



EDENTREE INVESTMENT MANAGEMENT LTD.

INTERNATIONAL CORPORATE GOVERNANCE POLICY

1. Preamble

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

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

2. Policy

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

For the purposes of efficient and timely execution, EIM has appointed Glass Lewis & Co. to be its sole discretionary research and proxy execution provider in all jurisdictions other than the United Kingdom (including Guernsey, Jersey and The Isle of Man), delegating to it the responsibility for the instruction and execution of international proxy voting at all general and special international company meetings.

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

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

EIM monitors and assesses recommendations made by Glass Lewis & Co. based on these general principles as well as individual company proposals, and manually intervenes via their voting platform where necessary.

3. General Principles for Guiding International Proxy Voting

In delegating to Glass Lewis & Co. day to day responsibility for instructing and executing its international proxy voting, EIM nevertheless applies these general principles:

- EIM will seek to vote at all international general and special meetings in which it is invested.
- EIM has adopted a policy of voting in support of company management except where proposals are considered to be in breach of local or internationally recognised corporate governance best practice, or are viewed as not being in the economic or equitable interests of shareholders
- EIM will proactively oppose or withhold support from proposals that are deemed to be potentially destructive of shareholder value or that dilute shareholder rights
- EIM has instructed Glass Lewis & Co. to take no action at meetings subject to share-blocking rather than waive our institutional shareholder rights. In markets that are subject to local share-blocking rules we will seek to engage with local regulators and market makers (where possible), to promote equitable shareholder rights
- Where disclosed, EIM will follow the *general* principles used in the UK in exercising our voting rights in respect of executive compensation having regard for the quality of disclosure the link with performance and any potential for excess
- EIM supports the periodic tender and rotation of external auditors, and where disclosed, will exercise our shareholder rights to withhold support for the re-appointment of auditors where no such process has taken place for a significant period of time
- EIM will support shareholder resolutions where these appear reasonable and proportionate and in keeping with our general House stance on environmental, social and governance positives. Where they appear to mandate an unreasonable financial charge, or represent narrow lobby interests, we will exercise discretion either to oppose or abstain
- EIM will seek to vote consistently and impartially across its international portfolio according to these general best practice principles
- As long-term investors, EIM believes a pragmatic approach best fulfils the objective of building shareholder value over time. EIM will seek to engage pro-actively with companies where either existing corporate governance arrangements or management proposals cause concern. A decision either to abstain or oppose company proposals will be taken based on these guiding principles, and where appropriate, on a case by case basis
- EIM publishes a quarterly report of its international proxy voting activity, accessible on the EdenTree website at www.edentreeim.com

JANUARY 2017 (REVISED)



APPENDIX I

OECD STANDARD PRINCIPLES OF CORPORATE GOVERNANCE

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

Corporate Objective

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

Disclosure and Transparency

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

The Board

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

We view the separation of the roles of Chairman and Chief Executive to reflect the best model for protecting shareholder rights. However, we will assess each situation in keeping with local, regional, cultural and regulatory practice before forming a view.

The unitary board of directors (or supervisory board) should be accountable to the shareholder body as a whole. Each member should stand for election on a regular basis and the frequency disclosed. Boards should include a sufficient number of non-connected independent non-executive members with appropriate skills, experience and knowledge.

The Board should establish Audit, Remuneration and Nomination committees, composed wholly or mainly of independent non-executive directors. When determining how to vote on the election of a non-executive director, we give close attention to independence and the proportion of independent directors on the Board as a whole. We view length of service as one test of independence.

Shareholder Rights

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

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

Audit and Internal Control

Company boards should maintain robust risk structures and processes to ensure sound internal controls and to oversee all aspects of the relationship with the external auditor. The Audit Committee should ensure that the company gives a balanced and clear presentation of its financial position and prospects, and clearly explains its accounting principles and policies. Audit Committee members should have appropriate levels of financial expertise, in accordance with prevailing legislation or best practice. We support the principle of periodic rotation of auditors and will exercise our shareholder rights to withhold support from the re-appointment of auditors where no tendering or rotation has taken place for a significant period of time.

Executive Compensation

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

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

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

We will not normally support variable remuneration structures without performance hurdles.

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