



Sparinvest Voting Policy

Focussed on long term corporate value

Sparinvest

Voting Principles

The below principles apply to all equity investments managed by Sparinvest, and are used to inform our voting decisions on both management and shareholder proposals. In formulating our voting principles, and in making individual voting decisions, our aim is to limit risk and enhance long-term corporate value, based on the guiding principle of serving the long-term interests of investors in our funds. Precise thresholds – such as for board independence – may vary by region. In certain situations, certain principles may appear contradictory to other principles; in such cases, as always, we expect management to work in the best interests of long-term shareholders.

Constitution:

- We support the principle of ‘one-share, one-vote’.
- We are generally opposed to any kind of ‘poison pills’.
- We support strong protection of minority shareholders’ rights.
- We support fair access to propose shareholder resolutions.

Directors:

- The board may include both executive and non-executive directors, but a significant proportion – ideally a majority – should be independent non-executive directors.
- Reflecting our belief that the board should provide effective independent oversight, we believe that the roles of chairman and chief executive should be separate, and will typically vote against appointments that combine these roles.
- The board should include directors with an appropriate balance of relevant experience and skills.
- The board should consider the diversity of its membership. We believe there are long-term benefits to diversity in the board, and, for example, as a basic initial threshold, we will typically vote against the appointment of the Chair of the nomination committee or the chair of the board at companies that fail to appoint at least one woman to the board.
- Nomination committees should consist of a majority of independent non-executive directors.
- Director nominations should include sufficient information regarding the nominee’s experience, skills and links with the company, to allow shareholders to make a well-informed decision.
- Director nominations should not be bundled.
- The board should take steps to measure and ensure its effectiveness. This should include ensuring that directors are able to allocate sufficient time, and do not hold excessive numbers of board appointments.

Remuneration:

- Remuneration committees should consist entirely of independent non-executive directors.
- A transparent remuneration policy should align the interests of management with the corporate strategy for creation of long-term value and the long-term interests of shareholders.

Reporting and Audit:

- Companies should be transparent, providing full and meaningful disclosure of relevant information to stakeholders.

- Such disclosure should include Environment, Social and Governance related information, which we believe can have significant financial implications, particularly over longer time-periods. For example, we may support shareholder proposals aiming to bolster corporate transparency on Environmental, Social and Governance issues.
- Accounts should be audited by independent external auditing firms whose other relationships with the company cannot be considered to impair that independence.
- Audit committees should consist entirely of independent non-executive directors.

Dividends, Share Buybacks and Capital Allocation:

- Management decisions on capital deployment, the distribution of capital, and corporate actions such as M&A, should be taken in the best interests of long-term corporate value. This consideration may influence our votes on items such as dividends and share buybacks.
- We may vote against the election of senior executive directors where measures of capital efficiency are persistently low over a number of years and where we perceive a lack of a clear and effective strategy to remedy that.

Subject to the above principles, we support the principle that companies should comply with best practice corporate governance standards applicable in their country of domicile, or explain noncompliance.

Voting Process

We aim to vote the shares we manage at all relevant shareholder meetings, except where the beneficial owners have instructed us otherwise, or where it is considered not to be cost effective.

In our actively-managed fundamental equity funds – the value equity range – we aim to vote all shares. In our quantitative and index funds, bearing in mind the overall focus on low costs, we vote only on holdings of a significant size; currently, this means holdings where our funds invest over EUR 1 million.

We vote against resolutions which are inconsistent with our principles, or which we otherwise consider not to be in the best interests of our clients. When Sparinvest decides to vote against management recommendations, we will attempt to explain this to the company – if time permits, before the vote is exercised. We are keen to have a constructive dialogue with the companies in which we invest.

Sparinvest uses the proxy advisory company Institutional Shareholder Services (ISS) to assist with the operational practicalities of voting. ISS provide us with analysis of voting agendas based on a customized voting policy specified by Sparinvest, which in turn is based on our Voting Principles.

In our actively-managed fundamental equity funds (value funds), for each shareholder meeting the investment team reviews the agenda and ISS analysis. Voting decisions are then made on a case-by-case basis at the discretion of the team, consistent with our Voting Principles and the best interests of our clients. Our decisions can, and do, vary from ISS recommendations.

In our quantitative and index funds, voting decisions follow the ISS analysis based on our customized voting policy. Where a company falling into this category is also held in our actively managed fundamental equity funds, we will vote in line with the voting instructions directed by the portfolio managers of those funds.

Disclosure of Voting Policy and Record

The Responsible Investment area of our website includes our full Stewardship policy, this Voting Policy and our voting record on individual fund holdings.

<http://www.sparinvest.lu/investing%20responsibly/overview.aspx>.