

VOTING GUIDELINES

EUROVOTE 2018 – BETTER FINANCE VOTING GUIDELINES

The BETTER FINANCE Voting Guidelines have been developed in order to provide clear, coherent and transparent guidance to European shareholders as well as support the EuroVote project. They constitute a European-wide set of general guidelines according to which proxy votes will be executed in the framework of EuroVote, if no specific voting instructions have been received from shareholders. BETTER FINANCE's Voting Guidelines recognize that a 'one size fits all' approach is inappropriate. While our guidelines aim to support common international standards we take into account local market practices and specific issuers' situations, where these are reasonably explained and well-founded.

Consequently, BETTER FINANCE's Voting Guidelines also take into account the advice and expertise of its national member organizations. Therefore, the final voting decision is up to the representative of the BETTER FINANCE member organization at the respective AGM.

We underline that BETTER FINANCE Voting Guidelines are of a purely indicative character and do not interfere with the freedom of voting.

CONCERNS THAT MAY TRIGGER A VOTE AGAINST THE RESPECTIVE PROPOSAL:

1. Distribution of profit

- The dividend is repeatedly being paid out of the substance not out of the operative profit
- The use of the net profit and the distribution of a dividend appear inadequate because of the financial situation of the company
- The pay-out ratio is considered inappropriate

2. Discharge of the Executive Directors / Management Board Members

- If shareholders' questions during the AGM concerning important issues are not answered satisfactorily
- Well-known and substantial conflicts of interests of board members
- If there are considerable doubts about the credibility of the information given to the shareholders before or during the AGM
- Serious deficiencies in the company's Corporate Governance
- Lasting deteriorating business progress in comparison to the company's peer group
- Clear and repeated errors in the forecasts (e.g. on earnings)
- Fundamental errors in the information policy, for instance violation of the duty to release price sensitive information immediately
- (Obviously) criminal behaviour (for instance defalcation), especially after opening of the main proceedings

- Serious deficiencies with regard to the company's internal control, risk management or compliance system

3. Discharge of the Non-Executive Directors / Supervisory Board Members

- Inadequate control of the executive board
- Well-known and substantial conflicts of interests of Non-Executive Board / Supervisory Board Members
- A Non-Executive Board / Supervisory Board Member participated in less than 75% of board and/or committee meetings during the year under review without adequate explanation
- Inadequate remuneration of the Executive Directors / Management Board
- Where a vote (e.g. on the remuneration system) has not received a substantial majority at the previous year's general meeting: No subsequent improvement or statement by the boards provided
- Unreasonable early extension of management contracts

4. Elections to the board

- Well-known and substantial conflicts of interests of proposed candidates
- Incumbent board member failed to attend at least 75% of meetings in the previous year.
- Actions of committee(s) on which nominee serves are inconsistent with other guidelines (e.g. excessive option grants, inappropriate remuneration for executives / management board members, disproportion of audit/non-audit fees, lack of board independence)
- Not enough independent¹ shareholder representatives present on the board in relation to the shareholder structure
- Audit, Nominating, and/or Compensation committees include a majority of non-independent members
- Proposal leads to a combination of Chairman and CEO position.
- Nomination process not sufficiently transparent (lack of significant information on the nominee and his/her qualifications for the board)
- The information regarding the proposed candidates is insufficient
- Intended board composition considered insufficiently diverse
- Concerns over aggregate time commitments of the candidate (over-boarding)

¹ We refer to the EU definition of "independent" directors or members of the supervisory board (<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:052:0051:0063:EN:PDF>) for Member States where no stricter local best practice rules/legal conditions apply

- No regular self-evaluation within the (supervisory) board
- The current CEO is elected to the supervisory board without a convincing explanation

5. Election of the auditor

- No (or insufficient) information on audit/non-audit fees
- Disproportion of non-audit to audit fees
- Missing/ late declaration of independence
- Reasonable suspicion about concrete misdemeanours
- No internal rotation for more than seven years
- No external rotation for more than 10 years

6. Capital measures

- Pre-emptive right exclusion is not sufficiently objectively justified
- Inappropriate dilution of equity of the existing shareholders
- In case of a cash capital increase: the sum of all pre-emptive right exclusions (including all outstanding authorisations) exceeds 10% of share capital
- No pre-emption for shareholders of the parent company in case of an IPO
- Capital measure leads to a deviation from the "one share - one vote" principle
- Previous authorisations were used to the detriment of minority shareholders

7. Repurchase of shares

- Repurchase at more than 10% above the current share price
- Preferential treatment of single "chosen" investors at the expense of minority shareholders
- Critical liquidity situation of the company
- Repurchase is (fully or partially) credit-financed/paid by issuing debt
- Authorisation replaces the cash dividend or critically undermines the company's capacity to pay a dividend

8. Shareholder rights plans ("poison pills")

- A general authorization is sought for a period of more than 5 years
- Renewal of plan is automatic or does not require shareholder approval
- Ownership trigger is less than 15%
- Classified board
- Board with limited independence

9. Remuneration-related decisions

Non-executive/supervisory board members:

- Inappropriately high share of the variable remuneration
- Variable remuneration is only connected to short-term parameters
- Parameters for variable remuneration considered inadequate, e.g. dividend-linked
- Parameters for variable remuneration of supervisory board and management board are identical

Executive/management board members

- Remuneration (policy) is not sufficiently transparent
- Significant concerns over content / structure of remuneration
- Remuneration (policy) is not sufficiently long-term oriented
- Remuneration is inadequately high
- Remuneration is not capped or a cap is not disclosed
- Remuneration does not follow the “pay for performance” principle
- Share-based programs entail unacceptable performance hurdles, are not sufficiently challenging, permit repricing or may lead to a total potential dilution in excess of 15% of shares outstanding
- Significant concerns over termination/pension provisions

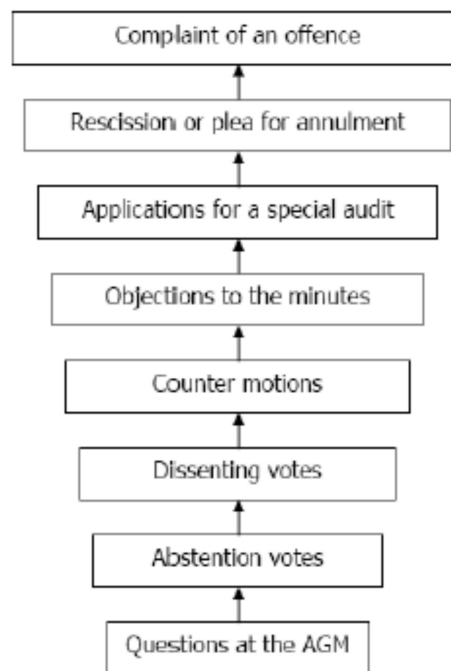
10. Amendments to the Articles of Association

- Whenever shareholders rights are reduced significantly, e.g. deviations from the “one share - one vote” principle

11. Escalation strategy

BETTER FINANCE advocates a constructive dialogue with the companies. To point out deficits within a company in an appropriate way, BETTER FINANCE adopted the following escalation strategy developed by our German member organisation DSW:

- **Step no.1:** As a first step, questions should be asked at the AGM.
- **Step no. 2:** If the questions are not answered satisfactorily or if no solution can be found, we recommend more radical steps, ranging from abstention or



opposition at the general meeting's vote, up to the initiation of a rescission or a plea for annulment. In doing so, BETTER FINANCE's primary objective is always strengthening the position of shareholders it represents.

- **Step no. 3:** If a constructive dialogue with the company does not lead to any major changes, BETTER FINANCE and its board could decide on future steps, such as a media campaign.