijk en transparant plan kan overleggen over hoe de optimalisatie van de kapitaalstructuur zal worden uitgevoerd. In het algemeen stemt het fonds voor uitgifte van nieuwe aandelen, inkoop van eigen aandelen, verhoging en/of verkleining van kapitaal, indien hierbij de belangen van aandeelhouders voldoende zijn afgewogen en aan de 'best practices' in de markt wordt voldaan.

Fusies en overnames

Het fonds ondersteunt doorgaans voorstellen voor een fusie en overname als deze bijdragen aan het vermogen van de onderneming om waarde op de lange termijn te creëren, passen bij de strategie van de onderneming en in het belang zijn van (minderheids-) aandeelhouders en andere belangrijke stakeholders.

Bescherming van aandeelhoudersrechten

Het is belangrijk dat aandeelhouders voldoende rechten hebben om, binnen de rol die aandeelhouders past, invloed op de onderneming te kunnen uitoefenen en om te zorgen dat het bestuur verantwoordelijkheid neemt voor hun daden. Rail & OV vindt het belangrijk dat alle aandeelhouders gelijk worden behandeld wat betreft stemrechten, dividenduitkering en de toekenning van andere rechten. Aandeelhouders moeten inspraak hebben bij belangrijke beslissingen, belangrijke transacties, fusies en wijzigingen in de statuten van bedrijven. Daarnaast is het belangrijk dat aandeelhouders over passende middelen beschikken om problemen aangaande het bedrijf te kunnen adresseren. Voorstellen die hiermee in overeenstemming zijn, worden door Rail & OV gesteund.

Maatschappelijk verantwoord onderwerpen, integratie in stemgedrag

Rail & OV vindt het belangrijk dat het bestuur eindverantwoordelijk is voor een maatschappelijk verantwoorde strategie van de onderneming. We stemmen tegen de voorzitter van audit commissie en de voorzitter van het bestuur als er onvoldoende verantwoordelijkheid voor ESG binnen het bestuur is, als een onderneming niet transparant is over hun duurzaamheidsactiviteiten en als strategie ten aanzien van verantwoord ondernemen inclusief klimaatverandering en als in ontwikkelde landen CO2-reductie doelstellingen ontbreken.

Aandeelhoudersvoorstellen

Over het algemeen verwacht Rail & OV dat ondernemingen in de portefeuille in staat zijn om eventuele milieu- en sociale aspecten die een risico vormen voor het ondernemingsbeleid te identificeren, hier toezicht op te houden en deze te beheersen. Daarmee kan een onderneming de waarde creatie op de lange termijn beschermen en beheersen. Rail & OV ondersteunt voorstellen van aandeelhouders die in overeenstemming zijn met het MVB-beleid van het fonds, de naleving van internationale verdragen zoals de UN PRI, de UN Global Compact, de UN Guiding Principles for business and human rights en de OESO-richtlijnen promoten en bevorderen, bijdragen aan de oplossing van wezenlijke governance- en duurzaamheidskwesties die de onderneming onvoldoende aanpakt en het vermogen van de onderneming op de lange termijn waarde te creëren versterken.

2 Proxy Voting Guidelines and Instructions for listed equity

2.1 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 us 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. Rail & OV believes that by exercising our active ownership rights we can support and shape good corporate behavior and consequently protect and enhance the economic value of these companies.

This document sets out how we exercise our voting rights in relevant assets. These voting instructions are applied to all firms and funds regardless of their geographic location and industry. In the event where local regulations prevent to exercise our established guidelines, we follow local regulations.

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. 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).

In implementing this voting policy for listed equity annual general meetings, Rail & OV makes use of specialized proxy advisor. The proxy advisor advises Rail & OV based on the voting guidelines described in this policy. 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 Voting Policy Guidelines of the proxy advisor and local best practices.

Rail & OV proxy voting records are available on Rail & OV website.

2.2 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.

2.2.1 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.

2.2.2 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).

2.2.3 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.

2.2.4 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.

2.3 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.

2.3.1 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 for X years.

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.

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.

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

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;
- The key committees (the audit, remuneration, governance and nominating committee) are not entirely independent.

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

- The board fails to incorporate basic considerations for gender diversity. Boards should comply with best practices or legal requirements where these exist. In other developed markets², we expect the least represented gender to comprise at least 30% of the board (rounding down to account for board size). In all other markets an against vote is warranted if there is no gender diversity. In case local regulations on diversity have higher thresholds, follow the local regulations.

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;

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

- Vote against members of the audit committee when 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 ESG committee if:

- In developed markets, excluding Japan, South Korea, Germany, Austria, Hong Kong, China, Israel and Italy:
 - There is no disclosure to SASB or no sustainability disclosure;
 - There is no disclosure to SASB and no TCFD disclosure;
 - There is no SBTi GHG emission target;
 - There is no GHG emission target;
 - If there is no ESG committee or members of the ESG committee are not up for election, vote on the above points against chair of the board and chair of the audit committee.

² These include Austria, Australia, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, The Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, United Kingdom, USA.

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

- In developed markets, excluding Japan, South Korea, Germany, Austria, Hong Kong, China, Israel and Italy:
 - There is no oversight of sustainability issues;
 - There is no oversight of environmental issues;
 - There is no oversight of climate-related issues;
 - If there is no ESG committee or members of the ESG committee are not up for election or the board chair is not up to election, vote on the above points against chair of the audit committee.

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%.

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

- There is no disclosure to SASB or no sustainability disclosure;
- There is no GHG reduction emission target;
- There is no SBTi GHG emission target;
- There is no disclosure to SASB and no TCFD disclosure;
 - If the representative director is not up for election, vote on the above points against the CEO.

2.3.2 Slate Election of directors

Vote **AGAINST** if:

- Vote against a proposal when there is insufficient information;
- In Sweden, Norway, Luxembourg and Finland there is no oversight of climate-related issues, no disclosure on SASB or no TCFD disclosure, no oversight of environmental, sustainability issues, no disclosure to SASB or sustainability disclosure, no SBTi GHG emission target or no GHG emission target.

2.3.3 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.

2.4 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.

2.4.1 Executive Remuneration Proposals Vote

2.4.1.1 *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;
- 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.

2.4.1.2 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 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;
- The company is unresponsive to shareholder concerns.

2.4.1.3 Say When on Pay

- Vote FOR 'One Year' proposals.

2.4.2 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.

2.5 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.

2.5.1 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.

2.5.2 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.

2.5.3 Increases in Authorized Capital

Vote **AGAINST** if:

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

2.5.4 Reduction of Capital

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

2.5.5 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.

2.5.6 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.

2.6 Restructuring and mergers & acquisitions

2.6.1 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.

2.6.2 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.

2.6.3 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.

2.7 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.

2.8 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.

2.9 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:

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;

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.

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.

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;
- 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 No systematic involvement in fraud, corruption and tax evasion

- 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 three terms or for more than 12 years, whichever is longer. 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.