



J. Safra Sarasin

Corporate governance and proxy voting guidelines

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Sustainable Swiss Private Banking since 1841

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Introduction

This document outlines J. Safra Sarasin Sustainable Asset Management's views and approach on key governance and voting topics that are regularly submitted to the vote of shareholders at annual general meetings. These corporate governance and proxy voting guidelines ("voting guidelines") aim to provide a general overview of J. Safra Sarasin Sustainable Asset Management's principles on corporate governance, environmental and social issues. They are designed to provide an outline of the material aspects evaluated in the analysis of annual general meeting agendas that are implemented during proxy voting activities.

It is J. Safra Sarasin Sustainable Asset Management's expectation that companies comply with relevant regulations and local best practice recommendations and develop an approach to corporate governance that is transparent, accountable and responsible. As part of this framework, J. Safra Sarasin Sustainable Asset Management expects companies to adequately manage and report on environmental, social and governance ("ESG") risks, while also evaluating and acting on the ever increasing opportunities in this space. These voting guidelines take into account the recommendations of the Swiss Code of Best Practice for Corporate Governance ("Swiss Code") and where necessary and material, local best practices.

As an asset manager with a focus on sustainability, J. Safra Sarasin Sustainable Asset Management commits to active and informed decision-making when it comes to voting at shareholder meetings and aims to work with companies to achieve long-term value creation for themselves, clients and society as a whole. Our portfolio managers and Sustainable Investment analysts take an integrated approach in engaging with companies on financial measures, operations, strategy and ESG matters. Where concerns or significant opportunities exist, our investment professionals will adopt an engagement approach to achieve change. Please refer to our Stewardship Policy for J. Safra Sarasin Sustainable Asset Management's engagement approach with investee companies. For J. Safra Sarasin Sustainable Asset Management's voting records, please visit J. Safra Sarasin Sustainable Asset Management's Voting Portal.

The below chapters present our stance on key governance issues regularly presented at annual general meetings.

Audit, financial statements and disclosure

J. Safra Sarasin Sustainable Asset Management expects the disclosure of shareholder meeting-relevant documents (meeting agenda, annual report, financial statements, information circular, sustainability report etc.) to be made publicly available well before the meeting date in order to allow shareholders to make informed voting decisions in a timely manner. In the absence of the timely disclosure of these publications, J. Safra Sarasin Sustainable Asset Management will vote against the approval of the financial statements and/or discharge of directors, if and where applicable.

It is our expectation that the appointment of the external auditor is clearly disclosed. The auditing firm ought to be independent and boards are expected to explain and disclose how potential conflicts of interests are mitigated. The breakdown of audit and non-audit fees should be publicly available and non-audit fees should not exceed more than 50% of audit-related fees in the year to be audited. When assessing the independence of the auditors, J. Safra Sarasin Sustainable Asset Management considers the tenure of the auditors.

Related party transactions

Commercial agreements and transactions between board members or significant shareholders should be avoided. In jurisdictions in which related party transactions are submitted to shareholder vote, J. Safra Sarasin Sustainable Asset Management expects the transactions to be sufficiently disclosed and justified.

Board of Directors

J. Safra Sarasin Sustainable Asset Management considers the Board of Directors to be the key decision-making body that is directly accountable to shareholders. Therefore, we consider Board elections and re-elections to be amongst the most important voting decisions requiring thorough evaluation by shareholders.

J. Safra Sarasin Sustainable Asset Management evaluates the following criteria when determining overall board composition and balance:

Qualifications

Boards are expected to have a good understanding of the industry in which the company operates and to be prepared to assess the execution of corporate strategy by management. Additionally, boards should understand the wider social and environmental impacts and consequences of a company's operations. In light of the ever increasing challenges and oversight areas (e.g. environmental, digital and technology, human rights), issue-specific expertise is expected on the board and/or in key board sub-committees (e.g. financial expertise on the Audit Committee). J. Safra Sarasin Sustainable Asset Management may vote against the appointment or re-appointment of a board member in the presence of severe controversies involving that board candidate.

Board independence

Companies are encouraged to have a Board independence policy that outlines the criteria determining how independent board members are selected through the company's nomination process. When evaluating a board member's independence, J. Safra Sarasin Sustainable Asset Management considers the following aspects:

- The relationship between the board nominee and the management of the company (both professional and family relations)

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- Whether the nominee was a former company or group employee in the last three years
- Any potential cross directorships
- The board tenure of the nominee
- The relationship with a substantial shareholder (10% or more economic or voting stake)
- Whether the nominee is an employee representative or employee shareholder representative

For non-controlled companies, J. Safra Sarasin Sustainable Asset Management expects a majority of all shareholder appointed board members to be independent. Controlled companies are expected to have a minimum one-third independent board. In markets in which higher independence standards exist, these standards shall apply.

Board committees

J. Safra Sarasin Sustainable Asset Management believes that at a minimum company boards should establish Audit, Remuneration and Nomination sub-committees, which should be composed of non-executive directors only. All key board committees should be chaired by independent non-executive board members and be majority independent.

Combined CEO/Chair position

J. Safra Sarasin Sustainable Asset Management considers the Chair position to be a separate and independent role from the CEO to allow for a proper balance of power on the Board and to allow the chair position to act as an independent oversight function on management. In markets in which combined CEO and Chair positions are common practice, we expect the Board to have appointed a Senior Independent Director (“SID”) (or Lead Independent Director (“LID”)) with designated responsibilities within the Board and the authority to meet with shareholders on behalf of the Board. Where J. Safra Sarasin Sustainable Asset Management considers that the responsibilities of the SID/LID do not fulfil the expected requirements, we will oppose the election of the SID/LID and members of the Nomination Committee.

Election of a former CEO as Chair

J. Safra Sarasin Sustainable Asset Management expects a minimum cooling-off period of three years before a former executive seeks to be appointed as Board chairperson.

Board terms

J. Safra Sarasin Sustainable Asset Management prefers annual board elections so as to maximize director accountability towards shareholders. J. Safra Sarasin Sustainable Asset Management will oppose any board terms in excess of four years.

Board attendance

J. Safra Sarasin Sustainable Asset Management expects board members to disclose attendance at board and board committee meetings and attend at least 75% of aggregate meetings of

the Board of Directors and Board committees on which the directors served during the last fiscal year.

Board mandates

In light of the substantial responsibilities and subsequent time commitment required to fulfil their oversight duties, J. Safra Sarasin Sustainable Asset Management believes that board members should limit multiple board memberships. J. Safra Sarasin Sustainable Asset Management considers that executives should hold no more than two non-executive board mandates, while non-executive directors should limit their mandates to no more than five board positions.

Diversity

J. Safra Sarasin Sustainable Asset Management believes that diversity is a key determinant in achieving a wide range of perspectives during board deliberations, as well as effective corporate governance and strategy oversight. When evaluating board elections, J. Safra Sarasin Sustainable Asset Management will review board composition for diversity in age, gender, nationality, ethnic origin and geographic experience. J. Safra Sarasin Sustainable Asset Management expects boards to be composed of both female and male members. In the absence of this minimum standard being met, we will oppose the re-election of the members of the Nomination Committee.

Board tenure and succession planning

J. Safra Sarasin Sustainable Asset Management prefers board members to not exceed 12-year board terms. In markets in which local best practice recommendations on board terms exist, these will be taken into account. J. Safra Sarasin Sustainable Asset Management expects board succession plans to be taken on by the Nomination committee through an independent review.

Board evaluations

J. Safra Sarasin Sustainable Asset Management expects boards to conduct regular board evaluations that take into account board performance and composition for long-term value creation. These evaluations should include the assessment of board diversity, expertise and effectiveness.

Board size

J. Safra Sarasin Sustainable Asset Management prefers boards to have no less than four and a maximum of 18 board members.

Remuneration

Structure and disclosure

Incentive structures should be designed to encourage long-term sustainable value creation for shareholders (pay for performance). J. Safra Sarasin Sustainable Asset Management encourages transparent and understandable plans that seek long-term alignment with corporate strategy and shareholder interests. Companies are expected to provide transparent

information with respect to their pay arrangements. J. Safra Sarasin Sustainable Asset Management evaluates the following criteria when determining a vote on remuneration:

Dilution/burn rate

J. Safra Sarasin Sustainable Asset Management considers a maximum 10% dilution over a 10-year period for all share-based schemes (1% annual burn rate).

Terms

In evaluating the key terms of a company's remuneration system, J. Safra Sarasin Sustainable Asset Management will take into account the duration of the plan, performance period (minimum three years), performance measures, vesting schedule, exercise period and clawback provisions.

Performance metrics

Performance measures ought to seek alignment between how management is incentivized to execute on corporate strategy and include financial KPIs and other board-selected metrics. Furthermore, J. Safra Sarasin Sustainable Asset Management expects companies to disclose performance hurdles, including the minimum level of performance that results in payment (ex-ante).

ESG

Companies are increasingly exposed to environmental, social and reputational risks and are expected to include performance metrics tied to non-financial risks that are transparently disclosed, quantifiable and comparable.

Ownership and stock holding guidelines

J. Safra Sarasin Sustainable Asset Management looks for the retention of a percentage of shares acquired through equity remuneration plans.

Discretion

J. Safra Sarasin Sustainable Asset Management evaluates discretion exercised on pay packages on a case-by-case basis and will support discretion to be exercised when and if the outcome will align executive pay with shareholder interests.

Non-executive pay

Non-executive directors are expected to receive fixed fees only (no incentive-related pay), paid in either cash or shares. J. Safra Sarasin Sustainable Asset Management encourages stock ownership amongst non-executive board members.

Remuneration policy and report

J. Safra Sarasin Sustainable Asset Management supports the regular approval of companies' remuneration policies and reports by shareholders. Where not addressed through local best practices or regulation, J. Safra Sarasin Sustainable Asset Management supports the annual submission of the remuneration report and a 3-year policy vote cycle.

Capital increases

Share issuances

For general share issuances with pre-emptive rights, J. Safra Sarasin Sustainable Asset Management will support a 50% increase with pre-emptive rights, whereas general share issuances without pre-emptive rights should not exceed a maximum increase in share capital of 10%.

Antitakeover provisions

As owners of the company, J. Safra Sarasin Sustainable Asset Management believes that shareholders should have the ultimate say on any takeover offers for the company's outstanding shares. We are not supportive of the implementation of anti-takeover measures, including any actions that could lead to entrench management at the expense of shareholder rights, such as the classification of boards.

M&A

J. Safra Sarasin Sustainable Asset Management evaluates corporate transactions, including mergers and acquisitions, asset disposals, private placements and reorganizations on a case-by-case basis taking into account the financial and governance implications of the transaction, alignment with corporate strategy and investment case.

Environmental and social issues

Sustainability reports

When evaluating non-financial or sustainability reports submitted to the approval of shareholders, J. Safra Sarasin Sustainable Asset Management takes into account whether companies adhere to recognized sustainability reporting standards and favours externally assured reports. J. Safra Sarasin Sustainable Asset Management expects companies to outline their sustainability strategy, to identify material risks and opportunities and to report on relevant programs, data and targets to demonstrate on how externalities are being managed.

Climate

In alignment with J. Safra Sarasin Sustainable Asset Management's Climate Pledge, as well as other commitments made towards a carbon neutral future, it is our firm belief that companies should analyse, mitigate and report financially material risks of climate change. We encourage companies to adopt the Task Force on Climate-related Financial Disclosure's (TCFD) reporting framework including the disclosure of relevant greenhouse gas (GHG) emissions and related climate risks. J. Safra Sarasin Sustainable Asset Management implements a designated climate voting policy evaluating its highest emitting portfolio companies in how they manage their GHG emissions. J. Safra Sarasin Sustainable Asset Management will support proposals to enhance a company's disclosure of GHG emissions and climate change strategy, as well as any actions to move towards a low carbon economy.

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Biodiversity

J. Safra Sarasin Sustainable Asset Management supports the responsible use and preservation of natural resources on different levels (e.g. water, soil, minerals, forests, wildlife, ecosystems, etc.). We expect companies to disclose initiatives undertaken in this space and to evaluate both risks and opportunities. In this context, J. Safra Sarasin Sustainable Asset Management supports the reporting framework of the Taskforce on Nature-related Financial Disclosures (TNFD). When financially material, J. Safra Sarasin Sustainable Asset Management will vote in support of proposals that seek to address a company's environmental impact, recycling, product safety issues and toxic emissions.

Human rights

In addition to the screening of social issues across different asset classes, J. Safra Sarasin Sustainable Asset Management

supports human rights due diligence. We expect companies to respect the United Nations Guiding Principles on Business and Human Rights and will vote in support of proposals requesting human rights risk assessments, report or undertake specific actions on human rights standards and policies and take on actions with respect to diversity policies and disclosure.

Engagement

In line with the Swiss Code, J. Safra Sarasin Sustainable Asset Management expects companies' board of directors to keep in contact with shareholders in-between general meetings. In discussions with companies J. Safra Sarasin Sustainable Asset Management investment professionals engage on company-specific matters, including strategy, capital structure, financial and non-financial risk and strategic ESG considerations directly with management and board members.

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