Corporate Governance Principles and Proxy Voting Guidelines

Definition

These corporate governance principles state our corporate governance and sustainability expectations for the companies we invest in. They have been articulated to pursue our two stewardship objectives, as articulated in our Stewardship Statement:

1. *Promote alignment with the sustainability transition*
2. *Promote sustainable returns.*

This approach allows us to use proxy voting to support a sustainable transition, as articulated in our 3+1 systems change framework[1]. The principles outlined in this document reflect our belief that sound and solid corporate governance structures are crucial to effectively manage social and environmental risks and create a framework within which a company can be led in the long-term interests of its shareholders and stakeholders.

Each of these principles is tied with corresponding proxy voting guidelines, reflecting how we are likely to vote. To inform our vote, we analyse the company's overall corporate governance set-up, performance as well as any other relevant matters. Our final votes also consider engagement history company responsiveness and different regional best practices, as we accept that varying approaches to corporate governance structures exist. However, we still align and assert our views based on international best practice and expectations of stakeholders. These guidelines are inspired by and aligned with the revised G20/ OECD Principles of Corporate Governance (2023[2]) and the ICGN Corporate Governance Principles (2021).

We focus our efforts on the following subject matters: corporate leadership, transparency, remuneration, share capital management, shareholder rights, material sustainability risks and opportunities, and shareholder proposals.

[1] https://am.lombardodier.com/ch/en/professional/sustainability/CLIC-economy.htm ; CLIC® economy I Lombard Odier.

[2] OECD Ministers **adopted the revised G20/OECD Principles of Corporate Governance** at the annual OECD Ministerial Council Meeting on 7-8 June 2023; G20 Finance Ministers and Central Bank Governors endorsed the revised G20/OECD Principles of Corporate Governance at their meeting on 17-18 July 2023. The revised Principles will be officially launched during an event at the OECD on 11 September 2023.

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1. Corporate leadership

Board of Directors' responsibilities

The board of directors is responsible for the long-term sustainable success of the company. It is responsible for providing oversight to the executive strategy and its implementation: the board is accountable for identifying, managing, and disclosing all material issues that may affect the economic success of the business.

We believe the board plays a key role in creating, promoting and cascading down a culture that fosters diversity and integrity inwardly – toward the board itself - and outwardly – towards all employees.

The board's responsibilities can be assessed through the company's annual reporting documents and other relevant corporate governance-related documents.

	Expectations	Vote Guidelines
Board of directors responsibilities	We expect boards to: • Provide adequate oversight to the risk framework, accounting practices and audit matters • Promote and uphold strong corporate governance practices, as well as minority shareholders' rights • We expect companies to publicly disclose a gender diversity policy, which should include targets and progress against achieving them. • Deliver sustainable and profitable business models that are aligned with the profound economic transformation to a net-zero economy. • Report on the progress of the business' impact on the environment and society and carry out board evaluations at least every three years, with results being communicated in the annual report • We expect board to ensure they have a robust cybersecurity governance mechanism in place and report on how risks are identified and mitigated.	We may vote against the Chair of the board, or relevant directors, as well as the annual reports and accounts if , following engagement, we are not satisfied that the company – through the work of the board- is adequately promoting the long-term sustainable success of the business.

Board of Directors' composition

Although board structures are context-dependent and best practice varies across regions, we would generally expect and encourage boards to comply with the following requirements:

	Expectations	Vote Guidelines

Board and directors' roles, responsibilities, and profile:	Non-executive directors should be independent to represent the interest of all shareholders indiscriminately, committed, capable, and appropriately experienced. Overall board composition shall reflect diversity of thought, skills, knowledge, gender, ethnicity, and age, to contribute to the adequate discharge of the board's responsibilities.
	
	Sustainability
	Boards should have adequate climate or sustainability expertise. Ideally, boards should nominate (and clearly disclose) one specific director with relevant knowledge and responsibility for sustainability themes who should also be available to engage with shareholders. If the board has set up a sustainability committee, it should be chaired by the board-designated sustainability expert.
		We may vote against the Chair of the board if:
		• The board fails to appropriately mitigate and respond to significant company events including:
		  • disregard for environmental and social impacts of the company's activities
		  • repeated and systemic governance failures,
		  • where cybersecurity concerns are not addressed and/or there is a lack of progress on proven vulnerabilities or
		• There has been a sustained lack of response to requests to engage
		We have concerns in relation to board and company corporate culture

	Expectations	Vote Guidelines
Independence:	We expect boards to be majority independent, to ensure the right balance between executive, independent, and non-independent insights. Where these independence considerations do not exist, we generally expect a company roadmap for increased independence, eventually leading to majority independence. An independent majority on the board will consider the best interests of shareowners first. It also is likely to foster independent decision-making and to mitigate conflicts of interest that may arise.	Where independence expectations are not met, we may vote against the chair of the nomination committee, non-independent board directors up for (re)election or the Chair of the Board himself where we have not seen any progress.
Directors' turnover and frequency of elections:	We expect directors to be regularly refreshed and for boards to have adequate succession plans in place. Boards should be of a manageable size (i.e., between 5 and 15 directors). We support individual election of directors as often as possible, ideally on an annual basis. We see this a key mechanism to ensure ongoing and timely accountability to shareholders. We are generally not in favour of classified boards.	Where legal requirements are such that directors are elected on a slate basis and/or for a mandate of several years, we may vote against the whole slate when a minimum of independence, sustainability, or diversity considerations are not met. Where there is no apparent succession plan in place, we may vote against the Chair of the Nomination Committee. We will vote against proposals that worsen individual accountability and will support proposals seeking to declassify boards.
Diversity:	We expect boards to be sufficiently diverse (diversity of gender, background, education, ethnicity, skills, knowledge, age and experience), to ensure constructive contribution to the board's debates and, most importantly, avoid groupthink. Specifically, we prefer boards to be gender balanced; our minimum expectation is for boards to include one-third of the least represented gender.	We may vote against the chair of the Nomination Committee, or non-independent members of this committee, or the Chair of the board if our expectation is not met, while ensuring not to further undermine the board's diversity.

Directors (re)election

	Expectations	Vote Guidelines

Directors' role	We expect the directors to:
	• Limit the number of additional roles they hold at other publicly listed companies. The role of directors is ever more demanding, and they must be able to commit an appropriate amount of time. It is key that a director retains flexibility for unforeseen events and crises
	Attend board and committee meetings they are eligible to attend.
		We may vote against (re-)election of a director if:
		• There are concerns about the number of external roles held by the director in publicly listed companies. Although we take into consideration the market capitalisation of other companies, we expect a director's commitments to be no more than a maximum of four, with one count for each non-executive director role, two for each chairman role and three for each executive director role. The following exceptions may apply:
		  • no vote against a director at the company where they serve as CEO;
		  • no vote against a director at the company where they serve as Chair unless they are being elected for the first time
		• The director has not attended at least 75% of all board and committee meetings he/she was eligible to attend since being elected, without an appropriate explanation by the company
		• There are not enough disclosures on new directors to be elected (CV, experience, what specific skills s/he is bringing to the board, perhaps to fill identified gaps, additional mandates on other boards) to independently assess his/her

	Expectations	Vote Guidelines
		skills, knowledge, and their contribution to overall diversity make-up and sustainability knowledge at board level.
Independence:	We expect the Chair to be independent*. Boards should include an independent non-executive Chair ; for example, where the Chair is not independent or combined Chair/CEO as we believe the separation of these roles is fundamental in protecting shareholder value. An independent Chair avoids the inherent conflict of self-oversight and helps ensure healthy debate and diversity of thought in the boardroom. * There are some factors which are instrumental in establishing whether a director should be considered as independent: • Founder status • Family links with senior executives or founder • Owning more than 10% of the company's issued share capital • Representing a shareholder in the company that owns 15% or more of the company's issued share capital. We will consider shareholder representation agreements • Excessive tenure – more than 12 years on the board from the date of first appointment • Having served as an executive on the same board in the previous five years (cooling off period of five years expected) • Holding cross-directorships • Granted extra remuneration under any form from the company in addition to the duly director fees • Business relationship between Board and the company providing paid professional services	We may vote against the Chair of the board if: • The Chair is non-independent, considering the following mitigating features: presence of a senior/lead independent director, the overall level of board independence, company's roadmap for appointing an independent chair, and founder status • Served as former CEO and the company has not provided an appropriate explanation • There is a combined role of Chair and CEO. However, we will take into account local market practice, the presence of a lead senior independent director, whether the appointment is on an interim basis, the duration of the joint role and the company's disclosures on managing conflicts of interest We may vote against the election or re-election of a Director if: • He/she serves as non-independent director and the board is not majority independent (or one-third independent for controlled companies) or it does not meet the local market requirements. We will consider average tenure, and the board refreshment rate. If voting against the non-independent director further undermines the board's diversity composition and sustainability knowledge, we may vote against other more appropriate board members, including the Chair of the board and/or the chair of the nomination committee.

Board Committees

	Expectations	Vote Guidelines
Committees' responsibilities and role	We expect and encourage boards to have strong governance structures, and where applicable, we expect companies to have at least three specialised committees: audit, remuneration and nomination. Audit and remuneration committees should exclusively include non-executive directors, nomination committee might include majority non-executive directors and all three committees should be chaired by an independent director. We encourage companies to critically assess the need for sustainability committees, which should be chaired by the non-executive director identified as the board sustainability expert.	We might vote against the Chair if any or all the three key committees do not exist (considering company size/market capitalization). We might vote against the chair of a committee, the chair of the nomination committee or the Chair of the board, if the concerned committee does not include at least three members.
Audit Committee	**Oversight:** We expect this committee to provide oversight of the financial reporting process, the audit process, the company's system of internal controls and compliance with laws and regulations. We expect the audit committee to include at least one financial expert. **Independence:**	**Oversight:** We may vote against the chair or members of the committee if we have concerns over the lack of risk oversight from the board. **Independence:** Where the independence considerations are not met, we may vote against:

	We would expect it to comprise independent non-executive directors only, and a minimum of three members.
	The chair of the board can be a committee member if he or she is independent.
	External Auditor
	The external auditor should be truly independent. We expect low non-audit fees related to annual audit fees, regular audit tenders and periodic change of external auditor.
	Sustainability:
	In line with our CLIC® economy through the 3+1 systems change framework, in its role in overseeing the financial statements, the audit committee is also responsible for ensuring that relevant climate risks and opportunities are integrated into the assumptions underlying accounting estimates and disclosed appropriately in the notes of the financial statements. It should also include a mandate to oversee and ensure the integrity of identifying and reporting the financial effect of material climate risk, with the board as a whole being responsible for oversight of climate strategy, risk management, and performance against goals and targets. The audit committee is also responsible for including climate transition considerations in the retendering of the external audit.
		• Any non-independent directors of this committee
		• Any executive director who is a member of this committee
		• The chair of the Audit Committee
		We may also vote against the Chair of the Audit committee
		• if the auditor has been in place for more than 50 years
		• non-audit fees are more than 70% of audit fee without explanation
		• if we have other concerns regarding the independence of the external auditor.
		External auditor
		• • We may vote against the (re)election of the external auditor or their remuneration if/when:
		  • There are repeated misstatements in the annual accounts
		  • Non-audit fees exceed 70% of audit fees without an appropriate explanation
		  • The auditor has been in place for more than 20 years if a tender has taken place, even if companies are listed in markets where there are no such regulations
		  • The external auditor is engaged in the company's internal audit
		  • There is evidence that the external auditor has not considered climate change when identifying and assessing the risks of material misstatement to the financial statements
		Sustainability:
		We may vote against the chair/members of the committee if we have concerns over the committee's proper oversight of the financial effects of climate-related risks
		We may vote against the chair of the committee or other members if we have concerns over the lack of disclosure of the relevant climate risks and opportunities in the notes of the financial statements.

Remuneration Committee	**Oversight:** We expect this committee to design remuneration policies that closely align pay with performance, whilst also considering in its decision-making, the general workforce's pay structures, CEO pay ratio, gender pay gap considerations and relevant sustainability criteria. **Independence:** We expect it to be generally independent and prefer the chair of this committee to serve/have recently served as a member of a remuneration committee at another publicly listed company. **Sustainability:** If the company has established a sustainability committee, we would expect cross memberships between these two committees to facilitate the development of a strong and measurable link between the company's sustainability's strategic objectives and execution plans and the reflection of specific key performance indicators in variable pay.	We may vote against: • Any non-independent directors of this committee • Any executive director who is a member of this committee • The chair of the committee if we have concerns over the remuneration policy (and report) of a company, including: • lack of alignment between pay and performance • lack of sustainability-related metrics • there is lack of response to a significant dissent vote on the remuneration policy/report over the previous years with no clear explanation.

Nomination Committee	**Oversight** We expect this committee to ensure that competent, diverse, and knowledgeable candidates are available for executive and non-executive roles. We will generally expect companies across developed markets to have published a board diversity policy, with timebound targets and assessment of performance against targets. **Independence** We expect this committee to be majority independent and to ensure that succession planning for executives is in place, both for normal operations but also in the event of an unexpected crisis. The committee should also carry out board evaluations, ideally external ones, and report publicly on the outcomes of the review. We would also expect this committee to produce a board's skills matrix that highlights the skills needed, those present, where the gaps are, and how the committee intends to address them. **Sustainability:** We expect the committee to have identified one or more directors responsible for sustainability with the adequate skills and knowledge.	**Oversight** We may vote against the chair, members of the nomination committee, and/or the board Chair if we have concerns on the company's direction, speed of travel and progress regarding overall board diversity. We take a measured approach and emphasise direction of travel. We may vote against the chair of the nomination committee if we have concerns over: • The global composition of the board (including lack of independence and lack of gender diversity), lack of policies regarding diversity, lack of assessment of progress against said policy • The nomination and refreshment process of directors, or when none of the non-independent directors are up for re-election • Lack of adequate sustainability competence on the board **Independence** We may vote against: • The non-independent directors of this committee when it is not majority independent • The executive directors of this committee when it is not majority independent **Sustainability:** If the expectation is not met for companies in the CLIC strategies or engaged companies, we may vote against the chair of the nomination committee.

2. Transparency

Company's disclosures should be aligned with internationally-accepted standards, balanced, material and relevant. In addition, we believe that sustainability factors can entail key material risks on the long-term viability of companies' business models and should be part of on-going risk management processes and annual reporting. We encourage companies to report on relevant sustainability metrics using recognized frameworks such as the global standards for sustainability impacts (GRI) guidelines or the Task Force on Climate-related Financial Disclosures (TCFD) for climate.

	Expectations	Vote Guidelines
Disclosure	We expect companies to disclose all shareholder meeting relevant documents (financial statements, annual report, sustainability report, proxy form) to be made publicly available sufficiently in advance of the meeting date. This allows us to make an informed decision in a timely manner.	We might vote against the approval of the financial statements/report and accounts/re-election and/or discharge of directors if: • Timely disclosures do not take place • There is a lack of responsiveness to shareholder request for information
Sustainability disclosure	We expect companies to provide clear, timely, comparable, and yearly disclosures on the key sustainability-related risks they are exposed to as well as the risk management system in place to address them. We prefer boards to define and report against sustainability key performance indicators. We expect links to be established between the work of the board and management (and corresponding remuneration packages) and specific sustainability ambitions. We encourage companies to report on how sustainability-related efforts and strategy are communicated internally	We might vote against the Chair of the sustainability committee or the Chair of the board: • In the absence of adequate reporting on material extra-financial data • Where sustainability reporting is not aligned with GRI or comparable sustainability reporting standards for companies that we have been engaging with.

	and how they form part of the overall corporate culture and workforce's experience. We expect all companies to report on climate change (how relevant risks may impact the company as well as how the company's activities may have a social and/or environmental impact) and when relevant, we expect companies to report on biodiversity protection and restoration of natural capital. We also expect companies' disclosures to include any relevant information associated with bribery and corruption, human rights, health and safety, modern day slavery and labour standards.	

3. Remuneration

Remuneration

Remuneration policies and pay outcomes should be aligned with local market practice and regulatory requirements, and not be overly complex.

Most importantly, we look for alignment between pay and performance; in our view, policies should focus on incentivising sustainable long-term value and incentive plans should not encourage excessive risk-taking.

As a rule, pay should mirror shareholders' experience and disclosures need to be detailed enough for external assessments to take place.

	Expectations	Vote Guidelines
Remuneration resolutions	We expect policies to include an appropriate mix between fixed and variable pay and include a maximum cap for variable pay. This allows us to better understand the pay mix and earning potentials. We also expect the remuneration committee to discuss how it has considered workforce pay when setting executive pay, as well as a reference to any gender or CEO (when applicable) pay gap and steps the committee is taking to address gaps. If remuneration consultants are used, we expect disclosures on the name of the consultant, description of the work provided, and fees paid. We expect the remuneration committee to provide clear and meaningful disclosures as to how the executives' performance has been evaluated against the metrics and targets for the relevant time served. We strongly support and expect the inclusion of malus and clawback provisions allowing for awards to be forfeited or requiring executives to repay awards in those circumstances where the awards would not be appropriate. These include gross misconduct, misstatement of financial results (including climate-related risks), as well as bribery and corruption considerations. Malus and clawback should have a minimum period of application of two years after an award is made.	In our analysis of remuneration resolutions, lack of alignment with the expectations described here, lack of adequate explanation, and excessive discretion by the remuneration committee may trigger a vote against. More commonly, we might vote against remuneration resolutions if (in the addition to the following sections) where: • Pay is not aligned with performance • The remuneration committee has used excessive or unexplained discretion and/or the rationale for the discretion is not to our satisfaction • There is not an appropriate mix of fixed and variable pay or the inclusion of a maximum cap for variable pay • Malus and clawback clauses (including sustainability triggers) are not in place
Disclosures	Disclosure should be transparent, accurate, and detailed. Pay disclosures should clearly state how the plans reflect strategy and incorporate long-term drivers of value. Aligned with our sustainability framework, we believe companies should develop variable compensation metrics that establish links respecting planetary boundaries. Disclosures should include forward-looking	We may vote against remuneration policy and report resolutions, and escalate to voting against remuneration committee members if: • Available disclosures do not allow us to make an assessment between pay and performance, • There is lack of specific disclosures on the fixed and variable make-up of total compensation,

	Expectations	Vote Guidelines
	performance metrics and targets under annual bonus and long-term incentive plans, including the level of remuneration to be awarded at threshold, target and maximum performance. We expect targets across the range to be stretching and disclosures should include relative weighting and actual performance achieved. When forward-looking disclosures are not made available for commercial sensitivity reasons, and/or market practice reasons, this should be justified and retrospective disclosure should be made available in the following remuneration report. Metrics should include a justified mix and balance of financial and non-financial ones. However, we expect remuneration committees to provide quantitative targets for non-financial metrics as well.	• There are not clear indications of pay potential at threshold, target and maximum, • There is no quantitative assessment of performance against targets, • Lack of non-financial metrics
Fixed pay	Remuneration committees should state what the right cost for the role is, considering business size, relevance, complexity, risk profile, and / or geography, as well as the candidate's previous experience. Peer group comparisons should not be used as a justification for salary increases. In case of salary increases which are not in line with those awarded to the rest of the workforce, we expect the remuneration committee to provide a strong and clear rationale explaining the appropriateness and need for the increase.	We may vote against remuneration policy and report resolutions where: • Salary increases for executive directors are not appropriately justified nor aligned with increases awarded to the rest of the workforce • Salary increases take place in tandem with increases to variable pay maxima • If the pay of the incoming CEO does not mirror proven experience
Pensions	Pension contributions should be excluded from variable pay calculations. We expect executives' pension contributions to be aligned with those of the workforce. We expect this alignment for all new contracts. For legacy pension contributions where this is not the case, we expect remuneration committees to chart a pathway allowing alignment.	We may vote against remuneration policy and report resolutions if: • Executives' pension contributions are not aligned with those of the workforce
Exceptional payments (recruitment, departure, one-offs)	We expect remuneration committees to exercise restraint around recruitment and departure packages. If buy-out awards are necessary, we would expect them to be like-for-like. These awards should be given on a performance-based basis and they should mirror the vesting schedule of the initial award. For severance, unvested awards should always be pro-rated. This applies both for changes in executive roles following M&A activity, or forced departure of a good leaver. Severance payments should not be made for non-renewal of a mandate. We are not supportive of one-off awards linked to transactions as they may encourage excessive risk-taking. Equally, we do not support retention awards, as in our experience, they do not achieve the intended retention effect.	We may vote against remuneration policy and report resolutions if: • Severance payments for bad leavers are awarded • Buy-out awards are not like-for-like • Severance payments are not pro-rated for time and performance • Exceptional sign-on cash bonuses are awarded, including for M&A-related activity • Retention awards are granted • Non-executive directors receive performance-related pay when it is not market practice
Variable pay	We expect remuneration committees to clearly state variable pay as a percentage of salary, including the maximum ceiling for short and long-term incentive plans (STIPs and LTIPs). Vesting of awards should be subject to performance conditions and geared towards the long term: we prefer LTIPs to have a minimum performance period of three years, with a preference for an additional two-year	We may vote against remuneration policy and report resolutions if: • Proposed increases to variable pay maxima occur without the inclusion of more stretching and challenging performance targets • Accelerated vesting of awards with no regard for time and performance takes place • The introduction of restricted share plans

	Expectations	Vote Guidelines
	holding period. Performance metrics should be linked to the strategic objectives of the company. Short and long-term plans must include different performance metrics. Most metrics should be financial, and for the sustainability metrics, we expect as many quantitative metrics and disclosure against targets as possible. Companies choosing to transition to restricted share schemes must provide a clear rationale for the need to do so. The discount to quantum should be at least 50% of the previous LTIP limit. We will take into consideration historical LTIP pay-out, the rational for the proposed change, the presence of a performance underpin, and engagement prior to the proposed change.	substituting LTIPs if discount to quantum is not at least 50% or no appropriate rationale for the change has been provided • There is a lack of meaningful executive shareholding requirements and post-departure shareholding requirements
Sustainability	We expect the inclusion of sustainability considerations in remuneration packages. We expect remuneration committees to identify the key drivers that are material to the long-term sustainable value of the business. The focus should be on the material issues, including an explanation of how they have been defined, and whether these issues have been tracked for some time before being included into remuneration plans. We expect the remuneration committee to clearly articulate the extent to which the sustainability metrics selected are clearly under the direct influence of the executive to ensure proper accountability. We expect to see the company's sustainability strategy and implementation plans reflected as metrics of variable pay.	We might vote against remuneration resolutions, policy or report if: • After engagement, performance metrics do not include KPIs linked to identified sustainability targets • Sustainability-related metrics are not included in the remuneration policy (and report) of the company

4. Capital management

Share Capital management

The ability and authority of the board to raise capital and decide how to allocate income attributable to shareholders is included on a range of different resolutions. These are important votes, where we will seek to balance the needs of companies for flexibility whilst also fomenting prudent share capital management (preferring specific and well-motivated authorities, presented from time to time), minimising erosion of shareholder value (through the avoidance of excessive dilution) and promoting sustainable long-term value. Given the complexities and differences across different regions on share capital management, we generally will follow best practice recommendations on a market-per-market basis, with the underlying principle being that we generally support companies issuing shares on a pre-emptive basis and will support issuances without pre-emptive rights, if they are aligned with local market practice. Where relevant, we expect proceeds raised to be aligned projects promoting sustainable transition pathways.

Share issue and repurchase	Share issue authorities with pre-emptive rights	We will not generally support routine capital increases that represent more than 50% of the issued share capital, but we will align ourselves with local market practice when lower ceilings apply.
	Share issue authorities without pre-emptive rights	We will not generally support routine capital increases without pre-emptive rights representing more than 10% of the issued share capital, except in jurisdictions where local practices recommend a higher threshold. If local practices recommend a lower threshold, we will apply this limit.
	Share repurchase	We might vote against if: • the share repurchase is higher than 10% of the issued share capital

		• the maximum duration exceeds 5 years (or lower threshold if applicable by local regulation, law or best practice) • the company indicates its intention (or has the possibility) to use it during a takeover bid. • the share repurchase could negatively affect the company's investments over the long-term
M&A	These will be considered on a case-by-case basis considering not only share capital considerations but also the promotion of long-term shareholder value and any sustainability impacts of the merger, acquisition, demerger, or restructuring project.	We might vote against if: • the resolution related to the M&A does not ensure the promotion of long-term shareholder value and any sustainability impacts

Employee share ownership	We will generally support the introduction of these plans as they foster the alignment between the interest of shareholder and employees over the long term.	We will vote against the employee incentive share program if: • The proposed volume is higher than 10% of the company's issued share capital • there is lack of sufficient disclosure on the plan

5. Shareholder rights

Shareholders rights

Companies' corporate governance directives should protect and facilitate the exercise of shareholders' rights and ensure the equitable treatment of all shareholders . One of the basic rights of investors is to be informed about the ownership structure of the company and their rights vis-à-vis the rights of other owners.

The ownership of an equity share also provides a right to information about the corporation and a right to influence the corporation, primarily by participating and voting in general shareholder meetings.

	Expectations	Vote Guidelines
Stock ownership	We expect companies to protect shareholders' rights and enhance their ability to make use of their right to place items on the agenda by defining a low share ownership threshold.	We will vote against resolutions that increase the stock ownership threshold to submit agenda items above 5% unless specific reasons exist to implement a higher threshold (depending on law and market best practices).
Capital structure & Voting rights	We expect all shareholders of the same series of a class should be treated equally and avoid any decision that might adversely impacts shareholder rights. We would expect companies to privilege single-class shares systems where all shares have the same voting rights to avoid small number of shareholders having a higher voting power and strong influence over direction of the company. We will generally vote against proposals that introduce cumulative voting, as we believe this practice is detrimental to the overall strength of the board.	We will vote against the Chair of the board if: • The company has a dual share class system with disparate voting rights and there is not a stablished reasonable time-based sunset provision • A supermajority vote is required to enact certain changes to the governing documents • The board is a classified board We will vote against the (re)election of a director if: • His/her ownership of supervoting shares provide him/her with voting power control of the company We will vote against a proposal when this one introduces cumulative voting
Virtual Annual General Meetings	Shareholders should participate to meetings and vote, and should be informed of the rules, including voting procedures, that govern general shareholder meetings. Shareholders should have the opportunity to participate effectively in general shareholder meetings, to be able to voice their opinions on board nominees and other proxy initiatives, including challenging the Board where appropriate, as well as other corporate actions that may affect the value of their shares. Therefore, we prefer shareholder meetings to be held in person (or hybrid) over virtual meetings and for companies to avoid entirely virtual meetings where shareholder's active participation may not be ensured. We encourage alternative meeting formats which may help improve shareholder engagement by reducing their time and costs of participating, in complement to in-person meetings.	We might vote against resolutions proposing virtual meetings if: • We are not sure shareholders' active participation would be ensured under the proposed format • The company has given a period of over 2 years for testing virtual meetings, does not provide the opportunity for shareholder feedback or does not plan to re-evaluate the format of future shareholder meetings • The company has no intention to bring back in-person meetings We might vote against the annual reports and accounts if the company has maintained a restricted virtual meeting as under the covid period.

	Expectations	Vote Guidelines
Classified boards	We expect boards to be non-classified. Declassification allows shareholders to respond more quickly (with their votes) when directors' decisions and actions don't appear favorable to shareholders' interests. Classified boards prevent shareholders to respond more quickly to directors' decisions	We will vote against the chair of the nomination committee or the Chair of the board if: • the board is classified having independence, diversity or we have concerns overt other corporate governance matters and the board has failed to define a sunset requirement

6. Shareholder proposals

Shareholder proposals are an important tool for investors to voice their views, escalate concerns and seek change at companies. We will generally support proposals that promote the long-term interests of the company and its shareholders, and that promote strong corporate governance principles. We will evaluate each proposal in view of the company's performance, disclosures, engagement history and overall responsiveness as well as in the context of market best practice and the relevant regulatory framework. In addition, we will typically support proposals that further our Stewardship objectives, as well as those that are in line with our 3+1 systems change approach.

	Expectations	Vote Guidelines
General	Shareholder proposals will be reviewed on a case-by-case basis, with the following considerations: • The proposal should address issue(s) that are material to the company, and which are not already being addressed by the company • The proposal should be specific, reasonable, allowing sufficient time for the change to be implemented and provide a detailed rationale for the change requested • The proposal should allow shareholders to better assess how the company is managing related risks	Our final vote decision will be informed by the explanations provided in the proxy statement and through engagement with the proponent, where possible. • We will generally not support proposals that seek to micro-manage the company or duplicate its efforts. • We will not support proposals that we deem too prescriptive or not material for the company activities. • We will also consider the timeframe allowed for the implementation of the shareholder proposal to avoid unrealistic demands. • We will not support proposals in cases where, in our view, the company is already addressing the issue at hand or making enough progress on the matter
Environmental management and climate change	We will generally support shareholder proposals that request companies to enhance disclosures on their assessment and management of climate risks and align their business model to sustainable pathways including phasing out from high emitting activities.	Regarding companies we engage with, we will likely support proposals requesting enhanced disclosures where disclosures have been unsatisfactory, and no progress is apparent. We will generally support shareholder proposals that seek to encourage companies to phase out from highly polluting activities – or financing of/investing in such activities – or that request enhanced disclosures on their progress to do so.
Climate lobbying	Boards should ensure that companies' lobbying activities are coherent with the company's long-term sustainability strategy; we favour climate lobbying activities that align with the goals of the Paris Agreement. We expect companies to report on lobbying activities, alignment (or otherwise) with positions of trade associations they are members of and how any identified misalignment is handled.	We will typically support proposals that request enhanced disclosures on climate lobbying activities and how misalignment with trade associations is addressed.
Preservation of Nature and its ecosystems	We request companies to enhance disclosures on their assessment of impact on natural resources and biodiversity and how this is mitigated.	Regarding companies covered by our engagement framework, and where material, we will generally support proposals that request companies to report on

	Expectations	Vote Guidelines
		land use and efforts to preserve land or return land agricultural land to nature. Regarding companies covered by our engagement framework, we will generally support proposals that request companies to report on their assessment of water consumption and efforts to reduce water use.
Social: Human Rights & Labour	We expect investee companies to conduct business responsibly and specifically, to uphold the principles outlined in the UN Global Compact, the standards in the Universal Declaration of Human Rights and the rights laid down in the core ILO Conventions[3].	We will generally support proposals that seek to promote responsible business conduct (as per the afore-mentioned frameworks) and request companies to enhance corresponding disclosures.

7. Material sustainability risks & opportunities

In our view, companies should provide clear, timely and year-on-year comparable disclosures on material sustainability risks as well as how these are being addressed. We expect disclosures to show the board's accountability for sustainability matters, and a commitment to regular, ideally annual, reporting.

Sustainability-related disclosure should be consistent, comparable and reliable, and include retrospective and forward-looking material information that will enable investors to understand how the company is addressing sustainability risks & opportunities.

Closely linked to our 3+1 systems change framework, we encourage companies to align themselves with the needed transformations in the energy, materials and land & ocean systems[4].

Environmental management and climate change	We expect companies to report transparently on their climate transition commitments and plans. We expect companies to progressively set transition plans aligned with the Paris Agreement. We expect companies to commit to gather data that is robust, reliable and material; to report on their current greenhouse gas (GHG) emissions under scopes 1, 2, and 3. We expect companies to commit to decreased absolute emissions under scopes 1, 2, and 3, and to set science-based targets that will take the business strategy to a 1.5 degree climate scenario by 2050, with clear interim targets so as to track progress against the long-term goal.	For companies engaged, we may vote against the directors, including the director who has climate/ sustainability oversight, the Chair of the board, the financial report and accounts, the external auditor, or remuneration resolutions if: • There has been disregard for environmental and social impacts of the company's activities and/or, repeated and systemic governance failures (including lack of response to shareholder resolutions with significant support) • the company has not yet committed to decarbonising its business model by 2050 in line with the Paris Agreement or made progress towards doing so • the company has not disclosed scope 1, 2 and 3 GHG emissions, • the company has not set appropriate scope 1, 2, and 3 targets (ideally science-based), with intermediate targets for 2030 • there is no improvement in the company's

[3] 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 No. 155 on occupational safety and health, ILO Convention No. 100 and 111 on the elimination of discrimination in respect of employment and occupation) and the Promotional Framework for Occupational Safety and Health Convention (ILO Convention No. 187).

[4] **energy systems.** This involves electrifying 70% of our economy through the greening of energy supply and demand, the emergence of new storage and distribution networks and increased energy efficiency; **materials systems.** This refers to reducing the intensity of primary materials used for our economic output. It is aided by the rise of new sustainable materials, and resource efficiency to decouple production from primary material resource dependencies while avoiding waste and pollution; **land and ocean** systems. This encompasses the return of 1 billion ha of agricultural land back to nature by fostering new food systems and enabling nature to retrieve its regenerative properties. The nature transition will unfold in themes such as climate-smart forestry, renewable materials ecosystem services, sustainable food production and sustainable consumption. Enabling these three themes is the pricing of externalities, or carbon markets. **carbon.** This refers to external pricing pressures and forces from carbon taxes, the compliance markets and the voluntary markets that will impact the three systems. We expect carbon to play a key role by providing market-based incentives to accelerate the transition to nature-based solutions and drive removals of greenhouse gases. Source: CLIC® economy I Lombard Odier

		climate-related disclosures
Say on Climate proposals	We encourage and support investee companies that put forward advisory resolutions that seek shareholder support for their climate transition strategy. We prefer Say on Climate proposals to be put to shareholder vote on an annual basis and at most every three years.	We will review each proposal on a case-by-case basis and expect to see at a minimum: • A commitment to net zero emissions by 2050 • A clear rationale for the company' climate governance and oversight structure • Quantitative short, mid & long-term targets across all three scopes that are in line with the relevant sector transition pathway for reaching net zero by 2050 Where the above elements are not included in the proposal, we will likely vote against it, unless the company has demonstrated significant progress towards these milestones in the last 12 months and willingness to reach them, or there is another good reason. The final vote will be informed by our engagement with the company. We may not support the proposal if there is no defined time-frame for providing an update to shareholders. For companies we have not engaged with previously, we may decide to engage with the company as a result, depending on LOIM exposure and capacity considerations.
Fossil-fuel phase out	For companies with exposure to fossil fuels, including coal, we would expect to see companies develop a plan to progressively exit from these carbon-intensive activities.	In line with our commitment to decarbonize our portfolio under the Net Zero Asset Managers Initiative (NZAMi), we will typically engage with companies in our CLIC strategies and encourage them to divest from (or cease financing to) highly-polluting activities. We may vote against the directors, including the Chair or the director who has climate/ sustainability oversight responsibility, the financial report and accounts, the external auditor, or remuneration resolutions, if, despite engagement, we see no apparent progress in the phase out of fossil fuel use over the last 12 months.
Preservation of Natural Capital/ Biodiversity	We expect companies to report on their commitment to the protection of biodiversity and restoration of natural capital and work towards establishing frameworks that monitor associated risks. Once science-based targets for nature are developed, our preference is for companies to adopt them. As a minimum, and based on materiality, we expect 1) company understanding of biodiversity considerations reflected in a sector-aligned policy, which should be publicly available; 2) setting of realistic targets based on its own policy; 3) understanding and public disclosures of sourcing regions and accompanying volume; 4) percentage of revenues dependent on forest products.	We may vote against the directors, including the Chair, the financial report and accounts, the external auditor, or remuneration resolutions if: • we see no evidence of progress in developing commitments or plans to preserve nature and its ecosystems, or progress in the responsible use, preservation, and protection of natural resources • the company has not addressed or put in place policies, processes and reporting mechanisms that protect and harness land and oceans

IMPORTANT INFORMATION