SPW Global Voting Policy

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1. Introduction

Good governance and responsible investment are inherent to our investment processes as we believe this contributes to the risk-adjusted returns of our portfolios and to a more sustainable world. This is also enshrined in one of our investment beliefs:

'Socially responsible investment (SRI) contributes in the long term to improving the risk return profile of the investment portfolio and to a sustainable society. SRI is a fiduciary responsibility, limits ESG risks and is an integral part of the investment policy.'

Our overarching responsible investment beliefs and expectations are reflected in this Voting Policy and therefore it should be read in conjunction with our Responsible Investment Policy, our Corporate Governance Framework, and our, and our asset manager's policies and principles on tax and climate[1]. The remuneration guidelines of our asset manager inform our expectations of US and European listed companies on remuneration.[2]

Proxy voting is part of SPW's active ownership approach. Our asset manager's dedicated team centrally oversees and coordinates the exercise of all equity voting rights globally using an electronic voting system, involving portfolio managers in the decision making. We have developed our own voting policy which, combined with research from a proxy voting service provider, generates custom voting instructions across the portfolios. When deciding how to vote SPW takes into account the specific context and market in which the company operates, such as the provisions set out in national corporate governance codes as well as local laws and regulations whilst encouraging the implementation of global best practice corporate governance standards.

SPW strongly supports the principle of 'one share, one vote' since it aligns capital stakes and controlling rights. Where a company issues shares with differing voting rights, we expect the board to critically assess these structures on a regular basis and to establish mechanisms to end or phase out controlling structures.

Companies should enable electronic proxy voting and take into account in their formal voting results all votes, whether cast electronically or in person. Voting records should be reviewed externally and published on the company's website in English shortly following the shareholder meeting and in detail.

Our ability to exercise our voting rights requires a well-functioning system allowing shareholders to vote their shares by proxy. There are still impediments to exercising our shareholder rights which SPW actively seeks to address. These include the practice of share blocking in certain markets whereby one cannot trade in company shares when voting, voting by show of hands, and limited or no information about shareholder meeting results.

SPW does not lend shares and will not borrow shares for the sole purpose of exercising voting rights on these shares.[3]

SPW votes at all shareholder meetings whenever practically possible. Our voting policy applies globally. In making our voting decisions we take into account the specific context and market of the company, national corporate governance codes as well as local laws and regulations. Our detailed voting policy is described below.

We disclose our voting decisions on our website shortly after each shareholder meeting.[4]

1 For the SPW Climate Action Plan see (in Dutch): spw-klimaatactieplan.pdf
2 For our asset manager's Remuneration Guidelines to Listed European and US companies, see: apg-remuneration-guidelines-to-listed-european-companies.pdf
3 SPW supports the ICGN Guidance On Securities Lending
4 See: Stemmen | Verantwoord Beleggen | SPW

2. Underlying Principles of Corporate Governance

Our four underlying principles of corporate governance are:

1. Enhancement of long-term value
We expect a company and therefore its directors and external managers, to create and enhance value in the long-term, taking due account of the best interests of the company, its shareholders and other stakeholders. A company's strategy, policies, risk management and internal controls, reporting, and conduct should reflect and support that goal.

2. Accountability
The directors and managers of an investment must be accountable to its investors and make themselves available for meaningful dialogue with investors as providers of capital and with other stakeholders as appropriate. Listed investments should respect the principle of 'one share, one vote' and the rights of all shareholders equally. Directors are accountable to uphold and demonstrate responsible business practices and policies and respond effectively in the event that performance falls short of these standards.

3. Sustainability
We expect investments to act in a sustainable way by focusing on long-term value creation. This includes determining strategy, making decisions and conducting business in a responsible manner in line with the company's interests and in the wider context in which it operates. We strongly encourage companies to produce an integrated account of how their strategy and governance support value creation over the short, medium and long term.[5]

4. Transparency
Investors demand transparent and meaningful disclosure from investments that enables them to make well-informed investment decisions. We expect investments to disclose operational, financial, sustainability, personnel and governance information in a timely, complete and comprehensible manner, and additional information for social stakeholders where appropriate. We also expect information related to environmental and social matters, and the integrity of the company's conduct to be regularly and clearly disclosed as and when they could have a material impact on the company's long-term performance.

5 See: https://integratedreporting.org/

3. Global Voting Policy

3.1 Board

SPW will generally support board candidates proposed by the company taking into account the following considerations:

- Existence of a majority of independent non-executive directors. Where this is not the case, we may vote against the election or re-election of a non-independent director.
- Where the positions of chairman and chief executive are combined, we may vote against the election or re-election of the chair of the nomination committee, or where she/ he is not up for election, against another non-independent director.
- The attendance record of directors. If a director attends fewer than 75% of relevant meetings and no satisfactory justification is provided, SPW may decide to not support her/his re-election.
- Lack of timely biographical details. SPW may oppose or withhold support from board candidates if insufficient information is available on the candidate ahead of a vote.
- We expect directors to have no more than five board positions at publicly listed companies or fewer if they are chairing any of the boards. If a nominee is a member of several boards, deemed as excessive under our policy or based on our research or following discussion with the company, SPW may not support the proposed candidate.
- The directors' performance at other companies, past or present.
- Restatements of the annual report and accounts that raise doubts about the quality of supervision and risk management by the board. If a material restatement of the figures occurs that suggests a failure of internal controls, SPW may vote against the election or re-election of the directors on the audit committee.
- Exercising our rights to hold directors accountable for concerns related to areas of committee responsibilities (for example remuneration) may ultimately lead to voting against directors.
- Sustainability expertise on the board. If at larger companies and those in high impact sectors the board lacks responsibility for relevant sustainability issues, SPW may withhold support from the director(s) on the nomination committee.
- Corporate reporting. If a company's reports and accounts lack information to make well-informed investment decisions we may not support the re-election of members of the audit committee.
- Where a company regularly sponsors the activities of a director, and/ or does not publish the amounts involved, SPW is concerned that the independence of the director in question may be affected. On these grounds, SPW could consider not supporting the re-/ appointment of the director.

3.2 Annual Accounts and Audit

SPW will generally vote in favour of the annual report and accounts, unless:

- An audited annual report is not available at the time of voting;
- The external auditor issues a qualified audit opinion or raises material concerns in the key audit matters report on the annual results or the relevant audit procedures;
- Sustainability risks are not taken into account which may result in future financial implications not accounted for.
- There is a material restatement of accounts.

SPW will usually vote in favor of the appointment of the external auditor and the proposal that the board or non-executive directors determine their remuneration unless:

- There are concerns around the independence and quality of the auditor selection process;
- There are doubts whether the auditor selection process was led by non-executive directors;
- The audit committee disregarded, without a satisfactory explanation, an explicit wish by shareholders regarding the selection process or the contents of the engagement letter;

5 Voorbeelden zijn het International Corporate Governance Framework (ICGN), Principles for Responsible Investment (PRI), Council of Institutional Investors (CII), Eumedion en Asian CorporatGovernance Association (ACGA).

- There are concerns with regards to the veracity of the financial data or the quality of the audit work;
- The non-audit related fees are greater than the audit fees, raising questions about the independence of the auditors and possible conflicts of interests;
- There are doubts as to the integrity and quality of the audit firm or an individual team member, for example due to concerns expressed by the regulator;
- The appointment carries excessive restrictions regarding the legal liability of the auditor;
- There is no clear justification provided for the change of the auditor.

3.3 Remuneration

SPW will generally vote in favour of a company's remuneration report and policy unless we have concerns. Reasons for not supporting remuneration proposals include:

- The company does not disclose its remuneration policy in a timely fashion;
- The company has not set out clear targets for determining the variable components;
- Application of discretionary judgment by the remuneration committee that is insufficiently justified;
- Bonus or other variable payments are excessive and/or not closely aligned with company performance and/or not consistent with the shareholder approved policy;
- The company reprices share options, retests performance conditions or otherwise retrospectively and unjustifiably intervenes with pay outcomes;
- The company allows pledging of shares;
- Severance pay exceeds one year's base pay.

3.4 Shareholder Rights

SPW will consider the following criteria when deciding whether to approve a share issue:

a. The maximum number of shares to be issued and the duration of the authority

- Permission to issue shares with pre-emption rights may only be granted for up to 20% of the issued share capital. This is the case in markets where local laws and regulations may permit a larger issuance. This also applies to the time period for which authority is requested. Preferably this authority should not exceed 18 months, with a maximum time period of 24 months.

b. Pre-emption rights

- Where pre-emption rights are excluded, the authority to issue shares should be limited to a maximum of 10% of the issued share capital of the company.

c. Share buybacks

- Although local legislation and regulations may vary, SPW will normally not support buyback programmes that request authority to purchase more than 10% of issued shares. If companies repurchase shares, they must ensure that all shareholders receive equal financial treatment and take the valuation of the company into account. Share buybacks should not be used to fend off a potential takeover.

d. Mergers, acquisitions and other major transactions

SPW will generally support proposals for a merger, acquisition or major transaction if the transaction contributes to the company's ability to create long-term value, is aligned with the company's strategy, and serves the interest of (minority) shareholders.

e. Defence mechanisms

In general, SPW will reject a company's request to implement defence mechanisms aimed at blocking possible changes to the control structure of the company. We acknowledge that certain defence mechanisms can be beneficial to long-term shareholder value, for example where it gives management some time to assess different strategic options.

We will assess every case individually and will normally only support one but not multiple defence mechanism. This should be subject to a time limit (a maximum of six months) and the circumstances under which the defence mechanism could be triggered should be clearly defined.

SPW will generally only consider to consent to the issue of shares as an anti-takeover measure if they are issued:

i. as a temporary, necessary and proportionate protection against a specific threat to the continuity or interests of the company, its business, the shareholders, the employees and other stakeholders and its business and after careful consideration of these interests;
ii. up to a maximum which may not exceed 100% of the nominal amount of the previously subscribed shares;
iii. with the objective to enable the directors of the company to enter a constructive dialogue with the bidder, to explore possible alternatives, to inform the shareholders of the company or to protect the continuity of the company or its policy and the interests described under (i).

f. Shareholder proposals

We vote on all proposals and support those that we consider to be in the interest of the company and its shareholders. We support proposals where they help to address significant governance and sustainability issues not currently adequately addressed by the company or that otherwise could have a positive impact on the company's ability to create long-term value.

In general, SPW supports resolutions that seek to generate greater transparency and accountability when we deem this to be reasonable and practical and especially in cases where problems have already arisen, suggesting risks are not adequately managed.

3.5 ESG Focus Themes

SPW has identified certain areas of increased focus under its Stewardship and Responsible Investment Policies. This means that these topics receive a higher level of attention and focus under our stewardship activities. The way these focus areas are addressed in our voting behaviour is further described below.

a. Climate

SPW expects companies with a high climate impact to be transparent about their climate strategy and to have concrete plans to contribute to limiting global warming to 1.5°C. This means, among other things, that; 1) they have a governance structure which supports the company's climate strategy, 2) they disclose information about their scope 1 and scope 2 CO_2 emissions. Generally, SPW will vote against the (re-)election of the board chair at companies if these conditions are not met. SPW will also generally vote against remuneration proposals at companies with a high climate impact if clear, measurable and relevant ESG performance criteria are not included in the remuneration policy.

Climate transition plans

An increasing number of companies submit their climate transition plans for approval to their shareholders. SPW assesses these plans very critically and generally only supports climate transition plans if all the following conditions are met. The strategy:

- contains a net-zero ambition (scope 1, 2 and, if relevant 3);
- contains medium and long-term climate goals;
- is demonstrably in line with 1.5°C or the sector specific criteria from the International Energy Agency Net Zero Emissions Scenario;[6]
- includes all major business units (>90% coverage)
- is measurable and realistic, and;
- does not include investments in new fossil capacity.

Climate-related shareholder proposals

SPW generally supports climate-related proposals filed by shareholders, unless:

- the company with its climate approach, and the disclosure thereof, meets the same criteria which SPW also applies to climate transition plans (see above).

6 https://www.iea.org/reports/world-energy-model/net-zero-emissions-by-2050-scenario-nze

- it concerns legally unauthorized micromanagement;
- the proposal sets expectations that (could) be harmful for the company and/or its shareholders;
- the proposal is counterproductive to addressing climate change by the company.

b. Tax

In line with SPW's expectations of companies around responsible tax, we will generally vote against the CFO (or, if not up for election, the chair of the Audit Committee or, if not up for election, other Audit Committee members up for election) at companies[7] that do not:

- have a publicly available and group-wide tax policy, strategy or principles in place which indicate the approach to taxation;
- publicly report on key business, financial and tax information for each tax jurisdiction where the entities included in the organization's audited consolidated financial statements are resident for tax purposes, or;
- disclose the reported tax rate (income statement) and cash tax rate (cash flow statement) for the last two years, including the average Effective Tax Rate (in %).

Furthermore, SPW will vote against the CFO (or, if not up for election, the chair of the Audit Committee or, if not up for election, other Audit Committee members up for election) at companies where severe tax controversies occur.

c. Human Rights

SPW expects companies to have policies, processes, and practices in place to systematise their human rights approach and disclose how they respond to serious allegations. In line with SPW's expectations around human rights, to assesses the extent to which a company has established systems and processes (due diligence) to put its human rights policy into practice, we will generally vote against the chair of the board at companies that lack (sufficient) human rights due diligence mechanisms.

If deemed necessary, SPW can deviate from the above policy on a case-by-case basis.

7 In line with global market practices around tax, the assessment of companies in the SPW portfolio on tax is limited to companies in developed markets with a market capitalization of more than EUR 5 billion.

4. Principal adverse impacts

SFDR requires disclosure of information about SPW's policies to identify and prioritise principal adverse impact indicators (PAI) on sustainability factors. SPW considers the following PAIs in the Global Voting Policy.

Adverse Sustainability Indicator		Metric	SPW Global Voting Policy
Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions Scope 2 GHG emissions Scope 3 GHG emissions Total GHG emissions	Our expectations regarding climate-related governance, disclosure and targets for companies in the energy sector and in sectors with a high climate impact, e.g. industry and transportation are addressed in our Global Voting Policy: - Generally, we support shareholder climate resolutions, unless there are important reasons (e.g. legal objections) not to do so. - If companies put their climate strategy to a shareholder vote, we only support the strategy if it includes a Net Zero ambition and is demonstrably aligned with the goal to limit global warming to 1.5 °C. - We expect companies in high-impact sectors to have a governance structure that supports their climate strategy, to be transparent about their climate impact and to set clear, science-based targets for reducing scope 1,2 & 3 emissions; if a company fails to meet one or more of these expectations, we vote against the reappointment of the board chair. - We vote against remuneration proposals at companies in high-impact sectors that do not contain clear and relevant sustainability-linked performance targets.
	2. Carbon footprint	Carbon footprint	
	3. GHG intensity of investee companies	GHG intensity of investee companies	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as percentage.	Our expectations regarding climate-related governance, disclosure and targets for companies in the energy sector and in sectors with a high climate impact are addressed in our Global Voting Policy. More specifically, SPW will vote against: - the (re)-election of the board chair and (if up for shareholder approval) against the climate strategy at companies that do not disclose their carbon footprint; - the approval of the remuneration policy and/or remuneration report at companies with a high climate impact, and which have not included a sustainability or climate-related performance criterion in the remuneration policy; - the (re)-election of the board chair and (if up for shareholder approval) against the climate strategy at companies operating in sectors and activities with a high climate impact that have not set targets in line with a 1.5-degree pathway.
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector.	

Adverse Sustainability Indicator			Metric	SPW Global Voting Policy
Biodiversity	7.	Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas.	Generally, SPW will vote against the (re-)election of the board chair at companies in high-risk sectors for biodiversity loss that do not have a relevant policy relating to biodiversity.
Board gender diversity	13.	Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	SPW addresses the lack of board gender diversity by opposing certain director (re-)elections when we deem the board to be insufficiently diverse.

ADDITIONAL CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS

Adverse Sustainability Indicator			Metric	SPW Global Voting Policy
Emissions	4.	Investments in companies without carbon emissions reduction initiatives	Share of investments in companies without carbon emissions reduction initiatives	Our expectations regarding climate-related governance, disclosure and targets for companies in the energy sector and in sectors with a high climate impact, e.g. industry and transportation are addressed in our Voting Policy: - Generally, we support shareholder climate resolutions, unless there are important reasons (e.g. legal objections) not to do so. - If companies put their climate strategy to a shareholder vote, we only support the strategy if it includes a Net Zero ambition and is demonstrably aligned with the goal to limit global warming to 1.5 °C. - We expect companies in high-impact sectors to have a governance structure that supports their climate strategy, to be transparent about their climate impact and to set clear, science-based targets for reducing scope 1,2 & 3 emissions; if a company fails to meet one or more of these expectations, we voted against reappointment of the Chair of the Board. - We vote against remuneration proposals at companies in high-impact sectors that do not contain clear and relevant sustainability-linked performance targets