



Proxy Voting Policy Client Assets

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Table of contents

1. Introduction.....	3
2. Managing conflicts of interest.....	4
3. Underlying principles of the proxy voting policy	5
4. Proxy voting policy for specific agenda items	6
4.1 Boards and directors.....	6
4.2 Remuneration and benefits.....	8
4.3 Audit and annual report.....	10
4.4 Capital structure, asset sales, M&A and other special transactions	10
4.5 Proposed changes to the articles of association and legal structure	12
4.6 Anti-takeover defence mechanisms.....	12
4.7 Depositary receipts and trust office.....	12
4.8 Environmental, social and governance (ESG) issues	13
5. Securities lending and client assets	15

NN Investment Partners (hereafter referred to as NN IP) is part of NN Group N.V. NN IP is the main business unit within NN Group for asset management activities. NN IP uses several legal entities for the purpose of asset management (including fund management). Assets are managed for the accounts of clients as well as for NN's own account. Client assets include both assets that belong to individual and institutional third-party investors and the assets of mutual funds managed by NN IP. The assets that are managed for NN's own account, also referred to as proprietary assets, mainly comprise those assets that belong to NN Insurance.

1. Introduction

Voting decisions for client assets are primarily based on investment considerations. It is our belief that exercising our rights as shareholders contributes to the goal of providing long-term value creation to our clients. NN IP's corporate governance policies and activities are focused on protecting and enhancing the economic and societal value of the companies we are invested in on behalf of our clients. Apart from exercising voting rights at shareholder meetings, we also conduct regular dialogue with management or board members of investee companies on material environmental, social and governance (ESG) factors. This dialogue helps to improve our understanding of a company's corporate governance and role within society. At the same time, it enables us to stimulate enhanced corporate behaviour and address concerns regarding ESG practices. This process is referred to as engagement, and is further deliberated upon in our [Stewardship Policy](#).

As such, active ownership is one of the pillars of our responsible investment approach. Active ownership contributes to good corporate governance and thereby enhances the long-term value of the investee company over time. We also believe that ESG factors have the potential to influence the financial performance of individual companies. Companies that maintain high standards of corporate governance and corporate responsibility will tend to deliver better shareholder value over time.

NN IP's clients include large and small institutional investors from all regions of the world. Together they

represent a very diverse selection of norms, values and preferences. Consequently, NN IP has decided to base its corporate governance and proxy voting policy on generally accepted best practices. These best practices are (among others) reflected in the OECD Principles of Corporate Governance, the Global Corporate Governance Principles of the International Corporate Governance Network (ICGN). While we believe that there are some overarching principles of corporate governance that apply globally, we recognise that practices vary internationally.

This document describes the framework that NN IP uses for client assets when exercising its voting rights at shareholder meetings. NN IP will cast proxy votes in a way that best serves the beneficial owner of the assets, while also taking into account the interests of companies' stakeholders. NN IP has set up a customised proxy voting policy for exercising voting rights at shareholder meetings on behalf of client assets. This policy is implemented by the proxy voting provider Glass Lewis in order to ensure that all management and shareholder proposals are voted on, in line with our policy. We also actively review the customised voting advice that is provided by Glass Lewis, in order to assess voting matters in light of a company's unique circumstances. Our customised proxy voting guidelines as implemented by Glass Lewis are outlined in chapter IV of this policy document.

2. Managing conflicts of interest

NN IP manages assets for the account of clients (client assets) as well as for the account of NN Group (proprietary assets). NN IP will at all times maintain information barriers between the management of proprietary assets and client assets. For this reason, NN IP has set up one proxy voting committee that is tasked with voting on client assets and another proxy voting committee responsible for voting on proprietary assets.

As we maintain strict information barriers between the proxy voting committee client assets and the proxy voting committee proprietary assets, NN IP may cast different

votes on a single voting issue. This procedure will prevent any conflicts of interest and allows us to serve the best interest of both our proprietary and client assets.

In limited circumstances, and based on a contractual agreement, it may occur that client assets are managed by the investment team responsible for managing the assets for NN Group. If such a situation occurs, the voting rights of such client assets will also be exercised by the proxy voting committee proprietary assets. This procedure ensures that the Chinese wall between client assets and proprietary assets is maintained.

3. Underlying principles of the proxy voting policy

Shareholders play an important role in ensuring that boards are held accountable for their actions. In line with this, the Shareholder Rights Directive II (SRD II) – an EU directive – sets out to strengthen the position of shareholders to ensure that decisions are made for the long-term stability of a company. The exercise of ownership rights by shareholders should therefore be facilitated, including giving shareholders timely and adequate notice of all matters proposed for shareholder vote. At the same time, NN IP recognises that shareholders should act in a responsible way aligned with the objective of long-term value creation for all stakeholders. NN IP analyses and, wherever feasible, influences ESG risks and opportunities at investee companies for the benefit of clients. The fact that NN IP in its role as a shareholder has both rights and responsibilities towards investee companies is reflected in the following principles:

Principles followed by NN IP as asset manager

1. NN IP will exercise the voting rights attached to the assets it manages, unless exercising these rights is not in the interest of the beneficial owner of the assets or is not allowed under local regulation. In case of disproportionate costs or impracticability, NN IP may refrain from exercising the voting rights at its sole discretion.
2. NN IP will vote in a way that best serves the interests of the beneficial owner of the assets. This may include deviating from this policy, if doing so would best serve the interests of the beneficial owners of the assets.
3. Voting rights attached to individual clients' assets will be exercised in the exclusive interest of the client.
4. When appropriate, feasible and in the best interest of our clients, NN IP will enter into a dialogue with investee companies in order to discuss material ESG risks and opportunities that are considered critical for the long-term profitability of the company.
5. NN IP reports on the execution of the voting policy on a continuing basis (accessible through our [website](#)).

Principles we expect the investee companies to respect

1. All shareholders should be given the opportunity to participate effectively, and on an informed basis, in shareholder meetings. The exercise of ownership rights by all shareholders should be facilitated, including giving shareholders timely and adequate notice of all matters proposed for a shareholder vote.
2. Investee companies should maintain transparency in their organisation and decision-making procedures, business model, strategy and risk oversight. They should disclose information necessary to enable shareholders to make an informed decision on voting issues and on whether to buy, hold, or sell a security issued by the company.
3. NN IP expects investee companies to comply with generally accepted corporate governance best practices as well as the corporate governance standards that are applicable in the country of domicile.
4. Investee company management should always be accountable to shareholders and stakeholders. Both management/executive directors and supervisory board/non-executive directors should base their decisions on the long-term interests of the company, its shareholders and its stakeholders.
5. Merger and acquisition proposals should be considered in the interest of enhancing long-term shareholder value.
6. To ensure long-term performance for the shareholders, investee companies should act responsibly to all stakeholders. This includes recognition of the impact of business decisions on the environment, as well as recognition of the – positive and negative – impact of their business decisions on social and human rights issues in the regions in which they operate.
7. The interests of management should be aligned with the long-term interests of the company and its shareholders, also when it comes to executive compensation. To ensure alignment of executive and shareholder interests, executive compensation should be adequately matched with KPIs.

4. Proxy voting policy for specific agenda items

The proxy voting policy set out in this chapter applies to the client assets that are managed by NN IP through its Dutch, Belgian and Luxembourg fund range and, if applicable, to mandate clients. The proxy voting policy serves as a framework for exercising voting rights at shareholder meetings. We recognise that accepted standards of corporate governance may differ between markets and regions. However, we believe that there are sufficient common threads globally to identify an overarching set of principles. The primary objective of our active ownership activities is the protection and enhancement of our clients' investments in public corporations. Thus, these principles focus on practices and structures that we consider to be supportive of long-term value creation.

This section describes NN IP's policies regarding management and shareholder proposals that generally appear on the agenda of shareholder meetings across many of the markets in which our mutual funds invest in. These proposals are divided in seven key themes:

- Boards and directors
- Executive remuneration and benefits
- Audits and annual reports
- Capital structure, asset sales, M&A and other special transactions
- Proposed changes to statutes, bylaws and legal structure of the company
- Anti-takeover defence mechanisms
- Environmental, social and governance issues

4.1 Boards and directors

We are of the opinion that management of companies we are invested in should always be accountable to the shareholders and stakeholders. In different jurisdictions, different board structures are prevalent. The two most commonly used board structures are (i) the unitary board composed of both executive and non-executive directors and (ii) the two-tier board structure comprising a non-executive supervisory board and an executive management board. Where in this policy reference is made to non-executive directors and executive directors of a unitary board, the same applies to members of the (non-executive) supervisory board and (executive) members of the management board in a two-tier board structure and vice versa. Regardless of the board structure adopted, both executive management and non-executive directors should base their decisions on the long-term interests of the company and its shareholders, while acting responsibly towards all stakeholders. We expect the board of directors to promote and protect shareholder interests by, among other things:

- Establishing an appropriate corporate governance structure
- Ensuring the integrity of financial statements
- Establishing appropriate executive compensation structures
- Overseeing and supporting management in setting strategy
- Ensuring proactive and comprehensive risk oversight and management

All directors need to be able to allocate sufficient time to the board in order to perform their responsibilities effectively, including allowing some leeway for occasions when greater-than-usual time demands are made.

4.1.1 Board composition and independence of directors

Board composition

NN IP believes that directors should stand for re-election on a regular basis. We assess directors nominated for election or re-election in the context of the composition of the board as a whole. There should be detailed disclosure of the relevant credentials of the individual directors in order for shareholders to assess the profile of an individual nominee. We expect the board to have an appropriate balance between executives and non-executives, but also that the non-executive directors can be regarded as independent.

We generally support a governance structure that separates the role of Chairman and Chief Executive Officer (CEO). This separation, if managed appropriately, may create an optimal oversight structure that is most likely to protect shareholders' interests. If the company's chairman is not independent, the company should adopt an appropriate structure to ensure strong checks and balances to counter a concentration of power. The company should then also explain the reasons why this leadership structure is considered appropriate and should keep the structure under review.

Independence of non-executive directors

One of the principal features of a well-governed corporation is the exercise by its board of directors of independent judgment, meaning judgment in the best interest of the corporation, free of any external influence or conflicts of interest. We are of the opinion that it is important for company boards to appoint independent non-executive directors to ensure independent decision-making. Not all non-executive directors will be fully independent of the executive directors or from dominant shareholders. NN IP's criteria for the independence of directors draw on a variety of standards, including the OECD Principles of Corporate Governance, guidance from the Corporate Governance Network (ICGN), national corporate govern-

ance codes and listing rules. Common impediments to independence include, but are not limited to:

- Current employment at the company or a subsidiary
- Former employment within the past several years as an executive of the company
- Personal, business or financial relationships between the directors and the company, its key executives or large shareholders
- Length of tenure on the board
- The receipt of incentive pay that aligns the non-executive director's interests with those of the executives rather than the shareholders.

Board committees

We prefer our investee companies to have in place separate board sub-committees for audit, remuneration and nomination/governance matters. Subcommittees are established to assist the board to effectively consider these issues, which require special competence and independence. The directors serving on these subcommittees should be solely non-executive directors, of which a majority can be considered independent. We encourage corporations to move towards fully independent audit and remuneration committees. There should be clear definitions of the role of the board, the sub-committees of the board and the senior management, such that the responsibilities of each are well understood and accepted.

Companies should publicly report the approach taken to governance (including in relation to board structure) and why this approach is in the interest of shareholders. Where we have concerns about the performance of the board or the company, the broad strategy of the company or the performance of individual board members, we will engage with the appropriate (non-)executive directors.

Board diversity

We believe that boards that draw on a wide range of relevant skills, competencies and diversity of perspectives are better able to generate appropriate challenge and discussion, thereby generating and preserving enhanced value for investors. It is a board's responsibility to ensure that it possesses and maintains the right balance of independence, skills and diversity of perspectives. As far as gender diversity is concerned, we expect companies to respect the quorums that have been adopted in national legislation or national codes as best practice. In case no quorums have been adopted, companies should disclose their gender diversity policies for the board, senior management and across all operations.

Board effectiveness

We expect boards to have processes in place to evaluate their effectiveness at regular and appropriate intervals. They should disclose these processes in the annual report and, when the company has undertaken an evaluation, there should be a meaningful account of its outcome. This structured evaluation should be used as a means to identify ways to strengthen the board's effectiveness and to highlight gaps between the skills and background of existing directors and their optimal mix. This exercise will help inform the recruitment of new directors whose diversity of skills and experience should address any gaps.

Voting considerations

In general NN IP will be supportive of the (re-)appointment of the candidates that are proposed by the company. However, NN IP may consider not supporting the (re-)appointment of the proposed candidates in certain circumstances, including but not limited to the following situations:

- Where a director has a pattern of attending less than 75% of combined board and applicable key committee meetings. Directors are expected to attend all board meetings in order to perform their responsibilities effectively.
- Where there is evidence that a director is not qualified to represent shareholders, or has acted in a manner that compromises his or her ability to represent the best economic interests of shareholders. We may take into account his or her performance at other companies when deciding on the (re-)election of a (non-)executive director.
- Where a director has committed himself or herself to service on a large number of boards, such that we deem it unlikely that he or she will be able to commit sufficient focus and time to a particular company (commonly referred to as "over-boarding"). While each situation will be reviewed on a case-by-case basis, NN IP is most likely to withhold votes for over-boarding where a director is: 1) serving on more than five public company boards (role of chairman counts double); or 2) is a Chief Executive Officer at a public company and is serving on more than two public company boards in addition to the board of the company where he or she serves as Chief Executive Officer. We take into account board positions held in global publicly listed companies, not merely within the same market as the company under consideration.
- In the case of a material financial restatement of the annual report and accounts, that suggests a failure of internal controls. Under these circumstances NN IP will vote against the (re-)appointment of the directors on the audit committee.
- In order to provide independent judgment, and to generate confidence that independent judgment is being

applied, a board should include a strong presence of independent non-executive directors with appropriate competencies. These competencies include (among others) key industry knowledge and experience. Where a majority of the non-executive directors on the board are not considered to be independent, we may vote against the (re-)appointment of one or more non-independent directors and/or the chair of the nomination committee.

- If the roles of Chief Executive Officer (CEO) and Chairman of the Board (Chairman) are held by one individual and the company has not implemented any countervailing measures (e.g. appointment of a Senior Independent Director, Lead Independent Director), we may consider voting against the reappointment of the CEO-Chairman and/or the Chairman of the board's Nomination Committee.
- If executive compensation appears misaligned with shareholders' interests or otherwise problematic, we may consider voting against the chairman of the remuneration committee. If concerns about a company's remuneration practices persist for several years, we may also consider voting against the (re-)appointment of the other members on the remuneration committee. See also the section on remuneration and benefits.
- If the company is (at risk of) violating the principles of the UN Global Compact, NN IP will vote against the re-appointment of the incumbent directors.
- If the company does not disclose non-financial ESG information that is considered material to the company, NN IP will vote against the re-appointment of the incumbent directors.
- If there is no proactive and comprehensive board oversight of environmental and social risks, NN IP will vote against the re-appointment of the incumbent directors.
- If the percentage of female directors on the board is less than 20% in developed markets, and less than 10% for emerging markets, NN IP will vote against the re-appointment of the incumbent male directors, if applicable.
- If the investee company does not disclose GHG emissions on Scope 1, 2 and 3, NN IP will vote against the re-appointment of incumbent directors.
- If no short-, medium- and long-term targets are disclosed for at least Scope 1 and 2 GHG emissions, NN IP will vote against the re-appointment of incumbent directors.

4.1.2 Discharge of board and management

NN IP generally votes for discharge of directors, including members of the management board and/or the supervisory board, unless there is information available about significant and compelling controversies that the board is not fulfilling its fiduciary duties, such as:

- A lack of oversight or actions by board members that invoke shareholders' distrust related to malfeasance or poor supervision.
- Any legal issues (e.g. civil/criminal) aiming to hold the board responsible for breach of trust in the past or related to currently alleged actions yet to be confirmed (and not only the fiscal year in question), such as price fixing, insider trading, bribery, fraud, or other illegal actions.
- Other notorious governance issues where shareholders will bring legal action against the company or its directors.

For markets which do not routinely request discharge resolutions (e.g. common law countries or markets where discharge is not mandatory), analysts may voice concern on other appropriate agenda items, such as the approval of the annual accounts or other relevant solutions, to enable shareholders to express discontent with the board.

NN IP will vote against proposals to remove approval of discharge of board and management from the agenda.

4.2 Remuneration and benefits

Remuneration executive directors

The remuneration policy for the management board should be aligned with the long-term strategy of the company and corresponding goals. Executive pay should incentivise value creation within companies and effectively align the interests of executives with those of shareholders. Remuneration structures should reinforce, not undermine, the corporate culture. Performance measurement should incorporate risk considerations so that there are no rewards for taking inappropriate risks at the expense of the company and its shareholders.

A company's remuneration policy should contain fixed and variable elements, and the latter should be based on clear and challenging performance targets. Variable bonus targets should be designed to support and reflect the company's strategic objectives as well as the long-term interests of shareholders. In general, we would stimulate the company to pay out the variable bonus element in shares rather than in options or cash. The shares that are granted to the company's executives as part of the long-term variable compensation should be subject to an appropriate vesting period of at least three years. In order to align the long-term interests of company directors and

shareholders, we encourage the adoption of shareholding requirements for executive directors.

All performance criteria that are part of the remuneration policy must be measurable, transparent and relevant to the company's long-term success. As such, NN IP will stimulate companies to also include non-financial, sustainability measures into the remuneration policy in order to ensure long-term value creation. Remuneration packages should reflect a range of performance targets and should not rely too heavily on the achievement of a single performance target.

We believe that the board of directors should have some discretionary authority when determining the bonus pay-out for its executive directors. This will enable the board to reward exceptional performance. The discretionary authority should be an explicit element of the remuneration policy as approved by the company's shareholders. If applied, the board needs to explain in the annual report how it has made use of the discretionary authority during the year under review. We oppose cases of special one-off payments for achievements that we consider to be part of the regular responsibilities of executive directors.

The board should maintain a 'malus' authority to withhold all or part of unvested performance-based pay from executives, where the outcome of the remuneration policy leads to a pay-out that is deemed undesirable. At the same time, remuneration policies must be subject to clawback mechanisms. The presence of clawback provisions help ensure that remuneration is not awarded for fictitious performance, undesirable outcomes and/or decisions that have had negative impacts on society and/or the environment. This might occur following a significant restatement of accounts, where previously granted awards were paid on the basis of inaccurate figures.

Remuneration non-executive directors

Companies should also provide comprehensive and clear disclosure describing the non-executive compensation plan. NN IP is of the opinion that the annual retainer or fee received by non-executive directors should be cash remuneration. In general, NN IP is not supportive of performance-based remuneration elements as part of the remuneration schemes for non-executive directors. Performance-based remuneration can potentially be in conflict with the non-executive directors' primary role as independent representatives of shareowners. In some instances it can be appropriate that non-executive directors receive equity-based remuneration. This element should then not be performance-based and should be fully vested on the grant date. Apart from that, the equity-based emolument should not come on top of the annual retainer or fee, but replaces a part of the cash element.

Voting considerations

NN IP will generally vote for proposals that are related to remuneration plans for both executive directors and non-

executive directors. Reasons for not supporting a company's remuneration policy include, but are not limited to:

- The company does not disclose its remuneration policy in a timely fashion and/or is not transparent about the remuneration paid to its (non-)executive directors.
- The policy does not contain an adequate balance between fixed and variable components and/or between short- and long-term incentives. This ratio may vary based on market conditions and the specific circumstances of the company. The remuneration of management board members is based on a fixed salary. Variable elements of the remuneration are subject to a maximum determined in advance.
- The (conditional) granting and payment of variable elements of remuneration is not based on transparent, clear and measurable targets that are relevant to the company.
- The remuneration committee exercises discretionary power in determining short-term and long-term bonuses, but this is not well justified in the company's annual report.
- Salary levels of executive management or non-executive directors are well above industry average and salary levels of peers, while the company is performing in line with or underperforming its peers.
- Equity (and equity-like) remuneration do not have vesting terms that are clearly consistent with the company's capital allocation and investment horizon. As a general rule, vesting of long-term incentives should generally be a minimum of three years. The short-term incentives should generally be tied to annual performance measures.
- The company has incorporated the possibility in its remuneration schemes to re-price outstanding share options.
- Severance pay exceeds two times fixed annual pay, or is paid in the event of inadequate company performance. In countries where more stringent regulation or best practices apply, we use that as a starting point for our analysis.
- In the case of a change in control or other corporate events, pro rata performance criteria that reflect a real measure of underlying achievement should be awarded. We are not in favour of automated acceleration of equity instruments based on corporate events.
- In the case that the executive director is bundled with the award of a non-performance-based golden hello (and other non-performance-based remuneration proposals).

- In the case that there is no share ownership requirement for executive directors.
- In the case that no clawback provisions are implemented whereby any bonus awarded may be recouped by the company in the event of misstatement or misconduct.

4.3 Audit and annual report

The annual report and accounts are the most important source of information for investors to gain a clear picture of a company's performance. Consequently, it is crucial that investors can rely on the quality, expertise and integrity of the external auditor. The annual audit carried out on behalf of shareholders is an essential part of the checks and balances required at a company. It is the responsibility of the auditors to provide an independent and objective opinion that the financial statements fairly represent the financial position and performance of the company in all material respects.

For investors it is of the utmost importance to get a clear picture of the company's expectations regarding future developments and the risks involved. We expect our investee companies to disclose information necessary to enable shareholders to make an informed decision on whether to buy, hold or sell a security issued by the company. NN IP expects that companies provide meaningful information in their annual reports about factors that potentially have a material impact on the company. This should also include information on strategic risks relating to environmental and social matters, and the major operational risks inherent in the business model and the strategy for implementing that business model.

The approval of the annual report and accounts, as well as the appointment of the auditor and the proposal by the board to approve the auditor's remuneration, are standard items on the agenda in most jurisdictions.

Voting considerations annual report and accounts

NN IP will generally vote in favour of the annual report and accounts. Reasons for not supporting a company's annual report and accounts may include, but are not limited to:

- The company has not published the annual report and accounts at the time of voting.
- There are concerns about the accounts presented and/or audit procedures used. This may for instance be the case if the auditor discloses material irregularities or problems with the company's finances. Under these circumstances the auditor may refrain from issuing an unqualified audit opinion on the annual results or the relevant audit procedures. Another example would be a material restatement of the accounts.

- The company fails to disclose non-financial ESG information that is considered material to the company, either in the annual report and accounts or in a separate sustainability report.

Voting considerations appointment of auditors and auditor compensation

NN IP generally supports proposals to ratify auditors and/or proposals authorising the board to fix auditor fees. We may consider not supporting the ratification of auditors and auditor compensation in certain circumstances, including but not limited to the following situations:

- There is serious doubt as to the independence and quality of the auditor selection procedure by the (supervisory) board.
- There are serious concerns about the procedures used by the external auditor.
- There are other relationships or issues of concern with the auditor that might suggest a conflict between the interest of the auditor and the interests of shareholders.
- Audit fees added to audit-related fees total less than two thirds of total fees paid to the auditor.
- The company is changing auditors as a result of disagreement between the company and the auditor on a matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures.
- The auditors are being changed without explanation.
- The name of the proposed auditor has not been published.
- The appointment carries excessive restrictions regarding the legal liability of the auditor.

4.4 Capital structure, asset sales, M&A and other special transactions

Issuance of shares

We are of the opinion that adequate capital stock is important to the operation of a company. Companies may request shareholder approval for general share issuances in order to maintain sufficient flexibility with respect to financing needs, without having to call a shareholder meeting for every issuance. While having an authorisation to issue new shares allows management to make quick decisions and effectively operate the business, we prefer that, for significant transactions, management comes to shareholders to justify the issuance of additional shares. We therefore strongly prefer that the authorisation to issue new shares, with or without pre-emptive rights, that can be used for any purpose remains limited. Instead, we prefer that investee companies with explicit additional

financing needs table this as a separate item on the agenda and clearly explain the underlying rationale.

Voting considerations

NN IP generally supports general share issuances, with or without pre-emptive rights, provided that the size and terms of the request are reasonable:

- The company should explain the conditions and circumstances under which the delegated authority will be exercised by the company. The requested authorisation to issue new shares should at least include the maximum number of shares to be issued, the duration of the requested authorisation and how the exercise price will be determined.
- Permission to issue shares should preferably be requested for up to a maximum of 20% of the issued share capital. This authority should preferably not exceed two years. If the proposal contains a figure greater than 20%, the company should explain the nature of the additional amounts. NN IP takes local regulation and best practices into account in its voting decision.
- We will generally support proposals to suspend pre-emption rights for a maximum of 10% of the issued ordinary share capital of the company. NN IP takes local regulation and best practices into account in its voting decision.

Repurchase of shares

We believe that share repurchase programs are generally supportive of the share price and will therefore generally approve a requested authorisation to repurchase shares. We expect the requested authorisation to include the following information: (i) a maximum number of shares which may be repurchased; (ii) a maximum price which may be paid for each share; (iii) an explanation of the intended use of the shares that have been repurchased.

Financing preference shares

We are supportive of a one-share, one-vote policy and oppose mechanisms that skew voting rights. At the same time we recognise that the issuance of preference shares may offer a company an attractive alternative form of financing. In case of (financing) preference shares, voting rights, if any, may not always be in line with an investor's equity capital commitment to the company. If the issuance of the (financing) preference shares is based on sound financial considerations to the benefit of the company and its stakeholders, a deviation from the one-share, one-vote policy can be justified.

Private placements

We are generally supportive of private placements where the purpose of the proposed transaction is to raise funds or refinance debt, provided that the size and terms of the request are reasonable:

- The company should explain the conditions and circumstances under which the delegated authority will be exercised by the company. The requested authorisation to issue new shares should at least include the maximum number of shares to be issued, the duration of the requested authorisation and how the exercise price will be determined.
- The number of shares to be issued under the private placement agreement should preferably not exceed 10% of the issued share capital of the company.

Related-party transactions

Many companies are involved in material related-party transactions, which could represent a risk for minority shareholders. Companies should have a process for reviewing and monitoring related-party transactions. If related-party transactions are entered into, they should be conducted on an arm's-length basis, approved by independent parties, such as non-interested directors and/or shareholders. The non-interested directors should review significant related-party transactions to determine whether they are in the best interest of the company and if so, determine what terms are fair. If a director has an interest in a matter under consideration by the board, then the director should not participate in those discussions and the decision-making. We generally support annual mandates for recurring connected transactions that enable companies to avoid the costly expenses associated with the need to call a shareholder meeting every time the company seeks approval for any such transaction. Annual mandates for recurring connected transaction should not adversely impact minority shareholders.

Voting considerations

When evaluating resolutions that seek shareholder approval on related-party transactions, the following factors will be taken into account, among others:

- The pricing of the transaction (and any associated professional valuation)
- The views of independent directors (where provided)
- The views of an independent financial advisor (where appointed)
- Whether any entities party to the transaction are conflicted
- The stated rationale for the transaction, including discussions of timing
- The parties on either side of the transaction
- The nature of the asset to be transferred/service to be provided.

(Loyalty) dividend

Companies should have clear dividend policies that set out the circumstances for distributing dividends and returning capital to shareholders. NN IP judges the sustainability and appropriateness of the proposed dividend pay-out and vote accordingly. There is no optimal dividend pay-out ratio, as this mainly depends on the stage of development of the company and alternative investment opportunities.

In general, we oppose granting extra dividends to holders of registered shares that are held for a certain minimum period. The basic principle should be that shareholders of one and the same share class are entitled to an equal dividend per share. There should always be a cash dividend available as an alternative to scrip dividend or equivalent.

Merger and asset sales proposals

When evaluating the merits of a proposed acquisition, merger, or takeover offer, we focus on the impact of the proposal on shareholder value, both in the short term and in the long term. We consider the financial terms of the transaction and the strategic rationale for the proposal. The key factors that we typically include when evaluating these proposals are:

- **Valuation:** Is the value to be received by the target shareholders or the amount paid by the acquirer reasonable? Important considerations in this respect are the premium to the company's trading price, market reaction and strategic rationale.
- **Strategic rationale:** There should be a favourable business reason for the intended combination.
- **Board approval:** Unanimous board approval and arm's-length negotiations are preferred.
- **Conflicts of interest:** We will consider whether any special interests may have influenced directors to support or recommend the merger.
- **Governance:** Will the combined company have a better or worse governance profile than the current governance profiles of the respective parties to the transaction?
- **Disclosure:** If the company does not fully disclose all relevant information to allow shareholders to make an informed voting decision about the proposed transaction, we may not be supportive of the proposal.

4.5 Proposed changes to the articles of association and legal structure

Requests to amend a company's articles of association are usually motivated by changes in the company's legal and regulatory environment. Such proposals are especially common whenever stock exchange listing rules are

revised, new legislation is passed, or a court case exposes the need to close loopholes.

We generally support amendments that update the company's articles of association to reflect market norms and regulations. Where we are of the opinion that new market norms and/or regulations are not in the best interest of the position of (minority) shareholders, NN IP may consider voting against these amendments. We will normally vote against amendments of the articles of association that aim to limit existing shareholders' rights.

NN IP opposes the automatic legal granting of double voting rights to registered shares that are held for a predefined period of time (e.g. a two-year period in France under the Florange Act). We will also vote against proposed amendments of bylaw provisions to grant double voting rights to shareholders that register their shares with the company and own the stock for a predefined period of time. At the same time we are supportive of amendments in the bylaws to exclude the automatic granting of double voting rights.

We are opposed to the practice of bundling several amendments under a single proposal on the agenda of the shareholder meeting, because it prevents shareholders from evaluating each amendment on its own merits. We expect our investee companies to submit each amendment to a separate vote. Where several amendments are grouped into one proposal, we will review whether any of the individual amendments will negatively affect our position as a shareholder.

4.6 Anti-takeover defence mechanisms

NN IP will generally vote against a proposal to adopt or approve the adoption of an anti-takeover provision. The link between the financial interests of shareholders and their right to consider and accept buy-out offers is substantial. At the same time, we take into account the fact that an anti-takeover provision can be beneficial to a company and its shareholders where it gives management some time to assess different options. We will normally only support anti-takeover defence mechanisms where the time limit and the circumstances under which a defence mechanism can be triggered are clearly defined.

4.7 Depositary receipts and trust office

NN IP believes that depositary receipts for shares could be a means of preventing a majority of shareholders from controlling the decision-making process as a result of absenteeism at a general meeting. Depositary receipts should never be used as an anti-takeover mechanism. Portfolio companies that have issued depositary receipts for shares are expected to act in line with IV.2 of the Dutch corporate governance code. This means, among other things, that management of the trust office shall issue proxies in all circumstances and without limitation

to the holders of depositary receipts who so request. The holders of depositary receipts thus authorised have the ability to exercise the voting rights at their discretion. The management of the trust office shall enjoy the confidence of the depositary receipt holders and operate independently of the company which has issued the depositary receipts.

4.8 Environmental, social and governance (ESG) issues

In order to ensure long-term performance for shareholders, NN IP expects investee companies to act in a responsible way towards all stakeholders. This includes recognition of the impact of business decisions on the environment, as well as recognition of the impact of their business decisions on social and human rights issues in the regions in which they do business.

In addition, NN IP encourages companies to adhere to internationally accepted sustainability standards beyond complying with local legal requirements. These include for instance the Paris Climate Agreement, the Guiding Principles on Business and Human Rights, the UN Global Compact and the international labour standards of the International Labour Organization. The Sustainable Development Goals (SDGs) represent another important benchmark. These goals focus on universal action to end poverty, protect our natural resources and ensure peace and prosperity. NN IP embeds these standards by encouraging investee companies to adopt standards, policies and management processes across all corporate functions to ensure they deal adequately with ESG matters. Companies should also indicate which sustainability risks are most material to their business, and how it is aligned with the strategy and accompanying objectives and targets.

While we consider ESG factors in our investment decision-making and ownership practices in order to improve the risk-return profile of our investments, we are also aware of, and encourage, the broader benefits that increased recognition and improved management of ESG risks can bring to society.

Non-financial business reporting

In a fast-changing, globalising world, information material to investor decision-making is becoming increasingly diverse, dynamic and important. Long-term success in managing a business in today's complex economic, environmental and societal landscape is increasingly dependent on factors not reflected in financial statements. The same is true for investors when assessing a company's present and future valuation and ability to understand its risks and opportunities. Issues such as climate change, supply-chain management, a company's approach to intellectual and human capital and environmental management systems, represent a class of variables that can have a direct impact on short and long-term value creation and destruction. They can also have an

indirect impact through effects such as reputation loss or enhancement and customer satisfaction and loyalty.

NN IP recognises that environmental, social and governance (ESG) information, when combined with financial information, can provide valuable insight into the overall quality of management, a critical variable in the appraisal of the firm's financial prospects. Therefore we encourage our investee companies to report on ESG matters that are relevant and potentially material to ensure that the business creates and sustains value in the short, medium and long term. Companies are encouraged to combine all material information (both financial and ESG) in a format that serves its stakeholders. When identifying ESG risks and opportunities that could potentially affect the business, investee companies are encouraged to look across their entire value chain. To create consistency and comparability, we promote the use of reporting frameworks such as those presented by the International Integrated Reporting Council (IIRC) and the Global Reporting Initiative (GRI).

Shareholder proposals

NN IP has a policy of actively voting on shareholder proposals that are related to ESG issues relevant to the company. NN IP is supportive of shareholder proposals if they address significant social and environmental issues that are considered material to the company. At the same time we take a rational approach in our analysis of the shareholder proposals at hand. If it appears from our analysis that a company already deals adequately with the request as mentioned in the shareholder resolution, we may not support the proposal because it is insufficiently relevant. Also, if we are of the opinion that the shareholder proposal is poorly drafted or the argumentation as used by the filers of the proposal is lacking, we may not support the proposal.

NN IP generally supports proposals regarding ESG – in particular, those seeking improved sustainability reporting and disclosure about company sustainability practices.

- NN IP will vote in favour of increased disclosure of a company's environmental risk through company-specific disclosure as well as compliance with international environmental conventions and adherence to environmental principles. Similarly, NN IP supports proposals requesting that companies develop goals for reducing greenhouse gas emissions, comprehensive recycling programs, and other proactive means of mitigating their environmental footprint.
- NN IP will also vote for proposals seeking that companies provide certain disclosures or adopt certain policies related to mitigating their climate-change-related risks. For example, regardless of industry, we will support proposals requesting that companies disclose information concerning their scenario analyses or that companies provide disclosure in line with certain reporting recommendations, such as those promulgated by

the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). Similarly, NN IP supports proposals requesting that companies consider energy efficiency and renewable energy sources in their project development and overall business strategy.

- NN IP generally supports enhancing the rights of workers, as well as considering the communities and broader constituents in the areas in which companies do business. Accordingly, we will generally vote for proposals requesting that companies provide greater disclosure regarding impact on local stakeholders, workers' rights and human rights in general. In addition, NN IP supports proposals for companies to adopt or comply with certain codes of conduct relating to labour standards, human rights conventions, and corporate responsibility at large. NN IP will also support proposals requesting independent verification of a company's contractors' compliance with labour and human rights standards. In addition, we support the International Labour Organization standards and encourage companies to adopt such standards in their business operations.
- NN IP will generally vote in favour of proposals seeking increased disclosure regarding public health and safety issues, including those related to product responsibility.

In particular, NN IP supports proposals calling for the labelling of the use of genetically modified organisms ("GMOs"), the elimination or reduction of toxic emissions and use of toxic chemicals in manufacturing, and the prohibition of tobacco sales to minors. We also support proposals seeking a report on a company's drug reimportation guidelines, as well as on a company's ethical responsibility as it relates to drug distribution and manufacture. NN IP will also support proposals related to worker safety and companies' compliance with internationally recognised human rights or safety standards.

- NN IP will generally vote for proposals seeking to increase disclosure of a company's business ethics and code of conduct, as well as of its activities that relate to social welfare. NN IP supports proposals requesting that a company develop sustainable business practices, such as animal welfare policies, human rights policies, and fair lending policies. Furthermore, NN IP supports reporting and reviewing a company's political and charitable spending as well as its lobbying practices. The policy will also support well-crafted proposals requesting that companies cease political spending or associated activities.

5. Securities lending and client assets

NN IP has been active in securities lending activities for both its equity and fixed income mutual fund ranges since 2008. At NN IP, securities lending is a front-office activity managed by the Treasury team. This team is responsible for dealing with counterparties, handling communication with the lending agent, benchmarking market activity and ensuring that all related activities comply with the set principles for securities lending. The team collaborates with NN IP's Responsible Investment team to ensure it adheres to and complies with their investment approach.

NN IP maintains the right to recall and place restrictions on any securities at any time, in order to enable it

to engage in shareholder meetings. This is embedded in the securities lending process. The NN IP Responsible Investment team, which oversees active ownership responsibilities, informs the Treasury team when certain securities are restricted. Treasury then recalls these securities and ensures they cannot be lent out until voting is concluded. In addition, NN IP automatically recalls and restricts all the securities on its engagement list. This ensures NN IP can always exercise its voting rights and prevents "empty voting". This approach is aligned with the UN PRI/ICGN's Guidance on Securities Lending and EFAMA's Stewardship Code and Principles.

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