

Proxy Voting Guidelines Triodos Impact Equities & Bonds

Introduction

This is the tenth version of the Triodos Investment Management (Triodos IM) Proxy Voting Guidelines (the Guidelines), which outline the broader voting philosophy for all Triodos IM's listed equity investments. The Guidelines provide a reference framework for analysing resolutions put forward at shareholder meetings and for formulating voting recommendations. It is our policy to update and elaborate on these Guidelines regularly per new developments.

The Guidelines are underpinned, first and foremost, by the broader mission of Triodos, namely *to contribute to a sustainable society, which respects people, the environment and culture*. Similarly, the Guidelines are developed in the belief that long-term business success will depend on integration of social, cultural, environmental and financial considerations.

As part of Triodos IM's impact investment strategy, the firm aims to hold constructive dialogue with companies to further stimulate responsible business practices and to create positive impact and shareholder value. Proxy voting is one of the instruments used for this purpose and it is part of the broader investment and engagement strategy. By publishing this document, Triodos IM provides necessary transparency and accountability for activities in this area. Ultimately, these Guidelines reflect Triodos IM's view that fiduciary obligations to the shareholders include an obligation to vote proxies in a manner consistent with good corporate governance and social responsibility.

Triodos IM considers the responsible use of voting rights an especially powerful tool to change public companies for the better and makes use of all its shareholder voting rights. Triodos IM does not engage in empty voting and does not lend voting rights to other investors. As a sustainable investor, Triodos IM seeks to invest in companies that are not in conflict with our values and which deliver long-term value in harmony with society and the environment. A company that intends to deliver long-term value must effectively manage its relations with all its stakeholders and be responsive to their needs and possibly changing demands. The investment team votes in a manner that supports the long-term interest of shareholders and other stakeholders, thereby fulfilling the fiduciary duties to clients. Triodos IM makes use of customised voting advice from Glass Lewis as a starting point, and then the investment team verifies.

All portfolio companies are informed about voting decisions to stimulate awareness. A detailed overview of all voting records on companies is published [here](#).

These Guidelines serves two key purposes:

1. To provide a point of reference for formulating consistent voting recommendations that are in the long-term interest of shareholders as well as other stakeholders of a company.
2. To provide a starting point for reflecting more generally on the role and responsibilities of shareholders in companies, and how the rights of shareholders could be used to improve corporate governance and bring further substance to ethical or sustainable investing.

Structure of these Guidelines

The guidelines are designed to explain the analysis undertaken as part of Triodos IM's proxy voting activities. The guidelines have two main sections: (I) Corporate Governance and (II) Corporate Social Responsibility. The first section is sub-divided into four sub-sections, in line with the typical proposals that are put forward at shareholders' meetings. These are: (A) Annual Accounts, Discharge and Dividends and Repurchase of Shares; (B) Directors Appointment and Remuneration; (C) Auditors; and (D) Share Capital and Shareholder Relations. In most cases we vote in accordance with management, therefore the first section on corporate governance voting describes when we do not support management. However, resolutions as described in section two are often unsupported by management; here we describe when we will support the shareholder proposal.

Triodos Voting Policy

Triodos does not believe in a one-size-fits-all approach and resolutions always must be considered within the context of which a company is operating, notably local standards of best practice. In general, Triodos IM's voting recommendations are as follows:

For	The proposal reflects acceptable practice and is in the long-term interests of shareholders and other stakeholders of the company.
Abstain	The proposal does not meet acceptable practice but either the concern is not considered sufficiently material to warrant an oppose vote or an oppose vote could have a too detrimental impact on the company.
Oppose	The proposal does not reflect acceptable practice and is not in the long-term interests of shareholders and other stakeholders of the company.

(I) Corporate Governance

Annual Accounts, Discharge and Dividends

Annual Accounts

The annual accounts provide key information that enable shareholders and other stakeholders to assess a company's business, strategy and financial situation. It offers the directors of the company with the opportunity to present and comment on activities during the financial year under review and put forward future strategies and objectives. Consequently, the quality and accuracy of the information presented in this document are of key importance to investors.

In addition to financial information, it has become more and more customary to include or integrate corporate governance as well as key environmental and social information in the annual report and/or in separate publications. We consider these issues to be an integral part of a company's business and therefore an integral part of a company's reporting. We also call upon all companies, particularly financial companies, to be transparent about their risk appetite.

Reasons to abstain from related resolutions might include the following:

- The company failed to publish its annual report or to disclose important information on the meeting on time;
- There is a failure to make disclosures on environmental and social risks that are of material importance;
- A resolution on articles of association bundles different changes in one resolution and these changes are not interrelated.

Reasons to vote against related resolutions might include the following:

- There are serious deviations from corporate governance best practices that are not sufficiently explained;
- The accounts have been qualified;
- There is non-compliance with relevant legal or regulatory (local market) requirements.

Discharge

Discharge of the board(s) typically constitutes formal acceptance of the facts presented in the annual report and the accounts. It also constitutes a declaration that no legal proceedings shall be instituted against the discharged body for its conduct of business during the period under review. The discharge is valid for the facts presented. Once discharge is granted, the rights of shareholders to seek compensation from damages are weakened and prosecution of board members becomes more difficult.

Reasons to vote against related resolutions might include the following:

- There is non-compliance with relevant legal or regulatory requirements;
- The auditors' report expresses serious concerns over shortcomings in the conduct of board members;
- There are pending or anticipated legal proceedings against one or several board members that may be rendered more difficult in case the discharge is granted;
- Discharging the board limits the shareholders' right to pursue future legal action against the company in case of misbehaviour.

Dividends, return of capital or repurchase of shares

Dividends are a means for returning value to shareholders. The dividend policy of a company must be assessed within the context of which the company operates, and will depend, inter alia, on the financial situation, capital requirements, growth prospects and available investment opportunities. In general, Triodos IM favours stable and/or predictable dividend policies and payments. In case extraordinary or super-dividends are proposed, the company should provide satisfactory explanations and justifications. In any case, it is important for companies to be accountable to shareholders for the funds they retain for investment purposes. If no satisfactory usage can be achieved within the company, funds should be returned to shareholders. This could be done by return of capital or the repurchase of shares. A company may wish to reward shareholders in exchange for share registrations in order for the company to get to know their shareholders' identity and reward long-term investors. Loyalty dividends are designed to create an incentive for shareholders who intend to keep their shares longer term. It also allows more direct communication between shareholders and the company, building better relationships and having committed shareholders. The loyalty dividend acts as a device that both rewards long-term shareholders and improves investor relations. Both voluntary registration and de-registration should be available. Triodos IM supports voluntary loyalty dividend programmes.

Reasons to vote against related resolutions might include the following:

- There is reason to believe - because of the financial situation or other circumstances - that the current dividend level cannot be maintained, and the company failed to provide satisfactory explanations;
- The company is not using funds adequately.

Directors Appointment and Remuneration

Directors Appointment

Company boards, whether in a one-tier board structure (Board of Directors) or a two-tier board structure (Supervisory Board and Executive Board) play a key role in guiding and supervising a company. Inter alia, they play an important role in defining the company's strategy, establishing targets for executives, monitoring implementation and results, and controlling risks. Company boards must be active, independent, diverse and competent bodies, that bring together a broad range of expertise and that preferably consist of a healthy balance between male and female representation. The company boards are accountable to the company's shareholders. Triodos IM considers it best practice if all directors are subject to a separate shareholder vote and calls upon companies to conduct a regular external Board performance evaluation review. In addition, as outlined below, Triodos IM includes ESG considerations in its voting on directors.

Reasons to abstain from the appointment of executive directors may include:

- The terms of the contracts are not in line with local acceptable practice without explanation, and no acceptable review procedure is in place;
- Appointment or Termination provisions are considered excessive, inappropriate or not in line with local acceptable practice.

Reasons to vote against the appointment of executive directors may include:

- There is evidence for patronage or directors have not been appointed via a formal appointment/nomination process;
- There is evidence that the director does not act impartially or not in the interest of the company;
- The roles of CEO and chairman of the Board are combined¹;
- Insufficient biographical information is disclosed to assess the qualification of the nominee (disclosure should include gender, age, nationality, recent career history, external positions held, date of joining and term of office).

Reasons to abstain from appointment of non-executive directors may include:

- The nominee has a history of frequent non-attendance (>25%) of board meetings without adequate justification;
- There are concerns over the nominee's aggregate time commitments.

Reasons to vote against the appointment of non-executive directors may include:

- The nominee is not considered independent and there are an insufficient number of independent directors on the board (less than 50% or according to local best practices). Independence of directors is assessed by board tenure, family ties, financial ties, business relations, board cross-ties, over 10% share ownership, representing major shareholders, and former employment or management of the company in the five years preceding his/her appointment;

¹ In 2023, Triodos IM opposed the election of the Chairmen of Acuity Brands, Adobe, Badger Meter, Chegg, Cisco, Hologic, Kyoritsu, Owens Corning, Power Integrations, Procter & Gamble, Rohm, S-Pool and Yamaha.

- The nominee is a member of the audit, remuneration or nomination committee and is non-independent, and there is <50% independence in the respective committee;
- Insufficient biographical information is disclosed to assess the independence and/or qualification of the nominee (disclosure should include age, recent career history, external positions held and date of joining);
- The nominee is responsible for a poor practice of the company;
- The nominee is a company².

Reasons to vote against the appointment of non-executive (committee) chairmen may include:

- The nominee is chairman of the board and is non-independent or was CEO of the company in the five years preceding appointment³;
- The nominee is chairman of the board (or the E&S⁴ responsible committee) and the company does not report on its Scope 1+2 GHG emissions.
- The nominee is chairman of the board (or the E&S responsible committee) and the company does not have SBTi-certified GHG emission reduction targets⁵ (only for select companies/industries).
- The nominee is chairman of one of the board committees and there are corporate practices that fall under the responsibility of this committee which are in serious conflict with acceptable corporate governance standards;
- The nominee is chairman of the audit, remuneration or nomination committee and is non-independent;
- The nominee is chairman of the nomination committee and there is <50% independence in the audit committee and/or remuneration committee;
- The nominee is chairman of the nomination committee and less than one-thirds of the board is female (or male) without a satisfying explanation.

Triodos IM will always take the overall (improvement of the) balance of the board into account and vote accordingly. For example, Triodos IM may vote for the nomination of a female board member when this improves the balance of the board, even if there are concerns over her aggregate time commitments. Triodos IM will also take local best practices into account in the assessment of the board.

Remuneration

Corporate boards play a key role in guiding and supervising a company and in securing its long-term success. Remuneration plays an important role in attracting top talent and providing the right incentives for board members to act in the long-term interest of the company and its various stakeholders. Other important factors that may attract and retain top talent may include the reputation of the company, sound governance arrangements, specific responsibilities assigned, social status, etc.

To ensure that corporate boards and their members exercise their responsibilities in a judicious manner, director's remunerations should be structured to attract and retain top talent while, at the same time, aligning interests of directors with the long-term interests of the corporation and its stakeholders. Both the level of remuneration as well as the structure of remuneration should be set to achieve these goals. Conversely, inappropriate remuneration schemes may cause a waste of resources, and result in a focus on short-term result to the detriment of the long term, could undermine the reputation of the company or even contribute to corporate failure.

The remuneration policy of a company typically can include a fixed component (base salary), a short-term variable component (annual bonus), a long-term variable component (e.g. share option or share schemes) and other benefits (medical insurance, pension benefits and in-kind awards). Triodos IM considers it a key responsibility of the non-executive board to define remuneration policies. Shareholders should, however, have the possibility to hold the non-executive board accountable for these policies. Currently, remuneration is still largely set in a local context and therefore, in assessing remuneration schemes, local standards of practice also need to be considered. Triodos IM is in favour of corporate social responsibility related targets with a long-term horizon for senior management.

Reasons to vote against related resolutions might include the following:

- The CEO-to-median employee pay ratio is deemed excessive;
- The level of CEO remuneration is deemed excessive;

² In Spain, it is possible to elect a company as a director (usually a participating company). The board member representing the company can change over time.

³ In 2023, Triodos IM supported shareholder resolutions requesting an independent Chairman at Edwards Lifesciences and AT&T.

⁴ E&S stands for Environmental & Social.

⁵ This relates to the Science Based Targets initiative (SBTi), which defines and promotes best practice in emissions reductions and net-zero targets in line with climate science.

- The CEO remuneration percentile versus peers is higher than 50;
- Options are included in the long-term incentive plan (LTIP);
- Less than 50% of the LTIP is performance-based;
- There is no performance metric related to ESG;
- There is no clawback or malus policy in the short-term incentive plan (STIP) and/or LTIP;
- There is no double-trigger provision in place.

Auditors

For shareholders and stakeholders alike, it is of prime importance that the annual accounts provide a true and fair view of the company's financial situation. To this effect, the board(s) must set up an internal and external monitoring system. Within this framework, the external auditors fulfil a key function as they provide an external and independent assessment of whether the annual accounts provide a true and fair view of the company. Typically, the board's audit committee proposes the auditors. To fulfil their role in a meaningful manner and to avoid a mutual or conflicting interest between the auditor and the audited company, it is of crucial importance that the auditors are independent of the company and the company board in fact and appearance.

Reasons to vote against on related resolutions might include the following:

- The non-audit fees paid to the auditor are equal to or greater than 25% of the total annual audit fee (for audit, audit-related and non-audit services) in the year under review and over the previous three years without an acceptable explanation provided;
- The company does not fully disclose the audit fees and non-audit fees paid to the auditor;
- There are other reasons for questioning the independence of the auditors in fact or appearance;
- If there is a change of auditor proposed without sufficient explanation to justify this change;
- If the service of the auditor is extended for too long (> 10 years), which may result in excessive trust or insufficient objective testing;
- If the company fails to disclose the date of appointment of the auditor.

Share Capital and Shareholder Relations

The share capital structure of a company provides a general setting in which the company and its shareholders operate. Notably, the share capital structure defines certain shareholder rights such as the right to vote, allowing direct influence at a company's exercise of power. Modifications in the capital structure and/or capital increases will modify such relationships and the influence (some) shareholders may have on the company. Also, changes in capital structure may have an important influence on conducting take-overs and mergers or being subject to these.

Most codes of best practice recommend that voting rights should be exercised on a pro rata basis to the investment of capital and therefore promote the "one share – one vote" principle. Whereas in assessing a particular (unequal) capital structure Triodos IM will always bear in mind the history, context and mission of a company, and consider broader shareholder participation in the decision-making process a welcome development. Responsible use of voting rights can play an important role in promoting corporate sustainability and thereby long-term success. Corporations should therefore encourage and facilitate broader and responsible participation of shareholders in decision-making⁶.

If authority is sought from shareholders to increase share capital, to conduct share buy-backs or to install (other) anti-takeover devices, the company should provide satisfactory explanations and justifications. Share buy-backs are generally not considered beneficial to shareholders. Triodos IM believes in investments in the real economy (e.g. investments related to producing goods and services). Shareholders should, in principle, only receive dividends. A company's surplus of cash should be used for investments in the real economy. Companies can also invest in energy-efficiency or green energy. Share buy-backs may increase the share price and earnings per share on the short term, which gives a false impression that the company is doing well. In addition, the illusion of earnings per share growth may justify a higher executive pay package. On the long term, share buy-backs do not create any additional value. Share buy-backs can be acceptable with a good explanation and will be assessed on a case-by-case basis.

Reasons to abstain on related resolutions might include the following:

- Proposed changes weaken the possibilities of shareholders to make responsible use of their rights without satisfactory explanation from the company as to why the proposal is in the best interest of all stakeholders, for example proposals that create unacceptable dilution of shares and anti-takeover measures;

⁶ In 2023, Triodos IM supported resolutions to eliminate supermajority voting requirements at Solaredge Technologies and TPI Composites.

- Proposed changes to weaken the voting rights of shareholders have a duration period of more than six months and they do not have a satisfactory explanation;
- Proposed share issue or share repurchase allows companies to buy or sell shares during a public offer period.

Reasons to vote against related resolutions might include the following:

- Proposed changes are not considered to balance the long-term interest of the corporation and its stakeholders;
- Proposed resolution considers a share buy-back authority without sufficient explanation on how the authority would benefit long-term shareholders, and when the company is using this authority very intensively/frequently.

Other

Other corporate governance related resolutions may be put forward by the company or by shareholders. Triodos IM will assess these on a case-by case basis, considering the principles set forth in this document as well as relevant local practice and/or international best practice standards. Other corporate governance related resolutions are often on Political Donations and Acting by Written Consent.

Political Donations

Corporate political contributions may have an influence on elections and governments. Such contributions could be viewed as encouraging preferential treatment and interfering with the democratic process. Corporations should not be regarded as ‘citizens’ with full democratic rights. Also, supporting industry associations that lobby could be inconsistent with the claim of good corporate citizenship.

Triodos IM will *support* proposals to disclose contribution amounts, and objectives and rationale for making such a contribution. However, Triodos IM will *not support* donations for political events, specific political parties, and relatively high contribution amounts. Triodos IM will also not support such resolutions when the company is not transparent on the exact nature of political donations⁷.

Acting by Written Consent

In the US, shareholders have requested for the right of Acting by Written Consent at several meetings. Acting by Written Consent allows shareholders to act in lieu of a meeting via written consent of a predefined percentage of shareholders⁸. Although this practice, in principle, increases shareholder rights, it does not encourage and facilitate broader and responsible participation of shareholders in decision-making, as there is no meeting open to all shareholders and the company to discuss the topic. The practice disadvantages minor or retail shareholders. Furthermore, Acting by Written Consent may be used to force hostile take-overs, which is not always appropriate in the view of Triodos IM. Instead, Triodos IM prefers a Special General Meeting to discuss topics in-between AGMs. Triodos will *oppose* such resolutions.

(II) Corporate Social Responsibility

To ensure long-term success, companies will need to successfully balance the interests of its various stakeholders including shareholders, employees, customers and communities in which the company is active, as well as the natural environment. In a broader perspective, the global economy must find ways to create wealth and increase living standards, while avoiding inequality and social exclusion, and while preserving and protecting the natural capital we depend on. Companies are being asked to play a greater role in addressing existing shortcomings and are subject to rising expectations.

In several countries, notably the United States, it has become common practice that shareholders put forward resolutions at shareholder meetings in which they ask companies to strengthen corporate standards, management systems and reporting. These resolutions vary in nature and must be analysed on a case-by-case basis.

In general, when assessing the merits of relevant resolutions, Triodos IM will consider the following questions:

- Are the requests reasonable, considering the likely costs and benefits of implementing relevant measures?
- Are there any justifiable concerns with respect to confidentiality issues?
- Are the demands within the realm of influence and responsibility of the company?

⁷ In 2023, Triodos IM supported a shareholder resolution on transparency on political contributions at Elevance Health.

⁸ Under Delaware law, shareholder action may be taken by written consent in lieu of a meeting, unless the certificate of incorporation either expressly prohibits action by consent or effectively prohibits it by requiring that such action be taken only by unanimous consent (Harvard Law School Forum on Corporate Governance).

In the past, Triodos IM has encountered shareholder resolutions on corporate governance, animal welfare, charitable donations, social supply chain standards, climate change and other environmental topics, sustainability reports, and more. Triodos IM supported most of these shareholder resolutions, in line with our investment criteria and mission. The section below provides an indicative selection of typical resolutions that have been tabled in the recent past at shareholder meetings and which Triodos IM would generally support if put forward again in the future. Triodos IM will report on the success rate of these proposals to measure their effectiveness.

Tax Transparency

In the recent past, many companies are accused of aggressively avoiding taxes, which means a loss for local communities and social services. Regarding tax payments, it is considered the social responsibility of a company to pay a fair amount of taxes in the countries where it operates. Although governments must develop proper legislation, companies ought to be transparent over tax payments, preferably by country-by-country reporting and by disclosing tax policies or principles. It is also considered that companies should not move or restructure its organisation to avoid taxes. Triodos IM will *support* resolutions that challenge companies to be more transparent about tax policies and tax payments.

Disclosure on Lobbying Activities

Companies are increasingly criticised for being involved in lobbying practices that contradict the company's commitments. For example, in Europe, several car manufacturers were accused of lobbying against new greenhouse gas emission regulations for cars whilst committing to greener mobility. Triodos will *support* resolutions that request companies to better disclose lobbying activities⁹.

Gender Equality

Stakeholders are increasingly calling upon companies to improve gender equality within the company, for example in relation to payments or to Board representation. Triodos IM will *support* resolutions that challenge companies to strive for gender equality as well as diversity¹⁰.

January 2024

⁹ In 2023, Triodos IM supported a shareholder resolution to prepare a lobbying report at Stride.

¹⁰ In 2023, Triodos IM supported a shareholder resolution on preparing a report on median gender and racial pay equity at Nike.