

# 2020 Proxy Voting Policy

**KEMPEN VOTING POLICY APPROACH AND  
GUIDELINES**

**Kempen**

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# Proxy Voting Approach

## Achieving positive change through engagement & voting

Being a long-term active and responsible investor, we at Kempen Capital Management (Kempen) believe that our engagement with investee companies contributes to positive change. Hence, Portfolio Managers and the Responsible Investment team collectively engage on a wide array of strategic, financial, environmental, social and governance (ESG) topics to mitigate ESG related risks and unlock ESG related opportunities. We aim for an integrated approach

of working closely across investment teams and strategies. Exercising voting rights is an important instrument of engagement and is central to a well-functioning governance system. This policy is reviewed annually. It provides non-comprehensive guidelines for voting, which we complement with our own in-depth assessment of the meeting agenda items. Proposals not covered in this policy are assessed on a case-by-case basis.

## Scope of voting activities

Kempen votes at annual and extraordinary meetings at investee companies globally for all investment funds and discretionary mandates (if instructed by the client to vote) worldwide, unless voting is not feasible or not in the best interest of our clients. Owing a fiduciary duty to our clients,

we ensure that the exercise of voting rights is in accordance with the investment objectives and policy of the relevant investment fund or – where applicable – in accordance with the requirements pursuant to the respective discretionary client mandates.

## Our commitments

Kempen is a signatory to the [Dutch Stewardship Code](#) (2018) and the [UK Stewardship Code](#) (2012, 2020) and complies with all relevant regulations, including the revised [EU Shareholder Rights Directive](#) (2017).

Kempen further adheres to the [Dutch Corporate Governance Code](#) (2016), and the [UK Corporate Governance Code](#) (2018). We are a signatory to the [UN-supported Principles for Responsible Investment \(PRI\)](#) and adhere to the principles, including Principle 2, which states that “we will be active owners and incorporate environmental, social and governance issues in our ownership policies and practices”. Kempen also fulfils its fiduciary role under the OECD Corporate

Governance Principle III. We actively encourages all investee companies to adhere to the principles of the [United Nations Global Compact \(UNGC\)](#), the [OECD Principles of Corporate Governance](#), the [OECD Guidelines for Multinational Enterprises](#), the [International Corporate Governance Network \(ICGN\) Governance Principles](#), and the [United Nations Guiding Principles on Business and Human Rights \(UNGPR\)](#). We proactively participate in the development and updating of the various codes and international guidance documents.

In addition to this Proxy Voting Policy, we have a periodically reviewed Exclusion, Avoidance, Stewardship, and Engagement Policies in place.

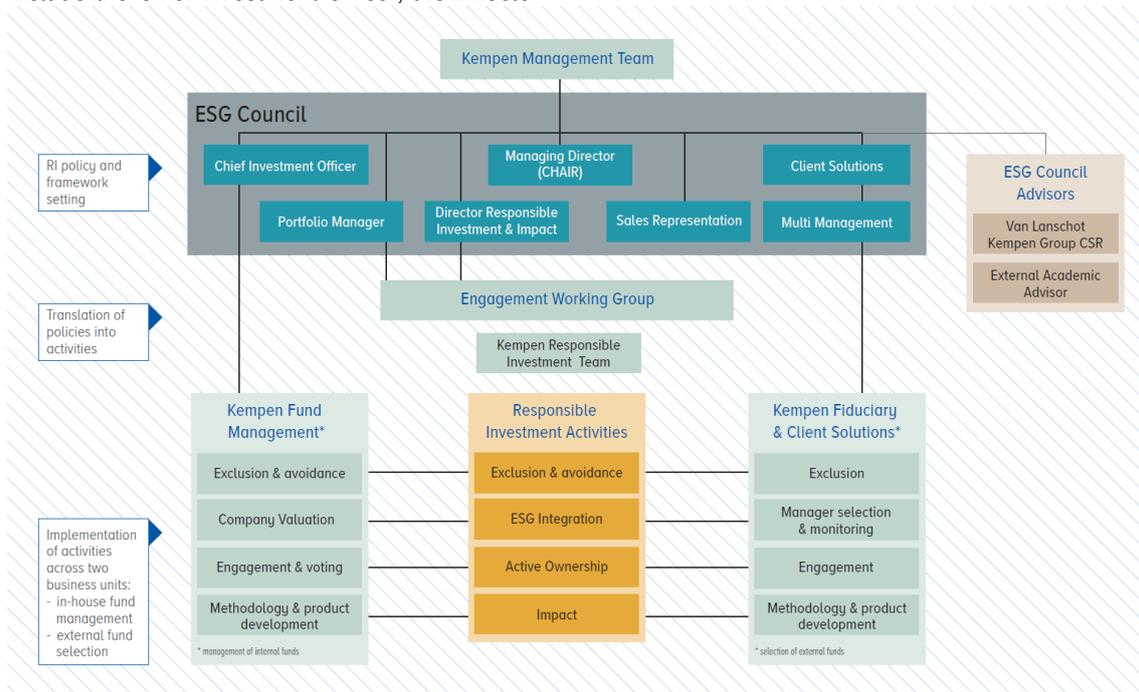
## Oversight of voting activities

The ESG Council has ultimate responsibility for the drafting and implementation of the responsible investment policies, and is Kempen’s most senior

advisory body on ESG-related matters. The ESG Council has seven members, all of whom have the right to vote, and aims to represent the interests

of internal and external stakeholder groups. The ESG Council is chaired by a member of the Kempen Management Team, and all its voting members are proposed or appointed by the Kempen Management Team. Its current members include the Chief Investment Officer, the Director

of Responsible Investment and Impact, a senior representative of the Multi-Management Team, a Senior Portfolio Manager, a senior representative of Client Solutions, a Portfolio Manager and a senior representative from the Sales Team.



The ESG Council and the Responsible Investment Team ensure that responsible investment-related policies are implemented in a consistent manner across all business units, investment strategies and client mandates.

Responsible Investment Advisors and ESG-Specialists work closely with Portfolio Managers on the implementation and development of the voting policy. Should views differ on a particular vote internally, the case is brought to the ESG Council, who has the ultimate vote.

## Company dialogues

We entrust the responsibility for the management of the companies we invest in to the companies' boards and senior executives and expect these to be fully accountable for their behaviour and decision-making to benefit all stakeholders.

companies to influence their governance and to trigger change from within to the benefit of shareholders and stakeholders alike. Our Engagement Policy provides more detail on this.

As continued best practice of our actively managed funds, we aim to start a dialogue with companies at whose meeting we decide to vote against management. Such dialogues start with notifications about our voting instructions via email or phone and a requests for clarification on the respective agenda items. If the clarification does not lead to a change of decision, we vote against management, which could lead to a longer-term engagement. We engage with

In line with the Dutch Stewardship Code, we consult with management before exercising our right to submit a request for convening an extraordinary general meeting or tabling a shareholder resolution. Furthermore, if we propose a resolution that is put on the agenda of a general meeting of a Dutch listed investee company, we will be present or represented at that meeting in order to explain this resolution and, if necessary, answer questions about it.

## Service providers & transparency of voting activities

We use the electronic voting platform of Institutional Shareholder Services, Inc. (ISS), who provides custom research and voting recommendations according to our voting policy. Although we use the services of ISS we thoroughly review company meetings individually.

All our voting records are available on the [Kempen Voting Dashboard](#), which is up to date and provides a detailed overview of how we voted on each agenda item at each meeting.

## Share blocking

Our voting guidelines are applied with a level of flexibility regarding market and firm specific situations, as there is no one-size-fits-all solution. Trading in shares is hindered due to share blocking in certain markets (for instance in Norway) and is potentially impacting our investment process. We work together with our custodian banks and the provider for the proxy voting platform to ensure we vote at as many meetings as possible.

Unless there is a clear plan to trade in shares due to compliance or performance reasons, we accept that shares will be blocked. We may opt to refrain from voting if we deem that the benefits do not outweigh the constraints, e.g. when share blocking interferes with liquidity needs.

## Securities lending

Securities lending programs can reduce the level of voting activity as the exercise of voting rights may be hampered when securities are on loan at

the time of a shareholders meeting. Kempen does not engage in securities lending.

## Conflicts of interest

Voting can potentially lead to conflicts of interest. Kempen has policies and procedures in place to manage potential conflicts in a way that safeguards the interests of all clients. Where potential conflicts are identified, we are

committed to ensuring that they are effectively and fairly managed to prevent these conflicts from damaging the interests of our clients. For additional information please refer to our [Conflict of Interest Policy](#).

# 2020 Voting Guidelines

Voting decisions are made with our client's best interest in mind. We consider the resolutions a contribution to long-term value creation of our investee companies worldwide. The following voting principles serve as guidelines for informed

and consistent voting at the meetings of Kempen's investee companies across all investment teams. Kempen encourages corporate governance structures that facilitate accountability, stewardship & transparency.

## Accountability and transparency

Kempen calls for transparency and the adequate and timely disclosure of material information by its portfolio companies, to allow informed decision making. We believe that the board should have high standards of ethics and integrity and consider the interests of key stakeholders in their decisions . The board should be accountable for the implementation of stringent policies and procedures to mitigate all material risks, including those of bribery, corruption and other misconduct , while upholding confidential mechanisms where stakeholders can raise issues of concern.

We promote effectiveness of shareholder participation and we encourage our investee companies to have an open dialogue with their investors. We encourage an integrated approach to reporting that allows investors to put historical performance into context, understand future risks and opportunities and the company's strategic objectives . For investors to obtain a picture of the whole company, information around risks and opportunities associated with environmental social and governance matters should be appropriately integrated and the oversight role of the board should be explained . We expect investee companies' management to be responsive to shareholders' requests for information and clarification.

While the board must ensure the integrity of the company's accounting and financial reporting

system, auditors have an important public role to fulfil, namely to ensure that companies communicate to their stakeholders in a transparent manner about their activities. We believe that auditors must be independent and that payments should not compromise auditor's objectivity.

We consider voting AGAINST the **approval of financial statements, director reports and audit reports** if:

- Statements have not been approved by the auditor
- There are concerns about data presented or audit procedures applied

We consider voting AGAINST the **ratification of the auditor** if:

- Companies do not re-tender their audit contract in line with market best practice or after 10 years .
- The auditors are being changed without explanation
- The auditors have previously served the company in an executive capacity or is otherwise affiliated with the company
- The lead audit partner(s) has been linked with a significant auditing controversy; There is reason to believe that the auditor has rendered an opinion which is neither accurate nor indicative of the company's financial position.

## Board structure

We believe that board decision making should be guided by a culture that promotes sustainable and long-term value creation. Every company should be headed by an effective board which is collectively responsible for the success of the company. As a guiding principle, Kempen supports independence of directors to ensure objectivity and countervailing powers.

The board should be comprised of at least 50% directors which are considered independent<sup>1</sup> according to the ICGN definition of director independence (ICGN Principle 2.6). The 50% threshold holds for both 1-tier and 2-tier board structures. A director serving on a board for more than 12 years is not considered independent. Ideally, directors' board membership should not exceed 12 years without a clear and compelling justification.

Generally, we do not support excessive agglomeration of power with the CEO and are not in favour of a combined CEO/Chairman positions, unless we are provided with an adequate explanation thereof or the lead director is in position to counterbalance to the CEO/Chairman position. The division of responsibilities between the chairman and Chief Executive should be clearly established, set out in writing and agreed by the board. A strong CEO should be counterbalanced by a strong independent Chair<sup>23</sup> or majority independent board<sup>4</sup>. We generally do not favour a retiring CEO to stay on the board as a director, especially not if the retiring CEO should take a role in a committee or even be considered as a Chair<sup>5</sup>.

Kempen encourages diversity in the board room in terms of director's competencies, expertise,

experience, background, gender, age and ethnicity. The board should draw up a diversity policy for its composition, targets related to diversity and diversity aspects relevant to the company in question<sup>67</sup>. Companies should report on current diversity in the board and at senior management levels, measurable targets and progress made in achieving those targets (including reference to how diversity is achieved through appropriate succession planning in the executive board levels)<sup>8</sup>. Gender diversity is taken into account in non-quota markets.

We vote for the discharge of the board unless there are clear concerns about the performance of the board and the management in the period under review. We also take into consideration concerns about board members acting in favour or personal or management's interests.

We expect active involvement and attendance of directors at board meetings and we do not support *overboarding* of directors. We encourage the boards of our investee companies to have both a succession<sup>9</sup> and retirement plan<sup>10</sup>.

Furthermore, we support the introduction (and strategic alignment of) committee structures ('audit', 'nomination', 'remuneration') as we believe that they increase board efficacy and accountability<sup>112</sup>. The Chair of a committee must be considered independent. Overall, we recommend that 100% of committee members are independent<sup>13</sup>. There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration<sup>14</sup>.

<sup>1</sup> ICGN Global Governance Principles, provision 2.5, Provision 2.1.8 of the Dutch Corporate Governance Code

<sup>2</sup> ICGN Global Governance Principles, provision 2.1

<sup>3</sup> Provision 2.1.9 of the Dutch Corporate Governance Code

<sup>4</sup> We recognize that this may not be achievable or standards market practice in some regions (e.g. emerging markets, South Korea or Japan) yet. In that case, we look for a minimum of a one-third independent directors.

<sup>5</sup> ICGN Global Governance Principles, provision 2.3

<sup>6</sup> Provision 2.1.5 of the Dutch Corporate Governance Code

<sup>7</sup> ICGN Global Governance Principles, provision 3.1

<sup>8</sup> ICGN Global Governance Principles, provision 3.1

<sup>9</sup> ICGN Global Governance Principles, provision 1.1.f

<sup>10</sup> Provision 2.2.4 of the Dutch Corporate Governance Code

<sup>11</sup> Provision 2.3.2 and 2.3.3 of the Dutch Corporate Governance Code

<sup>12</sup> ICGN Global Governance Principles, provision 1.6

<sup>13</sup> Provision 2.3.4 of the Dutch Corporate Governance Code

<sup>14</sup> Section D:Remuneration of the UK Governance Code

Kempen expects the board to regularly carry out evaluations to appraise their performance and assess whether they possess the right mix of background and competences, as well as transparency regarding the evaluation outcomes. We encourage board members to keep their knowledge and skills up to date and to spend sufficient time on their duties and responsibilities. We expect the board to be responsive towards its stakeholders, environmental issues, labour interests, human rights, or supplier code of conduct and ensure that the management applies a do no harm principle in company policies.

Accountability mechanisms may require individual directors to stand for election on an annual basis, which we recognize as best practice. Furthermore, we advocate boards to focus on international best-practices if their domestic governing legal and governance systems are lagging.

We generally vote **FOR nominated individual directors**, unless:

- There are general concerns about the composition of the board
- In the case of widely held companies, the nominated director is non-independent and joining a board which, after election, is less than 50% independent<sup>15</sup>
- The nominated director is non-independent and is joining the audit committee, nomination committee or the remuneration committee<sup>16</sup>
- The Chairperson is on the board longer than 9 years (only in the UK).<sup>17</sup>
- There are concerns about the expertise of the director
- There are concerns about the individuals' history including criminal wrongdoing, related party transactions, breach of fiduciary duty, also including social and environmental concerns, or disregard of governance market-best-practices

- There have been questionable transactions with conflict of interest
- Level of attendance of individual director at re-election is below 75%, unless a valid explanation is provided
- The individual director is *overboarding* (when already holding 4 non-executive directorships, less, if executive responsibilities are held, or if the individual in question is the Chairman of the board or the CEO)<sup>18</sup>
- If the company is at risk of material ESG failures and there is no adequate ESG risk mitigation policy in place or the policy is not implemented effectively and there is lack of disclosure on the risks, impacts and their mitigation.
- There are concerns in regard to commitment and allocation of time or attendance of meetings

We will consider voting against the election of the Chair of the Nomination/ Governance Committee if there are no women on the board and at the same time, the Committee has not recommended female candidates over a prolonged period of time (depending on the market). If there is no Nomination / Governance Committee, we may consider voting against the Chair of the Board.

We will vote against article amendment proposals to extent board membership tenure.

Employee representatives are considered non-independent. However, employee representatives are not taken into account when determining the independence of the board, or a committee, for the purpose of director elections.

We generally vote **FOR employee representatives**, unless:

- There are general concerns about the composition of the board
- There are concerns about the individual's history including

<sup>15</sup> we may deviate if local best practices call for lower independence thresholds and take into account size and ownership factors

<sup>16</sup> we may deviate if local best practices call for lower independence thresholds and take into account size and ownership factors

<sup>17</sup> UK Governance Code, provision 3.18

<sup>18</sup> ICGN Global Governance Principles, provision 1.4

- criminal wrongdoing, breach of fiduciary responsibilities
- There have been questionable transactions with conflict of interest

- There are concerns about the director's potential conflict with (minority) shareholder interests

## Remuneration

The design and implementation of remuneration policies should adequately attract, retain and motivate management, align the interests of the managers with the interests of stakeholder, while ensuring shareholder return. The supervisory board (non-executive board) is responsible for the drafting of the remuneration policy for the management board (executive board) and are adopted by the general meeting of shareholders. Schemes in form of shares or rights to shares should be submitted to the general meeting separately. We generally strive for an annual advisory vote on remuneration reports<sup>19</sup> and an annual binding vote on executive remuneration policies.

The remuneration committee should be composed of independent (non-executive) directors only and is responsible for ensuring that remuneration is reasonable in both structure and quantum. The structures of compensation packages should be simple to understand and should be transparent to shareholders. We promote boards to provide clear justifications of their executive's levels of pay<sup>20</sup> and to support initiatives to disclose internal pay ratios<sup>21</sup>. The remuneration committee should have some discretionary power to adjust the level and/or outcome of the variable remuneration components to be granted in order to achieve a reasonable remuneration. This authority looks primarily at the ability of the supervisory board to make downward adjustments to the size of the variable, unvested, remuneration elements<sup>22</sup>. Schemes should include provisions that would enable the company to recover sums paid or withhold the payment of any sum, and specify the

circumstances in which it would be appropriate to do so.

We support performance related compensation that focuses on long-term value creation to prevent earnings management and value fluctuations; and like to see adequate translation of the company's long-term strategy into sensible KPIs (financial and non-financial)<sup>23</sup>. The ratio between variable and fixed remuneration components should be sensible<sup>24</sup>. Performance-related elements should be transparent, stretching, set upfront<sup>25</sup>, and rigorously applied<sup>26</sup>. Ideally, performance measures should not only be stock-market related, such as Total Shareholder Return<sup>27</sup>. We propose disclosure around the composition of the peer group.

Long-term incentives, which are tied to peer group performance, should not be vested below median performance. If shares or share options are awarded, the vesting period of shares should be at least 5 years (UK, Netherlands), while the options should only be exercised after a period of 3 years (UK, Netherlands)<sup>28</sup> unless there is a change in control of the company accompanied by a termination of employment in which case we will vote on an accelerated vesting of equity awards case by case.

Companies are recommended to also base the granting of variable remuneration elements on environmental, social and/or governance goals. All goals should be clear, clearly quantifiable and measurable, stretching, time-bound and, have a direct relation with the company's strategy and

<sup>19</sup> ICGN Governance Principles provision 6.7

<sup>20</sup> Provision 3.2.2 of the Dutch Corporate Governance Code

<sup>21</sup> Provision 3.1.2ii of the Dutch Corporate Governance Code

<sup>22</sup> Eumedion principles for a sound remuneration policy for members of the management board of Dutch listed companies, Principle 9

<sup>23</sup> Provision 3.1.2i of the Dutch Corporate Governance Code

<sup>24</sup> Provision 3.1.2v of the Dutch Corporate Governance Code

<sup>25</sup> Eumedion principles for a sound remuneration policy for members of the management board of Dutch listed companies, Principle 6

<sup>26</sup> Provision D of the UK Corporate Governance Code

<sup>27</sup> Red Line provision G22 (linked to UK Corporate Governance Code section D)

<sup>28</sup> Provision 3.1.2vii of the Dutch Corporate Governance Code. We recognize that in the US a staged vesting (a third every 12 months) is the common market practice

the operational performance. Any short- or long-term compensation component must include an absolute award limit.

Overall, directors are encouraged to buy and hold a meaningful number of shares after their departure from the company to incentivize long-term strategic decision making (assessed for the UK only). Also, LTIPs should vest pro rata for departing directors, based on the time elapsed since the inception of the LTIP and the tenure of the director.

In case a remuneration advisor has been consulted, the name of the external remuneration advisor should be disclosed in the company's annual report and remuneration report respectively. Furthermore, we encourage our investee companies to explain the mechanisms that deal with remuneration packages in case of large organizational changes, such as mergers and acquisitions, as we want to understand the motivations of parties involved. The assessment of any public or private bid, a legal merger or demerger or a major acquisition or divestment is part of the regular activities of a management board member. These events are therefore not eligible for the grant of an - additional - variable compensation<sup>29</sup>. In the event of a takeover bid, merger or demerger any conditionally granted shares and / or rights to shares are settled in proportion to the elapsed performance period ('pro rata')<sup>30</sup>. If change of control provisions are not in line with market best practices we may vote against golden handshakes/ parachutes in an acquisition, merger, consolidation or proposed sale.

We generally vote FOR the election of the **chairman of the remuneration committee**, unless:

- The proposed Chairman of the remuneration committee is not considered independent<sup>31</sup>

- After election, the remuneration committee will not consist of a majority of independent directors<sup>32</sup>
- After election, the remuneration committee consists of less than three, or in the case of smaller companies less than two, independent non-executive directors<sup>33</sup>,
- The company chairman is proposed to be appointed as the chairman of the remuneration committee<sup>34</sup>

We generally vote FOR **remuneration policy proposals** and/or **remuneration reports**, unless the proposal is not in line with market best practices or reflects (a combination of) below listed criteria:

- There is a lack of clarity,
- There is a lack of transparency,
- The pay ratio between the highest paid individual and the median pay of employees (where appropriate, differentiated among geographical regions) is unreasonable (assessed where sufficient disclosure exists, such as the US)<sup>35</sup> and where concerns about granting of living wage to all employees are present (UK, NL);
- The remuneration policy fails to align pay with performance and is not formulated with corporate strategy implementation and long-term value creation in mind<sup>36</sup>
- The policy contains stimuli that may be detrimental to the long-term interests of the company
- The remuneration policy is not reviewed periodically in line with market best practice
- The level and composition of executive remuneration is not consistent with the company's

<sup>29</sup> Eumedion principles for a sound remuneration policy for members of the management board of Dutch listed companies, Principle 6

<sup>30</sup> Eumedion principles for a sound remuneration policy for members of the management board of Dutch listed companies, Principle 9

<sup>31</sup> Provision D.2.1. of the UK Corporate Governance Code

<sup>32</sup> Red Line provision G16 (linked to UK Corporate Governance Code section D.2.1)

<sup>33</sup> Provision D.2.1. of the UK Corporate Governance Code

<sup>34</sup> Red Line provision G16 (linked to UK Corporate Governance Code section D.2.1)

<sup>35</sup> The transparency of the calculation methodology and the changes in value over time will be taken into account.

<sup>36</sup> Provision 3.1.2i of the Dutch Corporate Governance Code, OECD Principle VI.D.4

general remuneration policy/structure

- There is over-reliance on matching schemes, bonus banking schemes or other similar measures
- The variable remuneration component is not adequately linked to a set of measurable performance criteria, which is set in advance, is quantifiable, and predominantly long-term focused<sup>37</sup>
- The remuneration report does not describe the performance targets and how these have been met ex-post in markets where it is established best practice
- The variable remuneration component does not take into account the economic circumstances in which the company operates
- If long-term incentives are tied to a peer group, the remuneration policy does not disclose the composition of the peer group and rationale for the selection of companies
- CEO compensation is unreasonable compared to peers and company performance
- If long-term incentives are overly focusing on metrics such as Total Shareholder Return (TSR) or Earnings Per Share (EPS) instead metrics such as long-term revenue growth, EBITDA, sustainable value creation, resource allocation, (return on) invested capital / (return on) capital employed measures, or productivity metrics relating to the company's business activity
- The term for granting unconditional long-term variable remuneration is shorter than 5 years
- If shares are awarded, the minimum holding period is less than five years, or there are concerns about

the terms and conditions governing this

- The remuneration policy does not consider the development of market prices of shares<sup>38</sup>
- The variable component exceeds 100% of base salary for financial issuers<sup>39</sup>
- There are payments of transaction bonuses (at completion of a given transaction)
- Change of control provisions are not in line with market best practices
- There are no provisions that enable the company to withhold the payment of any sum ('malus'), or recover any sum paid ('clawback')<sup>40</sup>
- There are no provisions for withholding benefits on cessation of employment<sup>41</sup>
- Severance payments are not in line with market best practices, or exceed one year salary
- Pension arrangements show significant disparity with pension provisions for the general workforce (UK)

We generally vote FOR **remuneration policy proposals** for the **supervisory board members and non-executive directors in one-tier boards**, unless:

- There is concern related to the time and responsibility provisions linked to remuneration<sup>42,43</sup>
- The remuneration structure is too focused on the short term performance
- The amounts are excessive by country or industry standards
- Members of the supervisory board are awarded shares options or any other form of variable / performance based pay as part of their remuneration<sup>44</sup>, unless it is a

<sup>37</sup> Provision 3.1.2v of the Dutch Corporate Governance Code

<sup>38</sup> Provision 3.1.2iv of the Dutch Corporate Governance Code

<sup>39</sup> CRD IV Directive

<sup>40</sup> ICGN Governance Principles provision 6.3, Provision D1.1 & D.1.2 of the UK Corporate Governance Code, we only vote in markets where disclosure is common practice.

<sup>41</sup> UK Corporate Governance Code section D.1.4, Red Line provision G17

<sup>42</sup> Provision 3.3.1 of the Dutch Corporate Governance Code

<sup>43</sup> Provision D1.3. of the UK Corporate Governance Code

<sup>44</sup> Provision 3.3.2 of the Dutch Corporate Governance Code, Eumedion principles for a sound remuneration policy for members of the management board of Dutch listed companies, Principle 12

widespread practice in the local market

- Proposals introduce additional benefits, such as retirement benefits for non-executive directors

A significant voting opposition (i.e. > 20%) to remunerations proposals should not be ignored and the management should publish an explanation for the dissent and explain what the board is doing to address concerns.

## Capital structure

We expect our investee companies to adequately measure and monitor financial risks. Furthermore, we expect an appropriate capital structure to be in place. We encourage companies to formally review their capital allocation decisions in their annual reports. For financing activities that potentially have a large impact on the value of the company, the ultimate say should be with shareholders.

In case of a proposed issuance of shares we investigate the merit of the proposal (e.g. company rationale, possible financial distress, alternatives to a share issuance, need for finance, alternative means of finance, foreseeable market reactions, level of shareholder support).

We vote FOR **issuance authorities** with pre-emptive rights up to 20 percent of currently issued

capital, and for the issuance authorities without pre-emptive rights to a maximum of 10 percent (or a lower limit if local market best practice recommendations provide) of currently issued capital. The authorization should not exceed 18 months. We vote FOR non-specific proposals to increase **authorized capital** up to 20% over the current authorization. We expect the proposal to contain a justification for divergence if the above conditions are not met.

We vote FOR repurchase and re-issuance plans proposals, unless the terms are unfavourable to shareholders, or there are other concerns around these measures.

## Organizational restructuring, mergers and acquisitions

We vote on a case-by-case basis, taking into account the long-term impact of reorganizations and restructurings. For mergers and acquisitions we review the strategic rationale, potential impact of a transaction on shareholder value, the offer premium, and potential market reactions. We expect the board to carefully weigh stakeholder interests concerned, while avoiding conflict of interest for board members<sup>45</sup>.

In case of a proposed M&A or restructuring proposal we investigate the merit of the proposal (e.g. company rationale, good governance, possible financial distress, alternatives to the proposal, need for finance, alternative means of finance, foreseeable market reactions, level of shareholder support, and impact on shareholder rights, i.e. voting rights, earnings distribution, etc).

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<sup>45</sup> Provision 2.8 of the Dutch Corporate Governance Code

## Shareholder rights

We believe that shareholders should have the right to vote on major decisions, including appointment and removal of directors, amendments to governing documents, such as articles of association and by-laws, buybacks, issuance of shares, shareholder rights plans (poison pills), proposals that change the voting rights, material transactions<sup>46</sup>. We review proposals around such major decisions on a case-by-case basis. We generally support amendments that provide an increase in shareholder rights, as well as those improving governance standards. We only support antitakeover proposals if they are structured in a way that they give shareholders the ultimate say on any offer. We do not support management proposals for which information has not been disclosed.

We expect the board to disclose processes for approving, reviewing and monitoring related party transactions<sup>47</sup> and to ensure the protection of minority shareholder interests<sup>48</sup>. We believe that investee companies should allow for proxy access

and support the right of shareholders to make own director nominations<sup>49</sup>. Furthermore, shareholders should have the right to call a shareholder meeting and place items on the agenda of general meetings, subject to reasonable thresholds<sup>50</sup>, and should generally be enabled to work in collaboration<sup>51</sup>. Ordinary or common shares should feature one vote for each share and dual class shares are discouraged<sup>52</sup>. We vote AGAINST increase of thresholds for shareholders to submit shareholder resolutions.

The board must give notice of a general meeting in a timely manner (subject to listing rules and market best practices) and publish vote levels for each resolution promptly after the meeting, while also confirming to shareholders whether votes have been validly recorded<sup>53</sup>. We will vote AGAINST proposals that reduce the 21-day notice period in line with the EU Shareholder Rights Directive, but will assess this on a case-by-case basis for UK based issuers<sup>54</sup>.

## Votes on shareholder resolutions

As a long-term engaged shareholder, we consider a shareholder resolution as a contribution to the long-term value creation of our investee companies. We expect our investee companies to be able to identify, monitor and manage environmental and social risks, including the safeguarding of labour and human rights. We promote active stakeholder engagement, as well as the inclusion of stakeholders in the assessments of risks, with the aim to create long-term value. We believe that companies should strive to at least do no harm be transparent about

environmental and social risks and opportunities, as well as related policies and their implementation / mitigation / remediation measures.

In evaluating voting issues concerning social and environmental issues, international law and agreements provide useful standards. While we vote on shareholder proposals on a case-by-case basis, we use [Kempen's Responsible Investment Policy](#) and our [Convention Library](#) to review the impact of shareholder proposals.

<sup>46</sup> ICGN Governance Principles provision 8.2, OECD Principle II.B.1, 2, 3, OECD Principle II.A.5

<sup>47</sup> ICGN Governance Principles provision 8.4, OECD Principle II.A.3, 4, V.A.5

<sup>48</sup> OECD Principle III.A.2

<sup>49</sup> ICGN Governance Principles provision 3.4

<sup>50</sup> ICGN Governance Principles provision 8.9, OECD Principle II.C.2

<sup>51</sup> ICGN Governance Principles provision 8.7, OECD Principle II.G

<sup>52</sup> ICGN Governance Principles provision 8.1

<sup>53</sup> ICGN Governance Principles provision 8.13, 8.16, 8.17

<sup>54</sup> 2007 EU Shareholder Rights Directive Art. 5, 'Member States may provide that, where the company offers the facility for shareholders to vote by electronic means accessible to all shareholders, the general meeting of shareholders may decide that it shall issue the convocation of a general meeting which is not an annual general meeting in one of the manners specified in paragraph 2 of this Article not later than on the 14th day before the day of the meeting. This decision is to be taken by a majority of not less than two thirds of the votes attaching to the shares or the subscribed capital represented and for a duration not later than the next annual general meeting'. In the UK and Ireland we vote on this item on a case by case basis.

## Workplace practices

We vote FOR proposals that ask companies to report on the quality of their workplace practices

and on their efforts to improve the quality of their workplaces .

## Discrimination in employment

We vote FOR shareholder proposals that:

- Require companies to report on diversity in their workforce, except when those reports already exist and are readily available to shareholders
- Require companies to improve diversity and equality in the workplace, as long as those plans do not set arbitrary or unreasonable goals.. We will assess these proposals on an individual basis
- Require companies to prohibit discrimination in employment, including proposals to expand or clarify anti-discrimination policies
- Call for the disclosure of (gender) pay ratios

We vote AGAINST proposals that would exclude any group of people from policies against employment discrimination.

## Operations in zones of conflict

We vote FOR shareholder proposals that:

- Require companies operating in conflict zones to establish policies to protect the rights of local communities and to avoid exacerbating conflicts
- Require companies to monitor compliance with those policies, and to

provide shareholders with independently verified reports on their adherence to those policies, including how grievances are monitored and remediated

## Payments to governments & political contributions

We expect our investee companies to have a policy on political engagement, covering lobbying and donations to political causes and candidates where allowed under respective national law. The benefits and risks should be monitored and evaluated in a transparent manner and should be regularly reviewed by the board<sup>55</sup>. We vote FOR

proposals to disclose the amounts and recipients of any contributions companies make to political parties.

We typically support proposals that call for tax transparency and disclosure of payments to governments on a country-by-country basis.

## Environment

We consider voting FOR shareholder proposals that:

- Address ESG risks and their mitigation (i.e. GHG reduction targets) except when the company already has a satisfactory mechanism already in place for this.
- Require companies to create an Environmental Committee of the Board where environmental risks are significant or to assign environmental responsibilities to an existing board committee in sectors where such risks are less significant

<sup>55</sup> ICGN Governance Principles provision 4.3

- Require companies to provide reports on their environmental performance, including reports on environmental effects of specific aspects of their operations or specific products using international frameworks such as the Taskforce for Climate Related Financial Disclosures (TCFD), the UN Guiding Principles on Business and Human Rights (UNGP) or standards such as the GRI Sustainability Reporting Standards
- Require companies to report on their greenhouse gas emissions, their financial exposure for damages associated with climate change, and the evaluation of various options to reduce their liabilities related to greenhouse gas emissions and/or climate change
- Require companies to report to shareholders on the steps taken to manage risks related to potentially hazardous processes and products, including independent verification of audits and environmental impact statements
- Call for tying remuneration / long-term incentive plans to relevant environmental or social targets

Proposals calling for companies to implement measures to reduce their greenhouse gas emissions will be evaluated on a case-by-case basis, taking into account companies' current levels of emissions and the effectiveness of any programs they have to reduce those emissions. The directors should confirm in the annual report that they have carried out a robust assessment of the principal risks facing the company.

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