

Voting policy at Annual General Meetings

Swisscanto Fund Management Company Ltd. | August 2017

1. Principles-based exercise of voting rights are efficiently implemented

We efficiently implement our voting guidelines, which are based on Swiss and international standards as well as our values. We use the assessment of an independent, recognised proxy voting advisor and our leading asset managers in the analysis and decision-making process for voting at general meetings. This enables us, with a high degree of competence, to cast all relevant votes in our domestic and international equity investments in the best interests of investors.

2. Active and independent exercise of voting rights in the interest of investors

As one of the leading fund managers in Switzerland, Swisscanto Fund Management Company Ltd. ("Swisscanto") invests with its investment funds in the shares of Swiss and international companies. By means of indirect investment in funds, investors have entrusted the fund company with the exercise of voting rights at annual general meetings (AGM) in a fiduciary capacity¹ and may expect the fund management company to exercise its shareholders' rights systematically and responsibly in their best interests. Swisscanto implements good corporate governance² in accordance with recognised principles at these companies by actively and independently exercising its voting rights.

This voting policy sets out the most important guidelines that Swisscanto uses when exercising voting rights. Swisscanto always votes in respect of listed companies domiciled in Switzerland if its voting share in a company amounts to more than 1% or if the market value of the shares held is over CHF 1 million. For international shares, this threshold is set at CHF 10 million, and the voting rights are exercised when at least one agenda item up for vote is contrary to the long-term interests of investors. For sustainability funds, a lower threshold of CHF 5 million applies to international shares without restriction in regard to controversial agenda items.

¹ Fiduciary Duty according to Art. 20 para. 1 lit. a CISA in conjunction with Art. 23 para. 1 CISA

² Swiss Code of Best Practice for Corporate Governance / FRC – The UK Corporate Governance Code

3. Sustainable increase in the enterprise value of the equity investments of our investment funds

Good corporate governance reduces the asymmetry of information between shareholders and the mandated management (the principle/agent problem). It is central to a corporate strategy that aims to secure the going concern in the long term and an enduring improvement in the enterprise value. Swisscanto's exercise of voting rights is based on Swiss and international corporate governance rules and sustainability standards, which incorporate a comprehensive set of environmental, social and corporate governance (ESG) principles into the decision-making process. Together with our values, these rules and principles form the Swisscanto sustainability guidelines, which are revised annually together with an independent and recognised proxy voting advisor.

3.1. Our behaviour with regard to the most important voting issues

The following remarks highlight some of the most important agenda items that are often controversial and that frequently give Swisscanto cause to vote against the recommendations of the board of directors/management. There are situations or agenda items in which we deviate from our guidelines by means of a case-by-case analysis (especially for reasons to better safeguard the interest of investors or to secure a constant improvement in enterprise/shareholder value generation). In our decision-making process, we rely on the advice and expertise of our leading asset managers to ensure that the investor's interest is safeguarded in the best possible way even in special cases.

Dividends

The dividend represents the financial participation of the shareholder in the company's earnings and should be therefore distributed to shareholders. Swisscanto votes in favour of a dividend pay-out ratio of a minimum of 30%. Exceptions apply in the case of companies that are in a growth phase and that reinvest their earnings accordingly in the company or use them to reduce debt. In addition, we do not expect a distribution if the financial situation of the company does not allow it.

Compensation

The remuneration system of a company can result in adverse management incentives that are not in the best interests of the company and shareholders. We focus on long-term, constant value creation for shareholders over a period of at least three years taking into account the following:

- Positive share price performance and dividends (total return)
- Increase in returns (e.g. ROE/ROIC) and/or
- Improvement in earnings (e.g. EPS)

The compensation must be aligned to the company's performance and should be focused on long-term value creation for the shareholder (pay-for-performance). Payments which are guaranteed or subject to a large margin of discretion must be avoided.

Independence of the Board of Directors

Conflicts of interest may result in decisions being made against the interests of shareholders. Swisscanto votes against the election of non-independent members to the board of directors if the majority of the board of directors are not independent members. An exception is made for listed companies with a significant shareholder. In this case, proportional representation in accordance with the shareholders' equity stake is permitted if the company has a uniform capital structure and the 'one share, one vote' principle is respected.

Dual mandate

A good weighting between 'checks and balances' is a proven method for better decisions and exercising effective control over the management. In principle, Swisscanto votes against candidates with a dual mandate who are nominated as both a member of the board of directors (supervisory) and executive board (management) at the same time (in case of dual board structures).

Discharge

The granting of discharge restricts recourse by the shareholders to members of the board of directors. Swisscanto refuses to grant discharge in cases of gross misconduct of a member of the board of directors or where criminal acts are suspected. Discharge is also refused in the case of significant and repeated earnings adjustments by the management.

Corporate action and capital structure

Capital increases without subscription rights for the present shareholders dilutes the earnings for existing shareholders. Swisscanto empowers the board of directors to carry out a capital increase of up to a maximum of 100% of the currently issued capital at their discretion provided that the pre-emptive

right is guaranteed for existing shareholders. Without pre-emptive rights, the upper limit is 20%.

Unequal participation rights mean that certain shareholders receive a disproportionate return in relation to the invested capital. Swisscanto supports the principle of 'one share = one vote' and does reject the introduction of share classes with different voting rights or other unequal shareholder rights including any voting restrictions.

Mergers & Acquisitions

Acquisitions form part of a dynamic economy but they can also lead to large losses. Mergers and acquisitions are assessed on a case-by-case basis. In the first instance, a merger should be strategically appropriate and the valuation should be reasonable.

3.2 Support for economically sensible sustainability resolutions

At AGMs, we support resolutions designed to improve good corporate governance in the long term in accordance with recognised principles or to enforce ethical, social or environmental (ESG) aspects, as long as these are appropriate and sensible for the current company's value creation (range of production or services) or fit to the strategic orientation of the company.

3.3 Transparency and information for investors on voting behaviour

The "Swisscanto Sustainability Proxy Voting Guidelines" are available at [swisscanto.ch/voting](https://www.swisscanto.ch/voting). These are applied to the collective investment schemes of Swisscanto Fund Management Company Ltd. (including our private label funds). In the aftermath of an AGM, our actual voting behaviour is also disclosed on this page.

Contact

Swisscanto Fund Management Company Ltd.
P.O. Box
CH-8010 Zurich
E-mail voting@swisscanto.ch

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