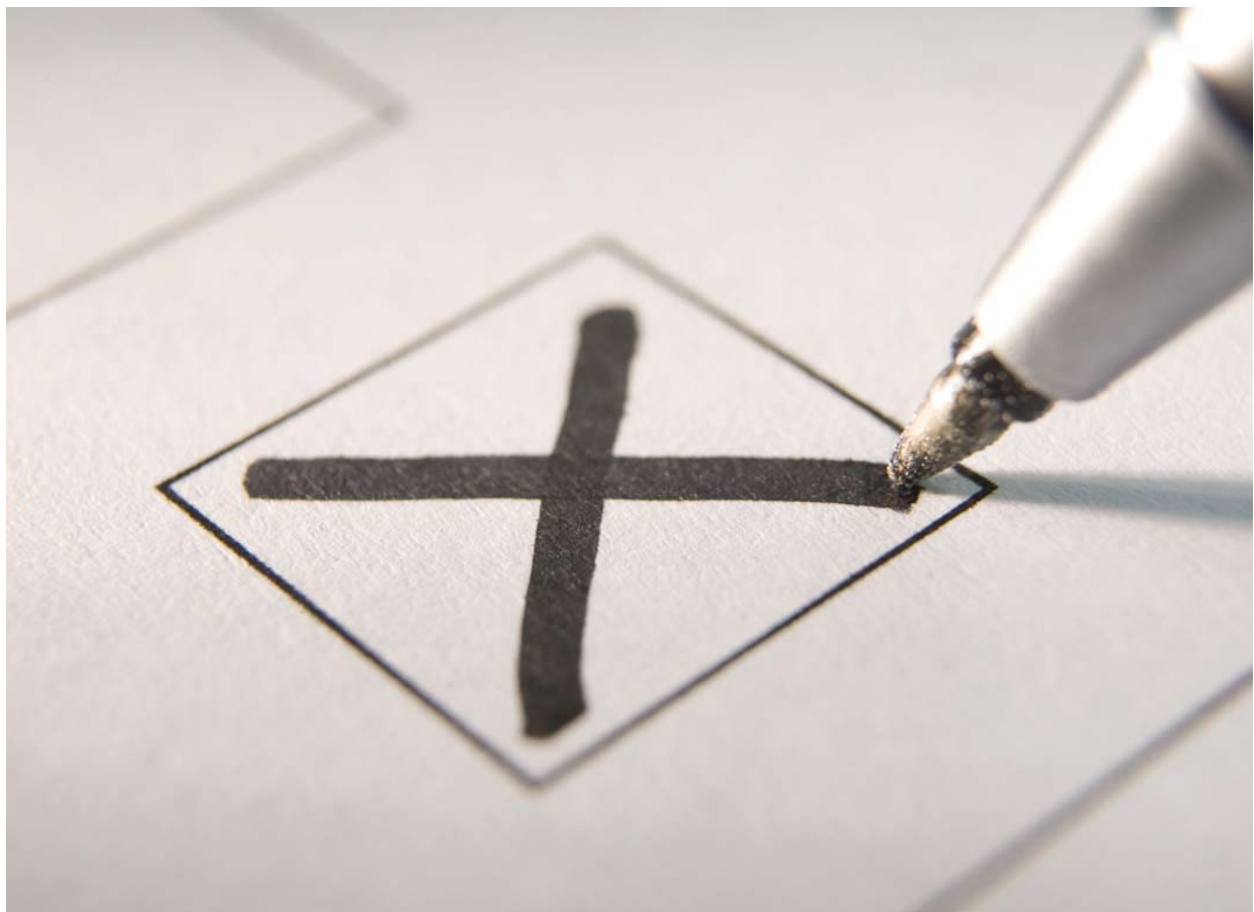


# Proxy Voting

Summary Principle & Standards  
UBS Fund Management (Switzerland) AG



## Our approach to Voting

This document includes principles related to the voting behavior and to the representation of voting rights in ordinary and extraordinary general meetings of companies established in Switzerland and certain companies established abroad applied by UBS Fund Management (Switzerland) AG (hereafter UBS FMCH). UBS FMCH is entitled to delegate the voting rights of foreign and Swiss companies. Persons to whom this task is delegated must exercise the voting rights in accordance with this directive and in compliance with the relevant statutory provisions.

The fund management company must comply with the legal sources, directives/guidelines and basic principles therein listed below at all times.

The following provisions are relevant to this directive:

- Collective Investment Schemes Act (CISA)
- Collective Investment Schemes Ordinance (CISO)
- Ordinance of the Swiss Financial Market Supervisory Authority on Collective Investment Schemes (CISO-FINMA)
- Swiss Code of Obligations (CO)
- Ordinance against Excessive Compensation in Listed Companies (OaEC)
- Code of Conduct of the Asset Management Association Switzerland
- SFAMA Specialist information factsheet (Fachinformation) «Ausübung von Mitgliedschafts- und Gläubigerrechten» dated 27 July 2012 (Status as of 28 October 2014)
- Prospectus with integrated fund contract
- Financial Services act (FinSA)
- Financial Market Infrastructure Act (FinMIA)
- Remuneration in Listed Companies Limited by Shares (ERCo)

Representatives of UBS FMCH do not generally personally participate in general meetings. Representation of UBS FMCH's voting rights by its corporate proxies should be avoided as far as possible. For Swiss and foreign companies the voting rights are exercised via a professional and recognized electronic voting platform (e.g. ISS Proxy Exchange).

To ensure that voting rights are exercised in your interests, we consider it essential that all agenda items are monitored maintaining a critical stance, independently assessed, and, if necessary, voted against the recommendation of the board of directors. Critical agenda items which could affect you in the long term or which are of particular public interest are also discussed in depth and decided by a committee of the Executive Board (Voting Committee).

To obtain information, we rely on the opinions and information provided by our analysts at UBS, the custodian banks, the media, and third parties.

Our principles for exercising voting rights are reviewed annually and adapted to market conditions, market practices, and current legislation. Within the framework of the laws mentioned below and the Voting Policy that we have established, over the years we have created an independent approach to the exercise of voting rights, which is applied at all general meetings.

# Our voting principles

## Overview and Key Principles

These guidelines describe the approach of our Equities, Fixed Income, Multi Asset, Investment Solutions and listed real estate securities investments to corporate governance, environmental and social factors during the exercise of voting rights on behalf of our investors (which include single and multi investor funds, ).

We apply these principles and guidelines globally, however they permit us the discretion to reflect local laws or standards where appropriate and enable us to take into account the diverse nature and investment autonomy of our capabilities. Constituent firms or legal entities may have jurisdictional or entity-specific practices in place where applicable.

Underlying our voting and ESG guidelines principles we have two fundamental objectives:

1. To act in the best financial interests of our investors to enhance the long-term value of their investments.
2. To promote best practice in the boardroom and ensure that investee companies are sustainable and successful.

While there is no absolute set of standards that determine appropriate governance under all circumstances, and no set of values that will guarantee ethical board behavior, there are certain principles which we consider are appropriate to protect the economic value of our investors' investments.

We have outlined in this document our expectations and will generally exercise voting rights on behalf of investors in accordance with these guidance and principles.

## Section 1 - Board of Directors

We believe that good corporate governance should, in the long-term, lead towards both better corporate performance and improved shareholder value. Thus, we expect board members of companies in which we have invested to act in the service of the shareholders, view themselves as stewards of the company, exercise good judgment and practice diligent oversight of the management of the company. A commitment to acting in as transparent a manner as possible is fundamental to good governance.

## 1.1 Roles and responsibilities of the Board

### 1.1.1 Role of the board

Key functions for the board include setting the company's strategy, providing oversight of management and ensuring the long term sustainability of the company for all stakeholders. When setting the strategy the board should take into account short-term issues as well as long-term trends which may affect the company's business.

It is therefore essential that the Board operates effectively, is comprised of high caliber individuals with appropriate and diverse backgrounds and with experience, of providing good judgment and diligent oversight of the management of the company.

When our view of management is favorable, we generally support current management initiatives. When our view is that changes to the management structure may increase shareholder value, we may not support existing management proposals. If management's performance on specific matters is not in our client's interest we may abstain or vote against specific proxy proposals.

### 1.1.2 Board responsibilities

For effective discharge of board responsibilities:

- The whole board should be fully involved in endorsing strategy and in all major strategic decisions (e.g. mergers and acquisitions);
- The non-executive directors should provide a challenging but positive environment for the executive directors;

The board should ensure that at all times:

- appropriate management succession plans are in place;
- the interests of executives and shareholders are aligned;
- the financial audit is independent and accurate;
- the brand and reputation of the company is protected and enhanced;
- a constructive dialogue with shareholders is encouraged;
- it receives all the information necessary to hold management to account.

## 1.2 Board Structure

### 1.2.1 Size

We would generally vote to support proposals which seek to fix the size of the Board and/or require shareholder approval to alter the size of the Board. However we will vote against proposals to set the Board size of more than 16 and less than 5 members.

### 1.2.2 Chair/CEO

An effective Chair is key to the success of a company. Our general view is that the positions of Board Chair and Chief Executive Officer should be separated and held by two individuals, to enhance accountability. We will usually vote to support proposals seeking to split these key roles where we believe it will lead to better company management.

Where to roles are combined we may support the re-election of the director where:

- There is an independent Lead Director in place;
- Where it is clear that the structure provides an appropriate counterbalance to the Chair/CEO;
- Where a clear explanation has been provided as to why an alternative structure is appropriate;
- Where the board meets our threshold for the overall level of independence.

We will generally not support the election of an existing CEO moving to the position of Chair of the Board, except as an interim measure in exceptional circumstances when fully explained by the company.

### 1.2.2 Lead/Senior Independent Director

We will support the appointment of a Lead or Senior Independent Director who should be regarded as independent.

The Lead/Senior Independent Director should act as an intermediary for the other board directors but also as a liaison between the board and the company's shareholders.

We would expect the Lead/Senior Independent Director to have well defined responsibilities, in order to be able to challenge the CEO and other executives.

## 1.3 Board Independence

Boards should have a balance of independent members in order to provide sufficient challenge and oversight of the Board's decisions and effectiveness. Where we regard less than 50% of the board to be independent according to the criteria outlined below, we may elect to take the following voting actions:

- We may vote against the Chair of the Nomination Committee, or other Committee responsible for board appointments, to reflect to the company that further board succession planning and refreshment is appropriate.
- We will vote against any non-independent board candidate where we have not seen any progress to address the aggregate board independence in the last two years
- If the overall average independence of a key board committee (Nomination, Audit or Remuneration) falls below our threshold requirements, then we may determine that it is appropriate to vote against a director serving on the committee who we regard to be non-independent.

When taking action, we will regard a board member to be non-independent if they:

- Are the founder;
- Have been an executive of the company or any subsidiary over the last three years;
- Act as a partner, advisor, director or senior employee of a provider of material professional or contractual services to the company, or any of its subsidiaries over the last years;
- Have close family ties with any of the company's directors or senior management;
- Have cross-directorships or significant links with other directors;
- Are a significant shareholder, or affiliated to a significant shareholder of the company;
- Have served on the board for longer than 12 years;
- Have entitlement to performance related pay, stock options, pensions or benefits via large donations to charities of director's choice.

### 1.3.1 Employee representation

Where local market practices require it, we will generally support the appointment of employee representatives to the Board.

### 1.3.2 Nomination and Election process

Board committees form an important element of the operations of an effective board and we expect companies to adhere to best practice in relation to the composition and independence of key board committees.

The Nomination Committee may be comprised of both executives and non-executives, however we expect a majority of members of the committee to be independent.

When proposing the election of a director, the company should provide shareholders with sufficient information to enable an informed decision to be made. This should include the name and biography of the nominee, including skillset, experience and background of the nominee, including ethnicity where this data is able to be collected and disclosed publicly. If details concerning the nominated individual have not been disclosed, then we will not support the candidate's election to the board.

We encourage boards to publish an overall skill matrix for all current and prospective board members, to enable shareholders to determine the mix of experience, background and diversity of the board. Such a matrix can be beneficial to the Nomination Committee and board in determining where there may be a gap in knowledge or skillset.

### 1.3.3 Election systems

Our policy preference is that board directors are elected on an annual basis. When directors are nominated through alternative slates we will support existing directors provided the board has sufficient independence.

Should that not be the case, we will support the list with independent nominees when we believe it will improve the composition of the Board.

When the election of various directors is bundled under one voting item, we may vote against the resolution if we have concerns over the appointment of one or more directors and/or if there is a lack of independence of the board generally.

We will generally support proposals that permit shareholders to nominate directors for election to the board. We will also generally vote in favor of shareholder proposals requesting directors to be elected by a true majority voting system.

### 1.3.4 Directors' term of contracts, including classified or staggered board systems

We are generally supportive of annual elections of directors and support proposals seeking to declassify a Board.

However, we will factor in local market requirements and practices and may not automatically vote against the election of a director on the sole basis of the duration of their contract.

### 1.3.5 Diversity, equity and inclusion

We believe that companies should be representative of the communities in which they operate, and that a diverse workforce improves company culture and innovation.

This extends to the Board of Directors and we expect our investee companies to ensure that the Board is comprised of individuals from across genders and ethnicities.

We encourage companies to develop a policy and implementation plan to increase diversity at board level, in senior positions and in the workforce more widely.

To support this expectation, we require companies to have at least 40% of the Board comprised of diverse appointees by 2025, initially focused on the dimensions of gender and ethnicity.

More specifically, we expect all companies in which we invest globally to have at least one female board member. We will vote against the Chair of the Nomination Committee, or equivalent committee, where this is not the case.

In addition, we will vote against the Chair of the Nomination Committee when:

- A company does not meet local market regulatory standards in regards to gender or ethnic diversity, where those standards are superior to our own policy, or
- A company in a developed market\* with at least 10 board members or a market capitalisation of more than US\$10bn, does not have 30% female board representation, or
- A company in a market where ethnic diversity data is available has not appointed, or disclosed plans to appoint, at least one director from an underrepresented ethnic background.

\*Developed market as per MSCI market classification

For UK companies, we expect the Board to meet the requirements of the Hampton Alexander Review and encourage the reporting requirements of the FCA Listing Rules.

### 1.3.6 Conflicts of interest and pledging of company stock

Where there is a clear conflict between management and shareholder interests, even in those cases where management has been effective, we may elect not to support company proposals.

We consider that excessive share pledging represents a material risk for shareholders as their investment in the Company could lose value in case one or more executives are forced to sell the stock they pledged as collateral.

If any director has pledged more than 10% of the outstanding share capital we will vote against the Chair of the Audit Committee.

### 1.3.7 Attendance

Attendance at board meetings is a clear requirement for all board members. We understand that there are often extenuating circumstances which may result in not all members being present, however we would usually not support the re-election of a director when the nominee has attended less than 75% of meetings for a second consecutive year without sufficient explanation.

### 1.3.8 External commitments

We expect that directors of public listed companies should be able to commit the required time to their responsibilities.

Where an individual has a high level of board positions, as an executive and/or non-executive, we will review their overall commitments.

We may examine other measures of effectiveness including attendance levels, relevance of skill set and types of position for a director holding multiple directorships. We will generally not support the election of a director who we consider holds an excessive number of overall positions.

### 1.3.9 Tenure

We favor boards which have a healthy rate of experience and renewal of non-executive directors. We may examine the circumstances surrounding board tenure when a majority of the directors have been in the current position longer than 12 years

### 1.3.10 Succession planning

We would expect a company to have effective plans in place for the succession of both the non-executives and executives on the board. The Chair of the Board should pay particular attention to succession planning as part of their role.

### 1.3.11 Board discharge and poor practices

We will generally vote in favor of the resolution to discharge the Board unless there are significant concerns with regard to internal control, financial accounts or current investigation against directors.

We may choose to vote against the election of board members where it is identified that the Board is responsible for a material failure in ESG standards or the Company has failed to address a governance failing

We will also not support the re-election of a director who received less than 50% of votes in favor when last due for election but who subsequently was retained on the board.

We will vote against the election of a director convicted of market or accounting manipulation, fraud or corruption and may take into account pending

allegations when considering election of board directors.

### 1.3.12 Proxy Contests

We review proxy contests on a case-by-case basis. We will study the rationale put forward by the contestant and each item on the contestant's agenda. We will carefully review the experience and expertise of the candidates, together with the response of the company. Although we may understand the contestant's perspective, the potential disruption to the board functioning and the company in general may lead us to support management.

However in cases where we believe that a change to the board would be in the best interests of all stakeholders we will support the nomination of the dissident.

### 1.3.13 Performance evaluation

We expect the board to maintain and enhance the reputation of the company and we will hold directors to the highest ethical standards.

We also expect the Board to be responsive to shareholders and engage with them regularly.

In cases where the board's performance has been questionable, or if the board ignored a previous shareholder vote which received majority support, we may abstain or vote against specific proposals or board members.

## Section 2 - Shareholders' Rights

### 2.1 One share-one vote

We believe that votes at a company meeting should be determined on the basis of 'one share-one vote'.

We will not support management initiatives to create dual classes of stock, which may serve to insulate company management from shareholder opinion and action, or which may transfer the full control over the company to one shareholder disproportionately to their economic interest in the company.

We generally support shareholder proposals to eliminate dual class schemes and will not support cumulative voting proposals or the introduction of double voting rights. For newly listed companies, a sunset provision should be included in future governance plans that would seek to eliminate preferential voting rights after a set period of time.

### 2.2 Additional shareholder rights

We generally support resolutions which are designed to provide additional rights to shareholders. We will support shareholder proposals to reduce supermajority voting limits and support proposals calling for confidential voting.

We may support proposals that allow shareholders to act by written consent and which give the right to shareholders to call a special meeting, provided they are not overly restrictive.

### 2.3 Poison pills

We are not supportive of anti-takeover mechanisms as they undermine shareholders' rights to make a decision over their own investments.

We believe that poison pills should be voted on by shareholders and we will generally support attempts to bring them before a shareholders' vote. We may also elect not to support directors who implemented a poison-pill or changed the company's bylaws without seeking prior shareholder approval.

Similarly, we generally do not support any proposals which authorize the issuance of new stock without defined terms or which have conditions that are intended to thwart a take-over or restrict effective control by shareholders.

### 2.4 Disclosure

Companies should act and disclose information to their shareholders in a manner as transparent as possible.

We expect companies to disclose any relevant materials ahead of a General Meeting, allowing sufficient time for shareholders to review, analyze and engage upon the information disclosed.

In certain instances when we do not have enough information, we may abstain from voting or vote against a particular proposal.

### 2.5 Bundled items

In addition to providing transparent explanations with sufficient time ahead of a General Meeting, companies are expected to submit resolutions on an individual basis and not to bundle items under one resolution. The practice of combining resolutions leaves shareholders with an all or nothing choice.

We will generally vote against proposals which bundle several voting items under one when we have concerns on at least one of the items.

## Section 3 - Capital

### 3.1 Capital allocation

One of the key responsibilities of the board is to allocate capital appropriately in order to grow the company's business and create value for both its shareholders and stakeholders.

We pay particular attention to the board's ability to allocate capital well and may vote accordingly when we see that this is not the case.

### 3.2 Share issuances

Any new share issuance should require shareholder approval. We will support only reasonable share issuance authorities that would not lead to significant dilution for existing shareholders.

We will generally only support requests for issuance of equity capital up to an aggregate maximum of 20% of existing share capital, of which up to 10% may be issued without pre-emptive rights. In specific circumstances we may approve a share issuance in excess of this limit if it is linked to specific circumstances, including emergency capital raising aimed at stabilizing the Company.

Similarly, we will only support reasonable authorities for the issuance of convertible instruments. Any new debt demand will also be closely monitored and we will generally sanction any potential excessive increase in debt where there is insufficient justification, particularly where convertible instruments may lead to dilution for existing equity shareholders and which exceeds our 20% limit for equity issuance.

### 3.3 Share buy-backs

We will typically support company proposals to implement a share buyback program. Ideally share buy-back proposals should lead to cancellation of the shares, to prevent re-issue without authority from shareholders.

### 3.4 Mergers, acquisitions, asset disposals

Each will be considered and reviewed on a case-by-case basis, with a decision taken based upon whether value is being created for shareholders and if the transaction proposed has strategic merit for the company.

Based on our research and analysis, we may then elect to support transactions which increase shareholder value in the longer term, and in some cases may vote against proposals that do not.

### 3.5 Dividend policy

We will generally support management proposals to approve the dividend unless we have concerns regarding the overall level set for payment, or balance between return for shareholders and future capital investment.

## Section 4 - Audit and Risk Oversight

### 4.1 Board oversight

The board is responsible for the company's audit and risk structure. It is therefore vital that the board appoints an Audit/Risk Committee.

The Audit/Risk Committee has a key role, with direct responsibility for the integrity of financial statements, audit quality and robustness of internal controls. Thus,

objectivity, independence and accounting/ audit/ financial expertise is crucial.

We therefore expect at least 2/3 of the non-executive directors serving on this committee to be regarded as independent. However in the UK we expect the entire committee to be comprised of independent directors. If this is not the case, we may vote against the election of a non-independent director who is a member of the Audit Committee.

Companies which are exposed to significant risks, such as financial institutions, are expected to appoint a separate Risk Committee.

#### 4.2 Internal audit

Companies should have a robust internal audit system with a clear process to identify any potential risks and to manage these risks. We expect companies to have a transparent internal risk reporting process.

#### 4.3 External or Statutory auditor

Companies should appoint independent external auditors to review the financial statements and accounts. We will support the appointment by the board of external auditors if we believe auditors are competent and professional, subject to periodic review. Where it is identified that the external audit company has failed to raise pertinent issues or is under investigation for misstatements we may not approve their re-appointment.

If a company does not rotate the audit partner in line with national best practice requirements, then we may elect to vote against the Chair of the Audit Committee. We may also vote against the Chair of the Audit Committee of UK companies when the audit services have not been put to tender after 10 years.

For Japanese companies, we will vote against the appointment of the internal or non-independent outside statutory auditor if less than half of the statutory auditors are classified as independent.

#### 4.4 Transparency and financial reporting

Where a company does not provide their Report and Accounts signed off as complete by a qualified auditor ahead of the General Meeting we may decide not to support any proposal to approve the company's financial statements.

Should the company receive a qualified opinion of the report and accounts we expect the company to provide a full and satisfactory explanation.

If this is not the case we may vote against any proposals to approve the report and accounts, the associated discharge of directors or nomination of members of the audit committee.

#### 4.5 Remuneration of auditors

We may not support the re-appointment of auditors or approval of auditor remuneration where the total level of non-audit fees exceeds audit related fees for the second successive year without a valid explanation

### Section 5 - Remuneration

#### 5.1 General principles

Fundamental to all schemes and pay structures is the underlying principle that compensation should be aligned with the performance and the strategy of the company and the outcomes for shareholders.

Companies should seek to design their remuneration policies and practices in a manner that suits the needs of the particular company given the sector and business environment it operates in.

We do not require companies to automatically adopt the same approach as peers and will not automatically penalize companies that implement structures that differ from market practice, but have a preference for simple, concise and transparent pay schemes.

Where remuneration practices differ substantially from usual standards we expect a company to provide a clear explanation of how the structure is in shareholders' long-term economic interests.

We expect companies to:

- Include both short and long-term elements in respect of any variable awards. The expected final value of long term awards granted should exceed those of short term awards;
- Encourage a long-term perspective, with adequate vesting / deferral periods and shareholding requirements. The measurement period for the long-term bonus element should be at least three years, with executives encouraged to hold shares for a further period, particularly for those in the financial sector;
- Include stretching performance hurdles that are designed to promote sustainable value creation in line with the strategy of the company, which are not based solely on financial or accounting ratios;
- Enable the remuneration committee sufficient flexibility to make adjustments as a result of unintended outcomes from plans;
- Implement a scheme with only one long-term element
- Avoid retention awards or appointment inducements where possible and in the event that these are granted provide a clear explanation as to the justification;
- Only use benchmarking to establish a frame of reference for what competitors are paying,



rather than as a mechanism for matching pay to peers;

- Select peers that are broadly comparable to the company;
- Explain where discretion has been used to adjust awards upwards or downwards based upon company performance.

When determining if we will support a remuneration scheme we will evaluate the above criteria and the overall approach to compensation taken by the company. Where we identify concerns we may not support a remuneration scheme.

Common reasons for this include:

- When we identify a misalignment either during the reporting year or over a period of time between maximum remuneration outcomes and company performance;
- When the company has not clearly outlined the correlation between the remuneration scheme and shareholder value;
- If a salary increase has been awarded of greater than 10% without a reasonable explanation;
- When disclosure is less than market best practice, including where the company requests permission not to disclose individual director's remuneration;
- Where the company uses discretion in awarding a one-off variable pay award without sufficient explanation;
- Where the company has not disclosed a sufficient explanation for a retention or recruitment payment, or where a recruitment payment is not performance based;
- If we determine that remuneration is high in relative to peers without appropriate rationale or explanation, including the selection and appropriateness of the company's selected peers;
- When vesting conditions are not deemed appropriate or sufficiently challenging;
- Where no mention of the use of performance criteria for the vesting of long-term awards is provided or the company states there will not be any disclosure of performance criteria;
- In situations where the long-term incentive plan allows for re-testing, or the company amends performance criteria retrospectively during the term of the scheme;
- Where less than 50% of a long-term incentive award is subject to performance conditions, or have a vesting period of less than 3 years;

- If the company has used a benchmarking exercise as a reason to raise the pay of executives without wider explanation;
- When the salary of an incoming Chief Executive is positioned higher than that of their predecessor without an adequate explanation;
- If the company does not respond to shareholder concerns that have been raised in a previous vote upon remuneration;
- Pension contribution rates exceed 30% of fixed salary; particularly where the company has not outlined a policy to align pension contributions with the wider workforce.;
- When multi-year guarantees for salary increase, bonuses or equity compensation has been provided.
- In markets where clawback policies are best practice, we may vote against any scheme where a clawback provision is not part of the remuneration scheme. Application of this requirement is for the following markets: USA; Canada; UK; Germany; Austria; Denmark; Italy; Spain; Greece; Switzerland; Netherlands; Israel.
- Where we identify that a material ESG failing has not been taken into account by the company during the awarding of incentive awards.

## 5.2 Pay quantum

When determining the level of overall compensation to be paid to executives the compensation committee should:

- Set the appropriate level of pay that is required to attract, retain and reward competent directors and executives and who are fundamental to the long-term sustainable growth of the Company, avoiding excessive awards
- Disclose when remuneration consultants have been used, including the cost of retaining such services;
- Only use benchmarking to establish a frame of reference for what competitors are paying, rather than as a mechanism for matching pay to peers;
- Select peers that are broadly comparable to the Company;
- Factor in the relative remuneration of the wider workforce when determining quantum levels for the CEO

### 5.3 Remuneration Committee

We expect the board to appoint a specific committee to manage the compensation approach of the company.

The Remuneration/Compensation Committee should be comprised only of non-executive directors and we will generally not support the election of an executive director who serves on this committee.

A majority of the non-executive directors serving on the committee should be regarded as independent as per the UBS independence criteria. However for UK companies we expect the entire committee to be comprised of independent directors in line with best practice.

Where a company has received greater than 20% of votes against their remuneration votes in 2 consecutive years, we may seek to vote against Chair of Remuneration Committee if the company has made no commitment to make positive changes during that time.

We expect a Remuneration Committee's to take into account shareholder feedback and previous voting results, and to re-evaluate remuneration plans that did not receive positive shareholder support.

### 5.4 Disclosure

We apply market-level nuances around the level of disclosure we require and will not support remuneration schemes that do not meet at least market standard practice.

### 5.5 Frequency

Compensation plans should be kept simple and put to a shareholders vote on a regular basis, preferably annually.

### 5.6 Performance Conditions

We would expect part of the compensation package to be attached to stringent performance conditions tied to the strategy of the business, with an appropriate balance between fixed and variable elements, between short and long term incentives and between financial and non-financial elements (such as ESG metrics).

Where the Committee has used metrics that are subject to a qualitative assessment, we expect an explanation from the Remuneration Committee on how this has been determined.

### 5.7 Stock Plans and Share Awards

Where a company is seeking to introduce a Restricted Stock Plan in lieu of a traditional Long-Term Incentive Plan (LTIP) we will review the specific terms of each proposal on a case-by-case basis and expect a company to provide a clear and justified explanation for the adoption of the new approach.

We may not support a plan that utilizes Restricted Stock Units in the following circumstances:

- When the company is moving towards a 100% RSU grant and the award discount is less than 50% of the equivalent LTIP value.
- The total vesting and holding period is less than 5 years in total
- The shareholding requirement for the CEO is less than 200% of salary

Where we determine that company and/or management's performance has not been satisfactory we may object to the issuance of additional shares for the purposes of executive remuneration, such that management is rewarded for poor performance or further entrenches its position.

We will also closely monitor the level of share awards granted to Executive Directors and may not support overly dilutive plans.

We would generally support employee share plans unless company disclosure is insufficient for shareholders to make an informed decision, if dilution is outside reasonable limits or should the grant conditions be unsatisfactory.

### 5.8 New joiner awards/Golden parachutes

Golden parachutes will be closely scrutinized and we will look at the company's history of compensation policies as well as the management's performance. We would expect these plans to have double trigger conditions and not to allow automatic vesting or tax gross-ups.

We will generally only support directors being granted share awards when joining a new company provided that these have been issued on a like-for-like basis of awards foregone at a previous company.

Stock option grants should not be open to retesting or be awarded at a discount. In order to increase reporting transparency we believe stock options should be expensed.

### 5.9 Non-executive directors' remuneration

Non-employee or non-executive compensation should ideally be paid via a cash salary. In the event that a company elects to grant shares to non-executives as part of the fee, such awards should not be linked to specific performance conditions, and ideally such shares should vest immediately, in order to maintain the independence and objectivity of the recipient .

## 5.9 Windfall gains

Companies should take particular care when implementing a new remuneration scheme during a period of material short term market price fluctuations. In such circumstances the Company should give careful consideration to the price at which shares are being issued as part of incentive plans. We may elect not to support the remuneration report, or specific incentive plans, when there has been a material fall in the share price and share awards have not been reduced to compensate for the effects of windfall gains.

## Section 6 - Environmental and Social matters

### 6.1 Board oversight

Environmental and social risks can lead to a material impact on the reputation and/or financial stability of a company. It is therefore essential that the Board has a robust policy and control process in place to identify and manage such risks.

The Board should ensure that it has clear oversight and working knowledge of these issues, to enable the company to fully assess and manage the impacts of these factors on its business. We are generally supportive of the creation of a specific committee on the Board covering sustainability risks and opportunities.

Environmental and Social issues may not be topics which are presented to shareholders for approval at General Meetings. However we will seek to discuss such topics during our meetings when engaging with companies where we believe they may have a material impact on the investment value..

### 6.2 Voting proposals related to ESG factors

We may vote in favor of proposals that seek to promote good corporate citizenship and environmental stewardship, while enhancing long-term shareholder and stakeholder value.

Such proposals might refer to, but are not limited to, sustainability disclosure, human capital management, diversity, supply chain's labor standards, bribery and corruption, climate change, water and deforestation. In determining our voting actions on social and environmental proposals, the following factors are considered, in regard to proposals by both companies and shareholders:

- Whether the proposal itself is well framed and reasonable;
- Whether adoption of the proposal would have either a positive or negative impact on the company's short-term or long-term share value;

- The percentage of sales, assets and earnings impacted;
- Whether the company has already responded in some appropriate manner to the request embodied in a proposal;
- Whether the company's analysis and voting recommendation to shareholders is persuasive;
- What other companies have done in response to the issue;
- Whether implementation of the proposal would achieve the objectives sought in the proposal
- Any insights gathered from engagement efforts with the Proponent and the Company

We will generally support resolutions seeking the following actions:

- Request to provide disclosure on the company's Sustainability/Environmental Policies
- Report in line with EEO-1 guidelines of breakdown of workforce by gender and ethnicity guidelines (US companies) or any other legally permissible proposal for diversity disclosure
- Provide a specific assessment across the business
- Report on company policies and implementation practices related to biodiversity, including deforestation
- Report on breakdown of global median gender pay gap across the workforce

### 6.3 Voting proposals related to environmental policies disclosures and risks

We are supportive of the Paris Agreement and the commitment to limit global warming to 1.5°C. We expect companies to have a strategy for reducing carbon emissions, to be clear about targets and goals, and to report on progress.

We will generally support

- Proposals that require companies to report to shareholders, at a reasonable cost and excluding proprietary data, information concerning their potential liability from operations that contribute to climate change, their policy on climate risks and opportunities and specific targets to reduce emissions (where such targets are not overly restrictive)
- Proposals that require, or request, information regarding an issuer's adoption of, or

adherence to, relevant norms, standards, codes of conduct or universally recognized international initiatives, including the recommendations of the Financial Stability Board's Task force on Climate related Financial Disclosures (TCFD).

In the following circumstances we may choose not to support specific proposals:

- When the issues presented in the proposal are more appropriately or effectively dealt with through legislation or government regulation;
- When the company has already responded in an appropriate and sufficient manner in previous years and the requirements are duplicative of existing reporting;
- Where the proposal request is unduly burdensome or overly prescriptive.

#### 6.4 Say on climate

Companies should consider putting forward a vote for shareholders on the Company's climate related strategy at least once every three years.

Where this is the case, we will evaluate such proposals against the following six key factors:

- Climate governance, such as board and management skillset, accountability and incentivization through links to remuneration;
- Target setting, with an expectation of a Net Zero ambition and interim targets; specifically, Net zero performance alignment including stretch and scope of targets against recognized benchmarks;
- Quality of the Company's decarbonisation strategy as assessed against sector best practices;
- Net zero performance alignment (stretch and scope of targets against recognized benchmarks);
- Lobbying & policy engagement;
- Use of offsets.

We may choose to vote against the Board Chairman of a company when we determine that sufficient progress has not been made on specific topics raised during our engagement with companies, particularly in relation to climate change matters discussed as part of our climate related engagement program.

## Section 7 - General Corporate Governance matters

### 7.1 Country or regional jurisdiction

Where management have chosen to request the approval of shareholders to change the state or country of incorporation of the company, we will consider the background to the proposal and background to the change.

If we consider if the move is motivated solely to entrench management or restrict effective corporate governance, we may not support the request.

### 7.2 Political donations

We will generally not support company proposals allowing companies to make political donations and will support shareholder proposals requiring companies to be transparent concerning such donations.

### 7.3 Corporate Lobbying

In general, we will support seeking greater transparency on company lobbying, except where covered by existing legislation and where the company meets such regulation, unless there is a direct reputational risk.

We will generally support shareholder proposals seeking greater transparency on the company's industry association participation.

For UK listed companies we may support proposals put forward by companies to make contributions to industry associations that fall under the technical scope of EU legislation, provided that a defined materiality threshold and limit has been disclosed, in line with market practice.

### 7.4 Financial assistance and related party transactions

We will generally not support management proposals seeking to provide financial assistance to specific 3rd party linked entities, unless a clear rationale has been provided.

We will sanction related party transactions that are not in line with shareholders' interests and/or when disclosure is below best market practice.

### 7.5 Articles of Association

We will generally not support a resolution when a lack of disclosure results in shareholders not being able to make an informed voting decision.

## 7.6 Shareholder proposals

We will review shareholder proposals not covered elsewhere in this policy on a case-by-case basis and may choose to support a resolution raised if we believe it to be in our client's interests.

We may choose not to support proposals which are too binding or may restrict management's ability to find an optimal solution. We will also endeavor to assess management's initiatives to mitigate the issue raised.

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